

A STUDY OF EMPLOYEE WELFARE AND PERFORMANCE APPRAISAL PRACTICES IN RELATION TO ORGANIZATIONAL CLIMATE IN PUBLIC AND PRIVATE SECTOR INSURANCE COMPANIES OF CENTRAL INDIA

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Abstract Employee welfare and performance appraisal practices play a very important role in the overall development of an organization. Success of HRD in an organization depends on the existence of a favourable organizational climate. The present paper aims to study the employee welfare and performance appraisal practices in relation to organizational climate of both public and private insurance companies. A sample of 300 employees (managers/development officers and office level personnel) working in different insurance companies of central India were administered the questionnaires which were supplemented by key informant interviews. Results of the study revealed that employees were satisfied with the current appraisal methods as they effectively contributed to employee development. Criteria used to evaluate the performance were clear, performance was noticed and rewarded. Majority of the employees were satisfied with the different types of employee welfare schemes provided by the organization. Further the research also revealed that HRD climate among the employees was found to be more important in facilitating the HRD practices.

Keywords: Employee Welfare, Performance Appraisal, Organizational Climate, Public and Private Insurance Companies

INTRODUCTION

Employee welfare and performance appraisal initiatives are indispensable for the growth of insurance sector. An effort to promote employee welfare ensures the quality of work life, along with honours and awards to promote a general climate of development and motivation among employees. Similarly, Performance appraisal offers a valuable opportunity to work on the predetermined goals. It identifies and resolves the problems, encourages better future performance and recognizes the work efforts. These mechanisms, if practised well, contribute to the achievement of overall HRD goals paving way for sound organizational climate; which is the perception of insurance employees about the internal environment within which they work. Therefore, an attempt is made to determine the employee welfare and performance appraisal practices and how they relate to the organizational climate prevailing across public and private insurance companies.

CONCEPT OF EMPLOYEE WELFARE

Employee welfare is a term including various services, benefits and facilities offered to the employees by the employers like housing schemes, medical benefits, education and recreation. It provides for physical and mental health of the insurance employees; promoting a healthy and congenial work environment. It also, enhances the morale and motivation of the employees by retaining them for longer duration. Keerthi et al. (2014), states that the welfare measures are important for every employee, and the central aim of the personnel department is to keep its employees satisfied with welfare measures and healthy working atmosphere. Satyanarayana & Reddy (2012) revealed that majority of the employees were satisfied with all the welfare measures provided by the organization.

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CONCEPT OF PERFORMANCE APPRAISAL

Performance appraisal is vital for Insurance companies to focus on its key resource to increase productivity. It not only evaluates the employees' efficiency, but also their expectations and satisfaction regarding the various aspects of their job. Insurance companies also use various methods for appraising the employees, so that the real potential of the human asset can be known and utilized in proper way and the weaknesses can be converted into strengths. According to Brown and Heywood (2005), performance appraisal is adopted when the employer expects to obtain benefits from the use of the practice. Baron and Kreps (1999) also, pointed out that the appropriateness of a system of performance appraisal depends on the characteristics of the organization and the HRM system adopted by the employer.

LITERATURE REVIEW

Srivastava (2004) examined the effect of welfare activities on job satisfaction and attitude of workers towards management across the public and private sectors. Results indicate that welfare activities affect the workers' attitudes towards management and job satisfaction in both the sectors. Comparing both the sectors, it was found out that public sector is providing its workers with better facilities. Results further suggest if workers are satisfied, their work attitude will also be positive resulting in development of an organization.

Performance appraisal status of private bank employees was assessed by Rani et al., 2014. The study revealed that most of the private banks use 360 Degree Appraisal method for performance appraisal and employees are in general satisfied with the current appraisal method and agreed that performance appraisal helps in achieving organizational goals, improves their level of motivation and job satisfaction bringing good performance.

Another study by Jaiswal & Singh (2014), explored the extent of HRD Climate and Team empowerment prevalent in organizations. Findings highlight that the contribution of HRD Climate is extremely important for the ultimate achievement of the organizational goals. Study also suggested that individuals in an organization have unlimited potential for growth and development and this potential can be developed and multiplied through appropriate and systematic efforts.

With the above background the present study was conducted to explore the employee welfare and performance appraisal practices in public and private insurance companies in relation to organizational climate (figure 1).

