

An Effectiveness of Human Resource Management Practices on Employee Retention Findings from Insurance Companies of Karachi

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Abstract

The purpose of this research is to identify the “Effectiveness of Human Resource Management Practices on Employee Retention Findings from Insurance Companies of Karachi”. The research will help in determining the importance of HRM practices. Primary data is collected through questionnaires which are of close ended nature. 5 LIKERT scales are provided in the questionnaire so that we find the result estimation of Human Resource practices on employee retention. Respondent are selected by snowball sampling technique with a response rate of 93%. To analyze the data, SPSS software has been used. Respondent information is taken by asking questions about variables like Compensation, Performance Appraisal and Empowerment. Reliability test is utilized to check the reliability of our questionnaire. Correlation test is utilized to test the relationship between independent variable and dependent variables and Regression Analysis is done for the purpose of testing hypothesis. The end results show that HRM practices i.e.; training and development, performance appraisal, compensation and empowerment have a positive impact on employee retention.

Keywords: Training and development, performance appraisal, compensation and empowerment, insurance companies.

1 INTRODUCTION

Globalization and severe rivalry between organizations has created heavy weight on organizations to provide better quality products or services in the respective industry they are competing in and more than employee's expectations and manage talent as per their value. The associations are formed in order to deliver to its customers and in turn satisfying their employees by giving them equitable benefits and compensation in return of their valued services. The manpower can contribute a lot to raise the amount at largeness by explaining the association vision, mission and other task with the strong bonding and collaboration of employees in group to provide high amount with their performance.

Worldwide, workers maintenance should be fully recognized as they are the basic capital that any organization possess in form of human capital and it is their performance that enables an organization to deliver to its customers. The turnover rate is usually used to judged different organizations performance. Association's execution is highly influenced by the turnover rate. The turnover rates are highly influence on productivity and meet the organizational goals on time. If the companies have low turnover rate it means the company occupied well equipped and skilled employees and providing them a leading environment where they can create the singular worker executions at all levels.

In general, the retention of employees in organizations depends on skill, competencies, project completion time and the specified period specified time. Furthermore, we can easily understand that the retention of employees on the basis of scope of task which is often larger than any other simple work or task and it would be more preferable doing job in this world realistically. To gain competitive advantage most of the organizations retain the desirable employees which is very beneficial and it cannot be availed by any other competitor in business world in term of providing good environment and creating desirable productivity with satisfaction and high moral it will help to make employees performance much better in term of productivity and customer services as well. The author said that this is consequently resulting the desirable generation of sales, satisfaction of customers, improvement in organizational learning and management succession. (*M. Heathfield, 2005*).

The biggest challenge now a day is how to increase the retention rate and equipped the valuable employees and one of the biggest concerns with Plaguing organizations in today's competitive market world. As the economy is growing and expanding paving the way for new organizations to make their mark as a result of which new jobs are being created for the already working human capital in their respective organizations so often employees face a problem that which organization would suit to make their careers and they can get the better position within the growing organizations. As a result different employees are more focused on what they can do to get attracted? How they would retain as the top level talent? Organization should privilege that the

employees had been beneficial during the recession period.

Organizations and various associations have finally decided to get a handle on their top level employees with high performance and skill by using the re-putting strategy and resources into their human capital, with particular aptitude, learning and organizational workforce capacities. Empowerment, Training, performance appraisal, and compensation are those measures through which employees are motivated and treated as well in relation to job design and job description to increase the retention rate in the organization. By using these four human resources related factors of retention and the effect on retention. Organizations can get the benefits to retain their employees which are rating on high turnover rate.

The insurance sector in Pakistan is rising and growing very rapidly. The number of banks offering branchless banking services has grown tremendously in recent years. Similarly, microfinance banks have also stepped up their efforts. The strategy of financial inclusion must be supported on all levels. From the insurance sector point of view, there is a greater realization today that there are distribution channels that we have not developed yet. Banc assurance services were launched nearly twelve years ago in Pakistan; and in that sense it is still the new kid on the block. Ever since, insurance companies have aligned themselves with banks which has been very profitable. As a distribution channel, banks have contributed around 40 to 45 percent of premium income over this period. That says a lot about the success of Banc assurance in Pakistan over the past decade. It brings employment opportunities because it is human intensive area of interest. It is considered as well functioning, competitive and totally based on risk price operations, highly sophisticated where different techniques and pricing model are used, and these are the basic principle of the efficiency of this market.

