

The impact of material incentives on the motivation of insurance company officers: A developmental perspective

G.Balachandar ^{a,*}, N.Panchanatham ^a, K.Subramanian ^b

^a Annamalai University, Chidambaram, Tamilnadu, India.

^b Sri Paramakalyani College, Tirunelveli, Tamilnadu, India.

Abstract

Findings show that nearly 80% of the Indian population is without life insurances in a society with a weak social security and a pension system that hardly can provide for an old age income security. Lately, insurance companies, by tapping into urban, semi-urban and rural areas far and near mainly through innovative insurance plans, novel marketing techniques, and new distribution channels, have managed to get a great majority of the population of low and middle income groups alike to be attracted to insurance. The efforts of the officers of these insurance companies, both physically and mentally, coupled with apt administration and able leadership capacities have led to the expansion of the business of the insurance companies. However, these insurance officers have to be motivated to involve themselves in their duties continuously without frustration. Considering the importance of motivation on insurance officials, this study is an attempt to mark out the relationship between the material incentives (Pay, Flexible working hours, Promotion and Benefits) and motivation. Based on a sample of 80 insurance company officers in Tamilnadu, India, the data was analyzed using statistical tools such as Z-test, correlation analysis, and regression analysis and the results show the impact of material incentives on the motivations of the officers of insurance companies.

Keywords: Insurer, Motivation, Material incentive, Flexible working hours, Promotion, Pay

1. Introduction

Insurance has been in India for many decades. Once run by the government alone, now it is regulated by the Insurance Regulatory Development of Authority (IRDA) Act, 1999. Currently, there are 45 insurance companies in India. Insurance is a risk sharing, financial protection tool for the public.

Insurance schemes cover the risk of death unlike other ordinary savings plans (Bodla, Garg & Singh, 2004). Life insurances cover both the contingencies of death and¹

* Corresponding author. Mobile: +919952636466
Email [address: vijibala18@rediffmail.com](mailto:vijibala18@rediffmail.com)

survival. They are mutually exclusive (Gopalakrishna, 2007). They protect the financial losses arising from the death of the bread winners of the families. Insurance plans are sold but other financial products are bought by the customers. Insurers have to create awareness about their various products by disseminating the insurance plans for every individual's need.

Only 20% of the whole population is protected by insurance. Insurers have to plan well to take their products to urban, semi-urban, and rural areas to protect the lives of all. This strategy can be fulfilled only through and with the help of dedicated and committed employees. The main task of top level executives of insurers is to identify the right insurance advisors, insurance brokers, corporate agents, carry out underwritings, design novel products, manage claims, undertake customer relationship managements and cope with competitors.

All the above said tasks are to be properly handled and processed by the officers of the insurance companies in their attempt to improve the business of their organization, amidst policyholders' related issues, competitor's actions, and IRDA's regulations. Hence, the officials of the insurance companies are usually uptight in their time schedules, stressful and tired at times thus leading to lower performances and not fulfilling targets. To rectify these issues, officers must be motivated by the top level executives of the company. Normally pay, promotion, job security, recognition, working condition, and work values are the inducers for performing well. Performance is the result of ability and motivation (Natarajan & Ganesan, 1994). Maximum output can be elicited from officers only through motivation. Motivation is an important factor for restraining the officers or workers from switching over to other organizations. It also restrains them from taking casual leaves in the company because absenteeism results in huge money losses to the company. Several aspects of the reward system, usually designed by the top officials, to try to reduce absenteeism, have been found to influence attendance behavior (Steers & Rhodes, 1979).

Motivation means inspiring the person or persons to do a piece of work with a zeal for the accomplishment of the objectives of the company (Nirmal, 2005). To elicit the maximum output from the employees, motivation as a tool is utilized by the corporate world in various forms leading to the accomplishment of the goals of the company at the right time. Motivation has direct links with the employees' performances; it is a critical challenge to every manager including the HR manager (Prasad, 2009). Motivation induces better performances and reduces employee turnover ratio while contributing to an error free output. Motivated employees are oriented towards the company and boost up the morale of the other employees. An appropriate amount of job satisfaction contributes to the achievement of the organization (Lehal, 2000). It leads to the retention of the employees and causes less absenteeism. The goodwill of the company too gradually increases to a higher level leading subsequently to the satisfaction of the investors.