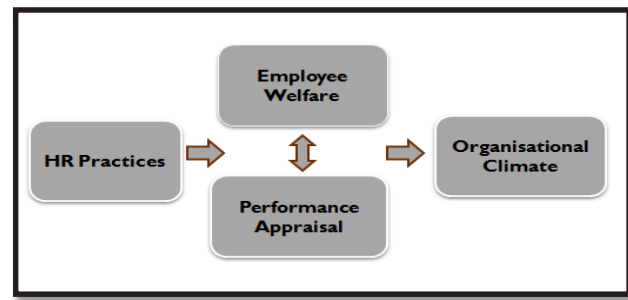


Figure 1: Conceptual Model for the Study

METHOD

It is a descriptive study based on primary data collected using survey type research methodology.

SAMPLING

A sample of 300 employees from Insurance companies was selected through Purposive sampling technique including both male and females from four public and five private sector insurance companies from central India i.e. Bhopal (65%), Indore (20%), Jabalpur (6.7%), and Satna (8.3%) were taken in view of their location, willingness to participate in the study and insurance turnover.

Table 1: Sampling of the Study

S. No.	Public Sectors	No. of respondents	Percentage (%) of respondents
1	LIC	75	25.0
2	UII	37	12.3
3	OIC	38	12.7
4	NIA	64	21.3
	Total Public Sector	214	-
S. No.	Private Sectors	No. of respondents	Percentage of respondents
1	ICICI Lombard	14	4.7
2	HDFC life	37	12.3
3	SBI Life	15	5.0
4	IFFCO-Tokio	9	3.0
5	Universal Sompo	11	3.7
	Total Private Sector	86	-
	Grand TOTAL	300	-

The above questionnaires were individually administered to managers, development officers and office level personnel from Life Insurance Corporation, Oriental Insurance Company, United India Insurance Company and New India

Assurance (public sectors) SBI life Insurance, ICICI Lombard, HDFC life Insurance, IFFCO Tokio and Universal Sampo (private sectors). To substantiate the study further, qualitative information was taken in the form of key informant interviews (N = 17) from top ranked officials of the company designated as (Branch Manager / Deputy Manager).

TOOLS & TECHNIQUES

HRDC Questionnaire was adapted from a scale constructed by Dr. Upinder Dhar and Santosh Dhar (1995) which consisted of 58 questions relating to Human Resource Development Climate (HRDC). The scale was further subdivided into 15 factors, People Orientation, Superior-subordinate Relations, Employee Counselling, Openness, Transparency, Performance Appraisal, Facilitation, Trust, Experimentation, Reward System, HR policies, Potential Appraisal, Cooperation, Delegation, Competence. These 15 factors were further subjected to second order factor analysis and six dimensions were identified: Experimentation, Trust, Openness, Facilitation, Transparency and Reward system.

Another scale of 14 items was adapted from Singh & Singhal (2015) to know the efficacy of different HR practices like Performance appraisal, and Employee welfare practices in insurance sector. Both the scales were rated on five point Likert scale ranging from 1 as strongly disagree to 5 as strongly agree. The data was obtained from the filled in questionnaires was subjected to both reliability and validity tests for the insurance employees (table 2).

The table shows the reliability and validity test of questionnaires.

Table 2: Reliability and Validity Analysis

Components	Statements in the questionnaire	No. of Respondents	Cronbach's Alpha
Human Resource Development Climate	58	300	0.94
Human Resource Practices	14	300	0.844

From the above table it is clear that alpha value of Cronbach for the overall scale was 0.94 for Human Resource Development Climate and 0.844 for Human Resource Practices indicating high reliability. Thus it can be said that the instrument could be used with confidence to measure the constructs defined.

RESULTS

Demographic Profile

The study has revealed, age classification of the respondents where public insurance company showed 73% of the respondents belonging to the age group of more than 46 years followed by very low rate of about 6% of the respondents in the private sector. In addition to this, 23% of the respondents belonged to the age group of 36-45 followed by a slight downfall in public insurance company at 20%. Further, study also revealed that less than 71% of the respondents are working in private insurance companies are less than 35 years of age as compared to only 7% from the public insurance companies.