The study will check the effect of human resource management practices on retention of employees. In our study retention is dependant variable while HR practices are independent variable. This research aims to enhance understanding of the phenomenon of employee retention in the insurance industry through effective HR practices.

So in the light of the above basis this research encountered the following objectives:

- Identifying the effectiveness of human resource management practices (training and development, job appraisal and compensation) on retention.

2 LITERATURE REVIEW

2.1 Employee Retention

It relates to those policies and practices used by the companies in order to retain their valuable employees. It also includes those steps through which companies encourage employees to be a part of them for maximum time of their career and it is considered much more important than hiring as most of the employers do not pay attention towards the cost associated with turnover (Ahlrichs, 2000). Security clearance, worker temporary cost, cost of relocation and formal training cost etc are related to the cost of turnover. (Kotzé & Roodt, 2005). instead of this (Firth 2007), in their study talks about hidden cost like loss of organizational knowledge, lower morale etc. Hence this all are the reasons for the leaving of employee in the organization and switch it to others. While job stress & dissatisfaction usually result in resignation of employees.

So the for this reason employer should give importance their employees personal feelings, and their satisfaction level in their working condition in order to have complete system of employee retention, Because the association success and failure are largely depends on it. (Jolliffe & Farnsworth, 2003).

2.2 Training and development

Anis (2010) According to the author at that times when technology sector is on peak and rapidly changes occurred mean while all skills that was using previously becomes obsolete in very short time period when the technology evolving process has started and the company who wishes to have full grip on market and they want to survive. Competitive and progressive need to adapt the changes trying hard to provide training to their employees at all levels. Employee's development is on high priority and skill improvement to achieve organizational goals. The word training is defined as it is process through which the company provide skill based and, updated knowledge to their work to enhance efficiency. According to the need of an organizations different training sessions have been conducted management decided whether and when the training is needed or not. Training is also helpful to get clear picture that performance graph is moving upward or downward and this performance assessment will give an idea to the organization that In which areas training is needed? What are the outcomes? Training is an important part of various departments in any organization and especially in HRM practices. Training is also applied to retention and development program because when employee is not performing well and not able to meet expected results either the employee will switch the job or fired. To overcome this difficulty organizations generally conduct training session to improve the performance and retain their employees.

According to *Holtom (2005)* said that throughout the world different organizations are facing the cost of high turnover rate. if the turnover rate is high the expense will be high with the same rate it means that if the

turnover rate increases in the form of expenses the new hiring cost will also be increases, on the other hand the organization also bearing the cost of losing its talented employees and they have spend time to flourish within the organization which is sometime not bearable at times this will proves very costly in long run rather than in short run.

After the completion of training program the performance of workers are expected to increase, it will give benefit to the company and not only for the company but also for the worker itself in terms of increasing wages and salary and opportunities for career enhancement (Kaufman & Hotchkiss, 2006). In Training Magazine Galvin (2003), said the investment in training leads to the retention of employees. Hence many studies investigative the relationship of training with respect to retention of employees.

2.3 Compensation

Compensation is defined as 'a process that usually includes money given to the employees as a reward for the purpose of recovering of any injury, loss or suffering etc but it does not only include money which is given to employees from employer as salary/wages. Compensation is not referred to as money only it also includes items which are non-cash like benefits it includes pension, life insurance ,medical, retirement plans, and allowances i.e.; large companies also give transportation facilities to its employees in form of non-cash compensation. DiPietro and Condly (2007), used Commitment and Necessary Effort model of motivation in their research paper related to the motivation of employees in hospitals in which they exposed a nonfinancial compensation factor. They took "Quality of work environment" that if the working environment of a job is satisfying then it plays an important role in decreasing the employee turnover. As it's seen that unsatisfactory working environment make employees unsatisfied and feel uncomfortable in their job.

2.4 Performance Appraisal

Performance appraisal is defined as evaluating a person performance individually in order to take a decision for facilitating an individual's career development by looking at the individual's total involvement in organization in terms of their internal charachetrstics, their working capability (Gruman & Saks, 2011). Though it's simply considered as a means of measurement and observing. Webster, Beehr & Love (2011) in their research paper talk about that appraisal is a stressful practice between evaluator and individual and if both did not consider its importance an error is produced in an appraisal.