Material incentives, in the form of pay, flexible working hours, chances of promotion, and non-financial benefits, are the inducers of employees of any organization in the modern world. If these variables are properly implemented by the company or management, the satisfactions of the employees would be increased.

A human resource manager's vital task is to identify the apt factors that can induce the employee to produce more. Motivation of an individual changes from time to time even though he may be behaving in the same way all the time (Tripathi, 2009). Employees behave differently in different situations and there is a lot of confusion on what causes these different behaviors, what more finding the type of motivation to please the behavior.

Ways of inducing motivation vary from industry to industry and department to department and the selection of the right motivation is the key task of the HR manager. This study thus attempts to determine the level of motivation that material incentives have on the officers of insurance companies, working in these areas.

This study was conducted in Tirunelveli, Tuticorin, and Cuddalore districts of the Tamilnadu state in India, because these three districts have well established medium and small scale industries. These state sponsored industrial estates in Tirunelveli, Tuticorin districts and SIPCOT in Cuddalore district have created a lot of direct and indirect employment opportunities. A hike in the salary of the government as well as the private sector employees is an opportunity for the officers of insurance companies to sell insurance businesses in these areas.

2 Material Incentives and Motivation

Employees, of any organization, are to be paid reasonably for their contributions to work. The remuneration has to match the basic needs of an employee and his family because if it does not it will not motivate the employee to perform well in the company. The employee too must be motivated by the top level executives of the company; only then the performance level will improve. The primary effect of fringe benefits, as a type of compensation, is to retain the employee in the organization on a long term basis (Flippo, 1980). No company is interested in allowing its employees to quit the organization after having spent a huge amount of money in their selection, induction programme and their training. Moreover it will take a few months to recruit new candidates to fill the posts leading to a disruption in the production of the goods and services and customer dissatisfaction. Managers are responsible for providing an environment conducive to performance (Koontz & Weirich, 1990) with the right financial incentives, flexible working hours and the promotion policies. All these incentives are to be correctly designed. Material incentives are one of the prime motivators of employees. They include flexible working hours, pay, chances of promotion and non-monetary benefits.

Normally employees have to work for eight hours daily. The timing or work schedule is fixed based on the requirements of the organization (Nirmal, 2005). If the company has urgent or emergency work and the employees have to work for more than the hours specified, no matter what the number specified, sufficient rests must be given to all those involved between work periods. Two or three pauses are required for an eight hour work period.

Promotion is another contributor of motivation. Highly experienced, efficient employees are to be taken into consideration, for promotions. The promoted employee will move the company and his subordinates in the right direction. Other benefits normally given to the employees are companies' stocks, quarters, compliments, family tours, family get together, etc. These benefits help modify the employees' attitude towards the organization.

3. Methodology

To allow for a proper analytical research we gathered complete and true information from the respondents consisting of officers of both life insurances (private and government) and general insurances (private and government) companies in Tirunelveli, Tuticorin, and Cuddalore districts.

The Work Motivation Questionnaire (WMQ), designed by Agarwal, was adopted for this research because it was earlier able to measure the motivations of managerial or white collar as well as the blue collar employees. The questionnaire was modified according to the working environment of insurance companies. It has four items using the five - point scale. The researchers collected the data from three districts with permission of the branch managers and the divisional managers of insurance companies in the area. The questionnaires were distributed to 125 respondents. However, only 80 responses were returned, of which 35 are from Tirunelveli, 35 are from Tuticorin, and 10 are from Cuddalore districts.

4. Analysis and Findings

The first material incentive analyzed is pay. Pay is the basic and foremost inducers for a person or persons to apply for a post and work with the company. The pay offered by the company must be attractive, and on par with the industry. HR managers spend a great deal of time developing effective compensation and benefit programs (Dowling & Welch, 2007). Chang (2003) suggests that the motivating effect of money is well represented by the pay in the performance system. To expect good performance from the employees the management has to come out with a reasonable salary package. The package contributes to the workers' standing both in profession / organization and society (Prakash & Bhati 2008). To an employee the benefits, in a company, are

reasonable salary and financial benefits. The organizational reward system is the key often overlooked factor in bringing about improved performance and success (Luthans, 1995). The salary offered by the organization should be suitable to the market for the company to be looked upon by the society and to retain its employees for a long period. The employees perform their duties and tasks in order to meet their needs as well those of their family. The salary offered should improve the standard of living of the employees. Table 1 shows that both the private and government insurance officials regard pay as the satisfying factor.