Further, designation based distribution was also observed depicting that majority of the respondents came under the cadre of office level personnel showing a high percentage of 51% in the public, followed by 46% in the private insurance. In continuation, 14% of the respondents reported to be in the designation of development officers in public, whereas in private, the percentage comes across to only 6%. In addition to this, 48% of respondents belonged to the category of highest cadre i.e. managers reported to be in public followed by 35% in the private insurance companies.

Similarly, public insurance companies had higher years of experience with 78% serving for more than 20 years in the company as against only 2% of the respondents working in private insurance companies with such long experience. At the same time, it was also observed that 21% of respondents from private insurance companies had 11-20 years of service, followed by 15% in the public insurance. However, 49% of respondents from private insurance were found to be in between 4-10 years of experience as against only 6% in the public insurance companies (Figure 1).

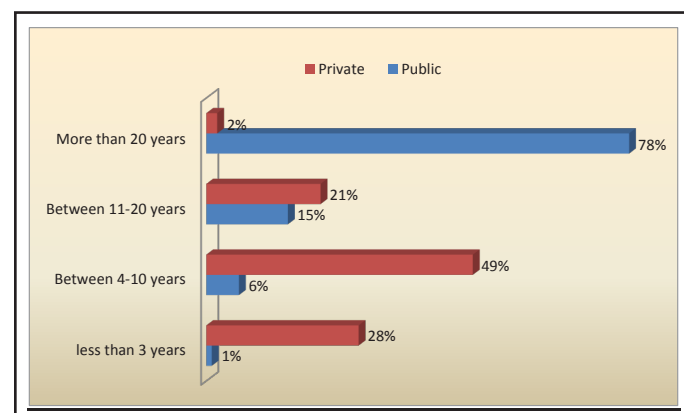


Figure 2: Percentage of Experience across Public and Private Insurance Companies

Hence, the descriptive analysis of the demographic profile represented in the figures above indicates clearly that under all the three mentioned variables (age, designation and experience) respondents' percentages are found to be varying.

Objective wise analysis is described below

EMPLOYEE WELFARE AND PERFORMANCE APPRAISAL PRACTICES

HRD practices include performance appraisal, a systematic evaluation adopted by insurance companies to analyze an employee with respect to his performance on the job and his potential for development, and employee welfare activities enriching the life of insurance employees, keeping them happy and content. Results revealed that the scores of both employee welfare as well as performance appraisal practices were high and the employees were motivated and satisfied to a great extent. The major factor contributing towards HR practice was represented by employee welfare followed by performance appraisal in the graph (figure: 2) below.

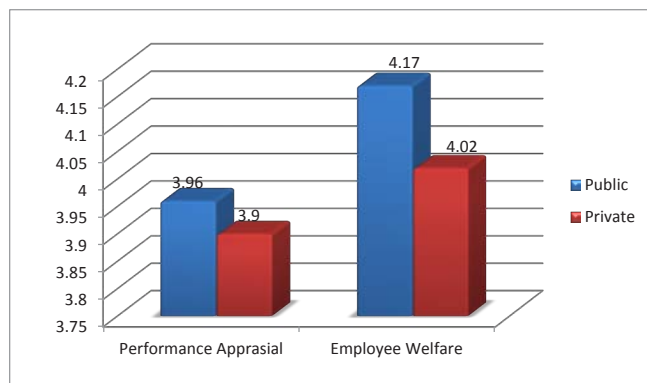


Figure 2: Perceived Efficacy of Employee Welfare and Performance Appraisal

The above results indicate that in the present context insurance companies value these HR practices strongly and at the same time beliefs in improving HR practice as per situation for the sake of continuous development and motivating employees to reach great heights. In addition to this, while conducting interviews of the respondents, it was further found that current performance appraisal system is well designed and to a great extent goals are set and if any variation arises, employees work on those gaps to cover it. On the other hand, respondents were well satisfied with the overall welfare activities like incentives and bonus is given to each and every cadre, medi-claim, Leave travel subsidy, retirement benefit schemes, death relief schemes etc. were also existing and functional.

HR PRACTICES AND ORGANIZATIONAL CLIMATE

With the help of Pearson's correlation, (table 3) it is predicted that significant positive correlation exists between all the dimensions of Organizational Climate (significant at 0.01) Highest positive correlation ($r = .861$) was found between the dimension of openness and facilitation, indicating that as the dimension of openness progresses the level of facilitation will also increase, indicating that employees will enjoy their work, thereby, accepting the change without much resistance in a spontaneous manner as now change will be seen as an inevitable phenomenon to be carried on by all.

