Research Paper

Factor Analysis Study of HR Practices in Indian Insurance Service Providers

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Abstract
Human Resource (HR) practices are associated with all organizations, regardless of their type, size, nature, and scope. Organizations should ensure that the HR practices being followed in their organisation are appropriate as per the vision and mission of the organization. The organisations must work in line with the HR practices which have been laid down so as to operate in a systematic manner and succeed in their business. Employees working in different insurance companies in Jabalpur district have been a part of this study. In all, a sample of 136 employees working in different Life and Non-Life Insurance companies have indicated their response towards the HR practices being followed in their companies. Factor analysis has been applied to find the factors that represent the HR practices in different insurance companies operating in India. The result showed four factors prevailing in this sector, which have been extracted from factor analysis, i.e. Organizational culture, Training and Development, Compensation policy and Recruitment and Selection. The study concludes that there has been a tremendous growth in service industries, and to gain a competitive advantage, service based insurance companies need to place more emphasis on human resource management practices.
Key Words: Employees Perception, HR practices, Insurance Service Providers and Factor Analysis.

I.   Introduction:

Human resources are said to be vital and unique in nature, and they form an important part of every organization. Human Resource Management (HRM) practises are popularly referred to as HR practices, and they have changed radically during the past few decades after privatisation and liberalization. An organisation can achieve success in the competitive business through advanced technology, goodwill, and economies of scale, but they are more dependent upon the human resource, and it is highly concerned about the HR practises (Collins, C.J., and Clark, K.D., 2003). The organization's environment is quite unstable, and this makes the organisation adopt HR practises aimed at consistent performance achievement. The organisations should hire the right person for the right job so as to grab the organisational opportunities for facing intense competition in the market. The organisation needs to hire the right employees, and this depends upon the HR practises that would actually guide them in recruiting and selecting the right person (Bratton, J., & Gold, J. (2007)). The overall performance of an organisation would depend upon the degree to which it is able to utilise its human resources. An organisation could be successful and sustain itself for a longer duration if they could manage HR practises that were suitable for their distinctive area, situation, and culture. There are a few such studies that have been conducted taking into consideration the HR practises being followed by insurance companies in Jabalpur district. This study is being conducted to identify factors affecting HR practises at insurance companies in the Jabalpur district.

In India, HRM as a concept has risen after the privatization and liberalization policy in the year 1990. Before 1990, HR practices have not been much satisfactory in many organizations and the main reasons behind this was poor condition of participation from the employees, improper communication system between managers and the employees because of the hierarchic nature of different organizations. The feeling of the people at the top level in the organization was quite high and many of them lacked in systematic HR planning

(Koirala, 1989). The jobs assigned to the managers were not very challenging and reward system was not linked properly with performance (Dessler, G., 2007). Training and development programmes are conducted by different organizations and they aim to develop knowledge and skills of employees (Adhikari and Gautam, 2011). The organizations in India have with time developed their HR practices and sometimes this helps the organization to achieve great success in their organization.

Theoretical background - HR Practices

HRM refers to practices and policies which are carries out HR aspects of a management position which includes HR planning, job analysis, orientation, recruitment and selection, performance appraisal, compensation, labour relations, training and development (Dessler, 2007). HRM is composed of systems, policies and practices which influence the attitude, performance and behaviour of employees (Noe, Hollenbeck, Gerhart, and Wright, 2007).

There are many writers who have critical of growing their interest in HRM and the impact which they have on the workers. Applebaum et al. (2000) has found consistent evidence about positive association between greater usage of practices as well as employee outcomes. Employee outcomes indicate measure of commitment, intrinsic satisfaction, trust, and stress and job satisfaction. Ramsey et al. (2000) have mentioned about thorough testing of competing explanation of relation between corporate performance, employee attitudes and HR practices. Guest (1997) linked HRM as well as performance whereby Training, Selection, rewards, Appraisal, status, security and job design is used as HR practices and commitment, flexibility and quality as HRM outcome.

Hendry & Pettigrew (1990) were mainly concerned towards classification and identification of key environmental influence on HRM. Guest (1987) has made an attempt to capture spirit of the approach that seeks to present it within a specific framework which specifies some links so that resulting model could be tested and be possibly disproved. This study assumed that when integrated set of HRM practices are applied there will be higher level of worker's performance and it would result into creation of positive impact on the performance of organization.

There are different HR practices being followed by the organizations, some of them have been explained below:

• **Recruitment and selection** - Ongori (2010) have pointed this process as function of HRM that brings HR in organization. Bratton and Gold (2007) have mentioned in the study that recruitment and selection practice involves two consistent and inter-connected processes.