Sudin (2011) carried out their studies among Malaysian companies that the employee satisfaction and their positive relationship with their firm is brought by fair appraisal system. Instead of fairness, problems are also produced form the evaluator/managers side in choosing his own way of carrying out an appraisal process. Spence & Keeping (2011) in their research came up with the conclusion that shifting of appraisal process from measurements to raters in which rater put their decision about the performance in order to increase the accuracy of appraisal; on the other hand focus on flourishing good subordinate relationship.

2.5 Empowerment

(F. Jarrar & Mohamed Zairi, 2010) defines empowerment in their research paper that it's a process of giving a power of employees to take decision and increasing other responsibilities in the completion of their task. in other words it includes that employees are involved in the setting of an organizational goals, take part in decision making etc (Osborne,2002).due to this employees are considered as a powerful driven force in the success of an organization as they feel motivated (Kaye & Jordan 2001). Hummayoun Naeem and Muhammad Iqbal Saif in 2010, said that employee's empowerment can create a sense of commitment and authority towards their organizations as the feel their self more confident and ultimately perform well it'll indirectly improve customer service quality and satisfaction.

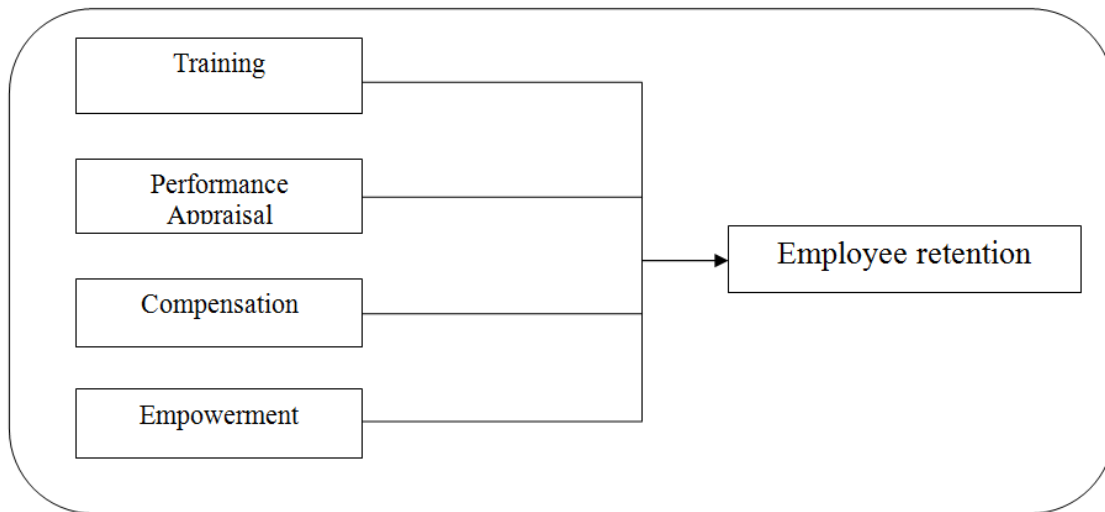
3. RESEARCH METHODOLOGY

Quantitative research is applied in this research by conducting questioner survey. The target population including the individuals working in three Insurance Companies. The respondents were selected by using 'Snowball sampling' and it's defined as: "a small pool of initial participant's to select, with the help of their social networks, other participants who meet up the eligibility criteria and can potentially take part to a specific study", it's a non-probability sampling technique which is less expensive, less time consuming in which individuals are selected because of their ease of access to the researcher with the help of their social network. The sample size of 270 employees wrere obtained by distributing 90 questionnaires to each company but 90 received form company 1 and received form 80 the company 2 and 80 received form company 3. So total returned questionnaire are 250 with the response rate of 93%.

3.1 Theoretical framework

The general idea behind this method is that Employee Retention (dependent variable) is affected by HRM

practices training and development, performance appraisal, compensation and empowerment.



3.2 Hypothesis

The survey was organized around sections (for hypothesis) covering the important aspects of HRM practices training and development, performance appraisal, compensation and empowerment and its effect on Employee Retention (dependent variable):

- H1: There is significant relationship between employee training and development and employee retention.
- H2: There is significant relationship between appraisal system and employee retention.
- H3: There is significant relationship between employee compensation and employee retention.
- H4: There is significant relationship between empowerment and employee retention.

4. DATA ANALYSIS

The data was analyzed through SPSS (statistical package for social sciences) software by using correlation and regression. Reliability test is utilized to check the reliability of our questionnaire. While the correlation test indicates that the relationship between the variables and Regression is used to test our hypothesis.