Table 1

Pay and satisfaction: Result of the Z-test

Description	Officers of Private Insurers	Officers of Government Insurers
Mean	4.319149	4.4363636
Known Variance	0.917669	0.801134
Observation	47	33
Hypothesized Mean Difference		0
Z		-.2125
P(Z<=z) two tail		.831666
Z critical two tail		1.959964

It is very clear that the insurance officials of both sectors have the same opinion about pay and its satisfaction. The mean value of private insurance officials of 4.3191 is slightly less than that of government insurance officials of 4.363. Z-Test shows that the insurance officials of both the sectors have the same attitude towards the satisfaction derived from pay.

The next incentive focused in this study is the working hours. Flexible working hours is the normal working time along with small breaks for the employees during the regular work. Under flexible working hours workers are required to work certain hours. It is also named as Flexi time or flex time. Mrudula & Kashyap (2004) argue that this "Flexi time arrangements offer a number of advantages to the organization as well as employees opting for it", because it increases the image of the organization in the society, market and reduces the stress level among the employees, and retains the existing employees for a long period. It is normally expected that employees must work, in the office, for 8 hours per day. Employees want the flexibility to control their own time- where, when, and how they work (Cascio, 2006). During their working hours tea breaks and lunch breaks must be permitted. If the duration of the rest pauses is increased, the management can elicit more output from the employees. Employees satisfied with the company and their duty may produce more and better output. Proper

flexible working hours will enable the workers to be more relaxed and thus will be less tired in their work.

Z test in Table 2 shows that both insurance company officers have the same opinion regarding satisfaction from flexible working hours.

Table 2

Flexible working hours and satisfaction using Z-test

Description	Officers of Private Insurers	Officers of Government Insurers
Mean	4.638298	4.78125
Known Variance	0.670675	0.116129
Observation	47	33
Hypothesized Mean Difference	0	
Z	1.06851	
P(Z < =z) two tail	0.285289	
Z critical two tail	1.959964	

The third incentive examined is promotion.

Promotion is the normal form of migration of an employee from an existing level to the next higher level, in the company. Promotion is the undisputed motivator for employees in their career as workers. The main criteria for promotion are education, experience in the industry, performance, risk taking capacity, and coping with situations. According to Balachandar & Panchanatham (2010), highly aggressive employees get promotion and they are deputed to work in suitable posts. An increase in the official status is an additional bonus for the professional growth for those who have skills and knowledge. Along with promotion, employees' responsibility, status, remuneration, and authority will increase in the company. Promoted employees will do their best with maximum efforts. Hence, everyone believes that promotion plays a vital part in the career of workers. A promotion is the advancement of employees to better standings, greater responsibilities, more prestige or status, greater skills and specially increased rate of pay or salary (Pigors & Myers, 1985).

The results as presented in Table 3 reveal that the insurance officials have different perceptions regarding promotions in their organization. The mean value of the private sector insurance officials' satisfaction due to promotion of 4.1276 is higher than that of the government sector's perception of 3.6875. Private sector insurance companies offer quick and better promotional avenues to results oriented officials than government sector insurance companies. Better promotional chances in the private sector, may explain the reason why many experienced government sector insurance officials often switch over to the private sectors.

Table 3

Promotion and satisfaction: Results using Z-test

Description	Officers of Private Insurers	Officers of Government Insurers
Mean	4.1276	3.6875
Known Variance	1.2442	2.0927
Observation	47	33
Hypothesized Mean Difference	0	
Z	2.4521	
P(Z< =z) two tail	0.146450	
Z critical value	1.959963	

Next, we look at the officers' satisfaction on the fringe benefits. In addition to pay, promotion, officers are offered other benefits by the insurers. These benefits are not connected to the performances of the officers, but are given based on the level or designation of the officers in the organization. Normally these benefits are in the form of provisions for pension, group pension, bonus during festival seasons, stock option, provision for provident fund etc and fringe benefits in the present work environment of job context (Sharma, 2008).

The results related to fringe benefits from the officers of private and government insurance companies are presented in the Table 4. It is clear from the table that private sector insurance companies mean value of 4.3043 is moderately higher than the government sector's mean value of 3.8407, statistical testing however concludes that the difference is not significant.