• **Training and Development** – Training helps in developing necessary employee abilities and skills and this leads to increase in employee commitment and satisfaction towards their workplace and jobs through their personal development (McEvoy 1997).

• **Compensation Policy** – Compensation based on performance is dominant HR practice which firms are in an order for evaluation and rewards for the employees' actions (Collins and Clark 2003). Cho, Woods, Jang and Erdem (2006) suggested that the incentive plan is considered to be effective when there is decrease in the staff turnover rate.

• **Job Security** - Job security creates an ambiance of self-reliance and self-confidence to employees. In the current scenario, there are very few employees which are providing job security to the employees. Givord and Maurin (2004) in their analysis have mentioned about changes in risks of involuntary job loss in France during the period from 1982 to 2002.

• **Organizational culture and employees' recognition** – The organizational culture is nexus of different aspects like values, beliefs, relationships and work styles which make an organization quite different from the other. Hofstede's (1984) have mentioned that there are different cultural dimensions related to work.

Statement of the Problem:

Human resources form an inevitable part of an organization, and they are major determinants of the success or failure of an organization. Organizational practises lead to the success or failure of any business. It is important that organisations formulate their HR practises in a way that is beneficial for the organisation and for the employees. HR practises would assist the organisation in retaining the best employees in the long run. The employees are the basic resource for an organization, and it is therefore important that they are capable enough for recruitment, selection, training, compensation, benefits, retention, security, and recognition. Good HR practises would lead to the successful attainment of the organization's goals. The insurance companies that deal with life and non-life insurance products have their own HR practices, which they are following for the benefit of the organization. The companies aim to maximise their productivity and profitability, but it is important that they define their HR practises in such a way that the employees remain connected with the same company and work towards the growth of the organization. It is important to understand the factors that represent the HR practises of different insurance companies.

Objectives of the study:
This study is having the following objectives:
1.   To study various HR factors operating in insurance companies of India.
2.   To perform factor analysis of Human Resource practices prevailing in Indian Insurance industry.

II.   Research Methodology

Research design - This study is descriptive and inferential in nature to study about HR practices in Indian insurance companies. The study was based on both primary and secondary data. The structured questionnaire includes various questions based on demographic profile of the employees which are close ended questions using nominal scale and the perception towards HR practices is mentioned based on 5 point likert scale. Sampling technique applied in this study is random sampling. In all, 200 employees were approached for collection of primary data and out of them 150 responded to the questionnaire, some of them were not filled properly, hence finally a sample of 136 employees has been considered in the study. The employees working in Life and Non-Life Insurance companies in Jabalpur represented the population for the study and 136 have been selected as sample for analysis.

Limitation of the Study
•   This study is focused on employees of Insurance companies working only in Jabalpur district.
•   There are different HR practices and a few of them have been selected in this study.

III.   Data Analysis and discussion

This study is based on Primary data and it has been collected through a structured questionnaire. The structured questionnaire includes various questions based on demographic profile of the employees which are close ended questions using nominal scale and the perception towards HR practices is mentioned based on 5 point likert scale. The employees working in Life and Non-Life Insurance companies in Jabalpur represented the population for the study and 136 have been selected as sample for analysis.

Factor analysis has been applied for finding the factors which represent the HR practices in different Insurance companies.

Demographic Profile of the employees
a)   **Age of the employees**

Table 1. Age of the employees

Sr. no.	Category	No. of Employees	Percentage
1	Less than 25	0	0.0
2	26 to 40	76	55.9
3	41 to 55	43	31.6
4	56 and above	17	12.5
	Total	136	100

In all a sample of 136 employees has been considered in this study, majority of the employees are in the age group of 26 – 40 years i.e. 55.9%, followed by 41 – 55 years i.e. 31.6%, 56 & above i.e. 12.5% and there is no employee in the age group less than 25 years. This study has considered the employees of different age groups.

b)   **Cadre of employees**

Table 2. Cadre of employees

Sr. no.	Category	No. of Employees	Percentage
1	Middle Level	79	58.1
2	Top Level	57	41.9
	Total	136	100

Based on the table above, majority employees are in the cadre at middle level in the Insurance companies i.e. 58.1% and 41.9% are working at the top level. The perception of the employees working in Insurance companies is different, hence employees working at different cadre in the companies have been considered in this study.

c) **Working in which type of Insurance Company**

Table 3. Working in which type of Insurance Company

Sr. no.	Category	No. of Employees	Percentage
1	Life Insurance	91	66.9
2	Non-Life Insurance	45	33.1
	Total	136	100