4.1 Reliability

ITEMS	CHRONBACH ALPHA VALUE
Training	.738
Performance appraisal	.633
Employee retention	.774
Empowerment	.739

It is a test to find the reliability of a questionnaire. The above table shows that the data are reliable because the Cronbach's values of all the variables are more than or equal to 7 i.e .738 and so on, its mean our questionnaire are reliable for the purpose of conducting the research.

4.2 Respondent Information

It's consisting of information related to participant age, their marital status & educational level. The graph on demographic variables as per appendix-I shows that majority of the employees in insurance companies are belongs to the age 20-30 year with a % age of 66.8% of male person and 33.2% female person. This also shows that majority of the employees in insurance companies are married with a %age of 34.4% are single while 65.6 are bond in marital status. And also shows that the education level of majority of the employees in insurance companies are Master with a %age of 44% having a bachelor level of education while 56% had completed their master level of their education.

4.3 Correlation Analysis

Dependent Variable: Employee Retention

INDEPENDENT VARIABLES	CORRELATION VALUE
Training	.498**
Performance appraisal	.288**
Compensation	.375**
Empowerment	.491**

The above table shows that the employee retention has the highest strongest positive relationship with Training i.e.; (.498**). While it has also a strong positive relationship with other variables like it has the second highest correlation with empowerment (.491**) and a Moderate positive relationship of compensation (.375**) and performance appraisal has a weak positive relationship (.288**).

4.5 Regression Analysis

Hypothesis	t statistics	Supported
H1: There is significant relationship between employee training and employee retention	9.038	yes
H2: There is significant relationship between performance appraisal and employee retention	4.644	yes
H3: There is significant relationship between employee compensation and employee retention.	6.376	yes
H4: There is significant relationship between empowerment and employee retention.	8.885	yes

Table of regression of page no 32, the value of R-square shows that 23.9% contribution done by the training on the employee retention. While 24.2% contribution done by the performance appraisal on the employee retention. While 25.8% contribution done by the compensation on the employee retention and the 36.5% contribution done by the empowerment on the employee retention. While the f value of all the variables which indicates the overall fitness of the Model.

As we have tested the hypothesis and the values have been shown significant results and the positive relation between employee training that has taken as independent variable and Retention as dependent variable and we can easily find out whether our H1 will be supported or not with the help of ($t > 2.5$) i.e; 8.656 mentioned above .Hence H1 is supported.

As we have tested the hypothesis and the values have been shown significant results and the positive relation between appraisal that has taken as independent variable and Retention as dependent variable and we can easily find out whether our H2 will be supported or not with the help of ($t > 2.5$) i.e; 0.952 which is less than 2.5 mentioned above .Hence H2 is not supported.

As we have tested the hypothesis and the values have been shown significant results and the positive relation between compensation that has taken as independent variable and Retention as dependent variable and we can easily find out whether our H3 will be supported or not with the help of ($t > 2.5$) i.e; 2.316 which is less than 2.5 mentioned above .Hence H3 is not supported.

As we have tested the hypothesis and the values have been shown significant results and the positive relation between empowerment that has taken as independent variable and Retention as dependent variable and we can easily find out whether our H4 will be supported or not with the help of ($t > 2.5$) i.e; 6.282 mentioned above .Hence H4 is supported.

5. DISCUSSIONS ON FINDINGS

This study is intended on the topic “an effectiveness of HRM practices on employee retention findings from insurance companies of Karachi”. The insurance sector is rising rapidly to bring in growth and employment opportunities. Insurance companies are basically human intensive, and human resources act as undoubted differentiator Quality manpower and its retention would act as a litmus test. Turnover of sales force has been high because of low entry and exit barrier. In order to evaluate the quality of the service delivered by HRM practices in the Insurance companies, will include the questionnaire as a Primary data.

If Organization more focuses on employee training related to job they can easily enhance the skills, abilities of their employees as well as they can make them able to resolve the problems and once they have taken complete training they will be highly motivated and confident on jobs and the organization will decrease its turnover rate continuously. A complete package of training and development suggested to most of the organization and to provide appropriate training courses and different development programs to make employees more confident and the organization should be able establish updated current day to day operation. Hence

training and development are important for employees concern and organization. It will help in employee retention.