Trust is also found to be positively correlated with openness ($r = .854$) which indicates that as the level of trust increases openness also increases, indicating that employees of the organization are informal and would wish to discuss their personal problems. Overall a congenial work atmosphere will be developed that will discourage all sorts of negativity from the workplace restricting in accusing their peers too.

Positive correlations were found in the dimension of facilitation and trust ($r = .851$) showing that as facilitation component increases, the level of trust also increases, indicating employees to utilize their full potential; moreover, efforts will be made to identify these potentials by building conducive organizational climate so that knowledge, skills and attitudes.(K.S.A.) will also be developed. Another important dimension, reward system also resulted in positive correlation with trust ($r = .849$) this signifies that if the performance of employees are at par, they will be recognized by the organization. This dimension will also lead the superiors in facilitating the subordinates in recognizing their career opportunities. Similarly, positive correlations were found for reward system and facilitation ($r = .841$), followed by transparency ($r = .826$) and openness ($r = .825$) this represents that as the level of reward system enhances it increases dimensions like facilitation, transparency and openness creating space for superiors in polishing subordinates' jobs in a better way and helping them to overcome the level of stress and frustration. It will also develop a healthy climate whereby, employees can discuss their feelings or problems openly.

Good correlations were also found in the dimension of transparency and trust ($r = .824$), followed by the association of openness ($r = .812$) this relation signifies that as the level of transparency goes up the level of trust also rises resulting in mutual cooperation with each other creating a strong climate to work as issues like biased decision at the time of promotions will be neglected to a great extent.

Experimentation and facilitation resulted in positive correlation ($r = .789$) indicating an open feedback mechanism about an employees' strengths and weaknesses facilitating employees to work in teams. These inputs will improve the performance of subordinates; they will be prepared for facing future complexities. In the same line, positive correlations were found in facilitation and transparency ($r = .771$) indicating that management emphasises on employees development by working on creative ideas as well as facilitating free conversation between the management and employees.

Likewise, significant positive correlations were found in experimentation and trust ($r = .744$) followed by significant positive correlation ($r = .733$) between experimentation and openness. Results demonstrate that, as the well of experimentation rises up, the level of trust followed by

openness also increases, indicating that the employees are facilitated to make use of their knowledge, skills and attitude imparted at the time of training and development programs at the same time, adequate information about their performance is provided that undoubtedly grooms the employees by the belief that workforce can be developed at any stage of life.

Further, inter-correlations in HRD practices and Organizational climate existed at moderate level (significant at 0.01 level) indicating Employee welfare and reward system at correlated at ($r = .512$) which is followed by trust at ($r = .482$), then performance appraisal value follows previous one at ($r = .454$), followed by openness at ($r = .425$), and it is then followed by facilitation at ($r = .404$) As, predicted from the above table remaining all the other variables were found to be with low correlation (table: 3).

Table 3: Inter Correlations between HRD Practice and Organisational Climate

		Exp.	Trust	Openness	Facilitation	Transp.	Reward System	Perf.app.	Welf.
Experiment.	Pearson Correlation	1	.744**	.733**	.789**	.705**	.722**	.315**	.330**
Trust	Pearson Correlation		1	.854**	.851**	.824**	.849**	.356**	.482**
Openness	Pearson Correlation			1	.861**	.812**	.825**	.425**	.391**
Facilitation	Pearson Correlation	*			1	.771**	.841**	.404**	.379**
Transparency	Pearson Correlation					1	.826**	.239**	.352**
Reward System	Pearson Correlation						1	.454**	.512**
P.A	Pearson Correlation							1	.528**
Welf.									1

** . Correlation is significant at the 0.01 level (2-tailed).

The outcomes of the inter-correlation between HRD practices and organizational climate points out that, if employee welfare practices are enhanced, it consequently raises the level of rewards and trust, resulting in greater satisfaction amongst the employees as performance will be recognised and good work will be rewarded. In addition to this, the employees won't develop a feeling of insecurity or threat while giving their feedback about their weakness. Similarly, if performance appraisal initiatives are increased openness and facilitation level also increases, constituting proper employee assessment thereby fostering open climate to solve problems.