The employees of different type of Insurance companies have been considered in the study i.e. Life Insurance and Non-Life Insurance. Majority employees are working as employees in Life Insurance companies i.e. 66.9% and remaining 33.1% employees are working in Non-Life Insurance companies. A view of employees working in different type of Insurance companies have been considered in this study.

d) **Years of experience in the current Insurance Company**

Table 4. Years of experience in the current Insurance Company

Sr. no.	Category	No. of Employees	Percentage
1	Less than 3 yrs.	39	28.7
2	3 to 5 yrs.	57	41.9
3	6 to 10 yrs.	27	19.9
4	More than 10 yrs.	13	9.6
	Total	136	100

Majority employees have been working in the Insurance Company since 3 to 5 years i.e. 41.9%, followed by less than 3 years i.e. 28.7%, 6 – 10 years i.e. 19.9% and remaining 9.6% have been working since more than 10 years. The experience of the employees also makes a difference in their perception towards the HR practices, hence the employees having a different year of experience have been considered in the study.

Testing of Hypothesis Using Factor Analysis
a) **KMO and Barlett's Test**

Table 5. KMO and Barlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.871
Bartlett's Test of Sphericity	Approx. Chi-Square	1262.613
	Sig.	.000

The above table no. 5 has been extracted from SPSS 20 through the application of KMO and Bartlett's Test. The value of KMO should be above 0.60, then the data could be proceeded towards factor analysis. The significant value is 0.000 which is less than 0.05 and hence Factor analysis has been applied on the data collected through structured questionnaire.

b) **Reliability Analysis – Cronbach's Alpha**

Reliability Statistics

Cronbach's Alpha	N of Items
.844	15

Cronbach's Alpha has been applied through SPSS 20 for checking the reliability of the data which is based on likert scale. The value of Cronbach's Alpha in the table above is 0.844 and this indicates that the data collected based on the likert scale has consistency.

c) **Communalities**

Table 6. Communalities

Communalities	Initial	Extraction
Company considers my suggestion for solving problem	1.000	.768
Seniors give me respect	1.000	.570
I am quite satisfied with my salary	1.000	.842
Frequent meetings are conducted between employers and employees	1.000	.905
Company has provided insurance facility to all the employees	1.000	.681
Company provides attractive retirement benefits	1.000	.708

My idea is considered in staff meeting	1.000	.895
I have represented my own department in various formal meetings	1.000	.847
Company's recruitment and selection process is impartial	1.000	.842
My comment on senior's decision is given importance	1.000	.789
Company gives me bonus every year	1.000	.771
Company provides training and development program on regular basis	1.000	.594
Employees who work modestly are not fired	1.000	.657
Recruitment and selection of employees is done through panel interview	1.000	.853
Selection process is mainly based on merit of employees	1.000	.746
Extraction Method: Principal Component Analysis.		

(Source: Factor analysis has been applied through SPSS 20)

The above table no. 6 represents the communalities for all the 15 variables considered in the study. The value of communalities varies between 0.570 to 0.905. The lowest communality is of "Seniors give me respect" i.e. 0.570 and the highest communality is of "Frequent meetings are conducted between employers and employees" i.e. 0.905.

d) Total Variance Explained

Table 7. Total Variance Explained

Total Variance Explained								
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings	
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.820	38.799	38.799	5.820	38.799	38.799	5.689	37.927	37.927
2	3.095	20.632	59.430	3.095	20.632	59.430	2.619	17.462	55.389
3	1.491	9.937	69.368	1.491	9.937	69.368	1.612	10.743	66.133
4	1.063	7.084	76.451	1.063	7.084	76.451	1.548	10.319	76.451
5	.794	5.293	81.744						
6	.772	5.149	86.893						
7	.538	3.588	90.481						
8	.372	2.481	92.962						
9	.306	2.037	94.999						
10	.292	1.946	96.944						
11	.207	1.380	98.324						
12	.118	.785	99.109						
13	.092	.615	99.724						
14	.041	.276	100.000						
15	.034	0.08	100.000						
Extraction Method: Principal Component Analysis.								