Appraisal systems are very important for all organization for better output and to have a better retention system and can retain valuable employees. To have a proper appraisal systems in organizations it would enable their employees for complete understanding of job and responsibilities and it is also helpful in individual career growth. One of the important things is to get familiar employees and the participation of employee's apart in appraisal system. Justice and fair appraisal will always beneficial for organizations. This is the way to extract employee those are best from all. And different scholars argue that if the performance appraisals conducted in a proper manner it produces the results that are very positive for organizations. Performance appraisal defines the performance levels of employees and well established processes have been followed it must be very straightforward to avoid all kinds of misconceptions and doubts. It would be helpful for all employees to accept the define feedback of work in which they are performing. There is a direct connection between appraisal systems and employee retention process.

Due to have high external business competitors are the big threats it is difficult to attract and retain individual equities, competent and capable employee and to retain highly talented or the top talent of any organization it is necessary to create a fair and proper system of compensation. With the help of fair compensation systems and salaries the organizations may feel their employees that what they have contributed in organization as good performance is appreciated. Hence it would encourage them to be motivated and perform well currently and for future growth for the organization development and individual growth subsequently. Secondly, employees are likely to maintain the organization since they become valued employees within the organization and retained. Best application of compensation models and systems would not only reflect the benefits and returns of the work they have done but also shows the results and tasks that have been accomplished. The compensation system must be designed to provide compensation to the employees because the employees having core capabilities are the best resources of the organizations.

Generally, the increase in employee's empowerment will be likely to help in generation of high number of retained employees of an organization. The creation of empowering in any organization produce the leaders of empowerment and the rapid implementation of empowerment related practices in the system where employees encourages to move toward self management process. In compression of developed such as Japan and Taiwan and underdeveloped Asian countries. The systems are not modified to implement that quality empowerment effectively. They can establish the systems and create leaders of the empowerment and culture at very lowest prices comparatively. Leaders of Empowerment (called as parent) are very important and essential part for any organization because employees (called as children) always need their help and assessment to get positive change in their work otherwise organizations will be stuck at the same place for the longer period of time just because the creation of leaders of empowerment and culture of empowerment. The leaders should be loyal to employees and employees with them and they both will have to be loyal with the organization. The employees with best performance and high scores mad the organizations empowered and in the same time they will increase the productivity the profit graph significantly increased and employees started work effectively and efficiently with full motivation. An empowered organization got the high scale in market and goodwill with commitment. To enhance the self efficiency of the all members within the

Self-efficacy can be defined as the judgment of an individual personally related to its capability and how the one can easily adopt the environment different actions and behaviors to achieve the expected goals or results. In addition, to provide some rights and powers to the employees it will give the control and authority in the organization and use of all resources in a right way to achieve organizational goals. The benefit of empowerment is to get employees satisfaction and motivation. Organization may also hire their old employees as empowerment leaders to enhance the rate of empowerment in favor of employees and organizations as well. The obtained results clearly define the relationship is correlated and significant.

6. CONCLUSION

The study is all about to find out the relationship between factors employee compensation, employee training, employee empowerment, and employee performance appraisal and employee retention. The major findings of the study has explained that how different courtiers and different cultures have the different levels of expectations and how to determine the employees satisfaction with their jobs and retentions. Previously gathered results, empirical data and evidence has provided that is highly supported to all independent variables (employee compensation, employee training, employee empowerment, and employee performance appraisal) have the drastically impact on employee retention. As other researchers has also given that statement and completely agree with it. The literature review has the good resource to provide that empirical findings and evidences from different studies all around the world in different period of time with results. Hence the Hypothesis have been formed and constructed as per the researchers "foundation of basic findings" and the anticipation of results are tested in later on at different stages with the help of this study and findings. Quantitative data was collected using

the questionnaire that consists of questions with 5-points Likert scales distributed to our samples of individuals. In analyzing the data collected, (SPSS) technique has been employed, to process the reliability test and subsequent empirical Analysis. Ultimately all the factors as independent variables are supported to by this research study. The illustration, this study will helpful in future to get further findings and results and it will also used to support and encountered the different and opposed statements in related journals. As concluded the results the complete study is successfully recognize that the all independent variables employee compensation, employee training, employee empowerment, and employee performance appraisal are important and essential consideration for Insurance companies in Pakistan retention rate and decisions and will give quality to the Pakistani culture.

7. RECOMMENDATIONS

The research is indicating the influence of HR practices on employee retention and in the end we also proved this by our hypothesis. In the light of this research we came to the suggestion that:

- The insurance companies should focus on HR practices so that they can retain their valuable manpower.
- Insurance companies should make those policies which can improve HR practices using by the companies to retain their valuable employees.
- Insurance companies should give a sense of empowerment to their employees so that they feel their self more confident and ultimately perform well.

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