REGRESSION ANALYSIS OF ORGANISATIONAL CLIMATE AND HRD PRACTICES

Linear regression analysis has been used to predict the relationship between the dependent variables (DV)

HRD climate independent variable (IV) HRD practices (Performance appraisal and Employee welfare practices).

HRD Climate vs. HRD Practices

To seek the strength of relationship between the HRD climate (DV) and HRD practices (IV) (Performance appraisal and Employee welfare practices), multiple correlation coefficient has been computed. The value of $R^2 = .203$ ($F = 71.514$, $P < .001$) for the first model indicates that welfare practices account for 20.3 % of the variance in HRD climate. The second model indicates that two variables together account (Employee Welfare and Performance Appraisal) for 24.4% of the variance in HRD climate. The change in the variation that has been explained by the new predictor is significant ($F=15.072$, $P < .001$).

Table 4 : Regression Analysis

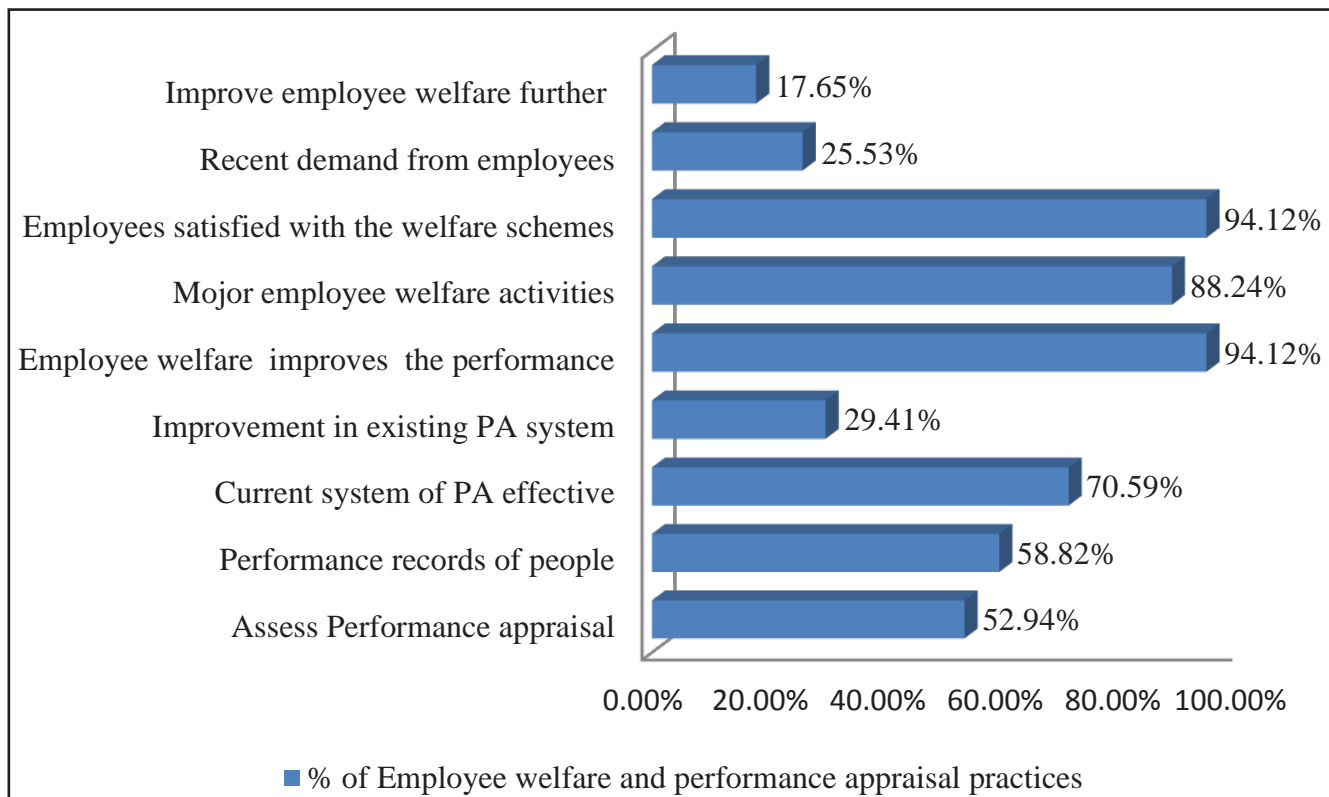
Dependent Variable	Independent Variable	Unstandardized coefficient		Standardized coefficient	Significance
		B	Std. Error		
HRD climate	Employee Welfare	5.094	.960	.325	.000
	Performance Appraisal	2.301	.593	.238	.000