The above table no. 7 has been extracted as a part of Factor Analysis and this table indicates Principal Component Analysis. In all there are 15 variables which represent HR practices of Insurance companies based on Jabalpur district. The variables have been reduced to 4 factors through the use of Factor analysis. Factors having initial Eigen value above 1 has been considered. The Eigen value ranges between 1.063 to 5.820.

e) Rotated Component Matrix

Table 8. Rotated Component Matrix

Rotated Component Matrix[a]				
	Component			
	1	2	3	4
I have represented my own department in various formal meetings	0.676			
Seniors give me respect	0.893			
My idea is considered in staff meeting	0.904			
My comment on senior's decision is given importance	0.81			
Frequent meetings are conducted between employers and employees				
Company provides training and development program on regular basis		0.697		
Company considers my suggestion for solving problem		0.927		
I am quite satisfied with my salary		0.88		

Company provides attractive retirement benefits			0.893	
Company gives me bonus every year			0.848	
Company has provided insurance facility to all the employees			0.725	
Selection process is mainly based on merit of employees			0.718	
Recruitment and selection of employees is done through panel interview				0.777
Company's recruitment and selection process is impartial				0.749
Employees who work modestly are not fired				0.722
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				

The above table has been extracted as a part of Factor analysis through the application of Extraction Method: Principal Component Analysis and Rotation Method: Varimax with Kaiser Normalization through SPSS 20. The above table indicates the extraction of 4 factors from 15 variables and they have been given specific names of HR practices in analysis below.

f)   Factors extracted and renamed based on the variables

Table 9 Factors extracted and renamed based on the variables

I have represented my own department in various formal meetings	Factor 1 - Organizational Culture
Seniors give me respect	
My idea is considered in staff meeting	
My comment on senior's decision is given importance	
Frequent meetings are conducted between employers and employees	Factor 2 - Training and Development
Company provides training and development program on regular basis	
Company considers my suggestion for solving problem	
I am quite satisfied with my salary	Factor 3 - Compensation policy
Company provides attractive retirement benefits	
Company gives me bonus every year	
Company has provided insurance facility to all the employees	
Selection process is mainly based on merit of employees	Factor 4 - Recruitment and Selection
Recruitment and selection of employees is done through panel interview	
Company's recruitment and selection process is impartial	
Employees who work modestly are not fired	

The above table no. 9 shows that there are four factors which have been extracted through Factor analysis. Factor 1 is named as "Organization Culture, Factor 2 is named as "Training and Development", Factor 3 is named as "Compensation policy" and Factor 4 as "Recruitment and Selection". The factors have been named based on the variables which have become a part of the factors.

Major Findings:
- Majority of the employees are in the age group of 26 – 40 years.
- Majority employees are working as employees in Life Insurance companies, followed by employees are working in Non-Life Insurance companies.
- There are four factors which have been extracted through Factor analysis i.e. Organization Culture, Training and Development, Compensation policy and Recruitment and Selection.
- The total variance of these four factors together extracted is 76.45% and this shows these four factors altogether explain the HR practices of insurance companies.
- Organization culture is the most influencing factor (respect, creativity, involvement in decision-making etc.) in HR practices of insurance companies.

IV.   Conclusion

The employees working in Life and Non-Life Insurance companies in Jabalpur represented the population for the study and 136 have been selected as sample for analysis. Factor analysis has been applied for finding the factors which represent the HR practices in different Insurance companies. In all there are 15 variables which represent HR practices of Insurance companies based on Jabalpur district. The variables have been reduced to 4 factors through the use of Factor analysis. There are four factors which have been extracted through Factor analysis. Factor 1 is named as "Organization Culture extracted as 37.927% of the total variance, Factor 2 is named as "Training and Development" extracted as 17.462% of the total variance, Factor 3 is named as "Compensation policy" extracted as 10.743% of the total variance and Factor 4 as "Recruitment and Selection" extracted as 10.319% of the total variance. All the four factors together explain 76.451% of the total variance. Organization culture plays a very vital role in understanding HR practices prevailing in Indian insurance business.

Direction for future research & Managerial implications:

The study might be helpful in gaining insight about HR aspects for the employees working at different levels in the organizations. This research work is mainly based on the insurance industry and provides important references related to HR practices. For future research, HR practises can be linked to some other variables such as job satisfaction, organisational performance, stress management, employee engagement, employee turnover, and employee commitment to broaden knowledge about HR practices. This research is based on the employees working in the insurance companies, but it could be further applied to other types of organisations belonging to different sectors like Telecom, Banking, Automobile and many others.

The managers of the insurance companies could benefit from the findings of this study, as it has helped identify four factors based on the HR practises being followed in Insurance companies i.e. Organization Culture, Training and Development, Compensation policy and Recruitment and Selection. The employees are the assets of a company, and it is important that the employees remain consistent with their zeal and energy in the same company, This will have a managerial implication on the higher officials of the insurance companies, as the main factors have been suggested in this study, and this will make the employees work efficiently and effectively in their company.

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