There exists positive relationship between the dependent variable (HRD climate) and the independent variables - Performance Appraisal and Employee Welfare. Unstandardized beta coefficient (β) for Welfare (5.094, $p < .001$), suggest that as the measures taken for welfare increase by one unit, climate improves by 5.094 units. This effect is true if the effect of the other variable i.e. appraisal is held constant. This indicates that, if employees are content with the welfare measures they will work with full cooperation and trust, better understanding of organization will be there. Unstandardized beta coefficient (β) for Performance Appraisal (2.301, $p < .001$), suggested that as the measures taken for appraisal increase by one unit, climate improves by 2.301 units. This effect is true if the effect of the other variable i.e. welfare is held constant. For this model, the Employee welfare [$t(280) = 5.305$, $p < .001$] and the performance appraisal [$t(280) = 3.882$, $p < .001$] have been found to significantly predict the climate in the sample organizations. But performance appraisal has been found

to have less impact. So, efforts must be needed to build on developing this practice more and help to bring this practice on equal ground with employee welfare measures. Therefore from the above it can be wrapped up with the regression results that strong HRD practices are connected with the organizational climate.

ANALYSIS OF THE QUALITATIVE DATA

Inferences drawn from the key informant interview further substantiated the findings as majority of the respondents were satisfied with their companies' welfare measures with 94.12% showing favourable HR practices adopted by the company (figure 3). Similarly, respondents feedback on performance appraisal also placed good favourable report as 70.59% opted they are satisfied by the current system.

**Figure 3: Percentage of Employee Welfare and Performance Appraisal Measures**

DISCUSSION

The results of this study as well as the key informant interviews show that respondents were in general satisfied with the employee welfare and performance appraisal practices as well as with the organizational climate prevailing in public and private insurance companies of central India. Hence, the results, to a certain extent, match well with the observations made by Singh (2011) focusing, that in present context it is evidently essential for organization to emphasise on human resource practices and organizational culture to provide competitive advantage as HRD practices and organizational culture are strong predictors of managerial effectiveness prevailing across public and private sector organizations. Further, in line with the finding of the research, Tarab (2012) also pointed out that every organization needs to continuously develop employee's competencies in a planned way to bring about their roles and responsibility. Results of the study also emphasize that there exists a positive relationship between the climate of the organization and the development of employees. According to Mittal (2013), using a structured questionnaire comprising of 40 items, measured General Climate, HRD Mechanisms and Openness, Collaboration, Trust, Pro-activeness, Autonomy, Confrontation and Experimentation and it was found out HRD climate of the public sector banks was better than in the private sector counterparts.

CONCLUSION

Human resource development practices are implemented in public and private insurance sectors in an intensive manner. Employees also understand that HR Practices and congenial organizational climate is of utmost importance for the individual as well as organizational development. Study also expresses the need to improve HR practices with all the possible measures to safeguard the employees from job absenteeism and turnover in this highly competitive work environment. It may hence be required to replicate this study by expanding investigation in various states across India for greater generalizability of the results.

WAYS AHEAD

HRD practices prove to be one of the important criteria for running the insurance sector organisations. It was very well understood that though employees were indicating satisfactory level for HRD initiatives in their company but some organizational issues still persist and hamper the functioning of the HR practices. Appraisal system of performance can also incorporate aspects like punctuality, time management and output of employee. A Counselling Cell could be formally established in Private insurance companies which would start interacting with employees if their targets are not met, instead of penalizing them,

counselling would help to reduce the level of anxiety and fear among the employees. In addition to this, private insurance companies need to revise their packages and perks on the grounds of qualification, experience and designation. For female employees' a thought on crèche and rest room facility will be beneficial so as to reduce their absenteeism and turnover from workplace. The above stated restructuring will safeguard the interest of employees, bringing in more creativity, confidence and optimism, benefiting the both organization as well as the employees in the long run.

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