Table 4

Satisfaction from fringe benefits: Results of Z-test

Description	Officers of Private Insurers	Officers of Government Insurers
Mean	4.3404	3.8437
Known Variance	0.9685	1.9394
Observation	47	33
Hypothesized Mean Difference	0	
Z	1.74284	
P(Z< =z) two tail	0.08 136	
Z critical value	1.959963	

Regression analysis was then executed in order to find out the influence of material incentives on the motivation of private and government sector insurance officials, the results are as in Table 5.

Table 5 *Regression*

results

Description	Combined score	
Multiple R	.5961	
R square	.3553	
Adjusted R square	.3470	
Standard Error	.13.822	
Observation	80	
Regression	F	Significance
	28.41	9.47

The regression results indicate that the material incentives influence the motivation of insurance officials to the extent of 35.53%. Hence, the material incentive is one of the significant variables, which influence the motivation level of both insurance sector officials. Management skills are to understand what motivates an individual to reliably and considerably commit his energy and talent to the organizational goal (Tietze, 2004). The management must identify the actual needs of the officials, in order to receive outputs from the employees continuously.

Both insurance sector officials have the same opinion with regards to the satisfaction towards pay and flexible working hours. However, private sector insurance officials are offered comparatively better promotional avenues and non-monetary benefits than government insurance officials. Further the correlation analysis indicates that the material incentives offered influence the motivation of insurance officials to a great extent.

The following findings were also observed. The regression analysis indicates that the material incentives influence the motivation of government insurance officials more than those from the private insurance and the following could be the reasons for such findings:

- a) Government insurance officials are assured of job security than private insurance officials
- b) The image and track records of government insurance companies are beneficial to government insurance officials when approaching the public for policies.
- c) Private insurance officials find it difficult to convince the public about the future prospects of their companies and as such are put into heavy pressures in getting new proposals from the prospects.

- d) Private insurance companies fix higher targets which make the insurance officials stressful and dissatisfied with their work.
- e) Private insurance companies expect immediate results on insurance policies on par with government insurance companies``

5 Conclusion

Motivation is the inducing factor for an employee to perform well in an organization. In the government organization, promotion is based on experience and educational background but in the case of private insurance companies, performance decides the promotion. Officers of government insurers are highly motivated by the promotional strategies implemented by their organization. Flexible working hours gradually decrease the stress level due to heavy work pressure among the officers. If there is an adequate rest at the right time and the right interval it will minimize the frustration level. Similarly, benefits provided by the insurers create pleasant and smooth environments at the workplace. These benefits are given to the officers for the purpose of facilitating their respective tasks.

This study thus aims to bring forth suggested measures that both, private and government, insurance sectors can use so as to be on par with each other. Private insurance companies, so as to be at par with government insurance companies, along with material incentives have to also offer job security, flexible working hours and a good image of the company to motivate their employers to work for the company for a long period.

Since material incentives variables influence the motivational level of insurance officials, both government and private insurance companies have to give adequate importance to these variables in order to boost the motivational level. Private insurance companies pay attractive salaries, better rest pauses, promotions and better fringe benefits than government insurance companies. In spite of these benefits, the private insurance officials are less motivated to work due to work pressure, job insecurity, and the unfamiliarity of the company's image. Hence it is suggested that the private insurance companies ensure that their officials are offered some amount of job security, adequate time gap for new proposals and make familiar the company and its performances to the prospective policyholders through advertisements and the opening of satellite branches at important towns.

References

Balachandar, G. & Panchanatham, N. (2010). Motivating insurance company employee's @ speed of lightning, *Life Insurance Today*. 5(12), 15-18.

- Bhattacharya, A. (2009). Life insurance sector is taking off in style. *Life insurance Today*. 5 (3), 5-10.
- Bodla, B.S., Garg, M.C. & Singh, K.P. (2004). Insurance, fundamentals, environment and procedures. New Delhi: Deep & Deep Publications Pvt Ltd.
- Cascio, W.F. (2006). Managing human resources: productivity, quality of work life, profits, New Delhi: Tata McGraw-Hill Edition.
- Chang, E. (2003). Composite effects of extrinsic motivation on work effort: Case of Korean employees. *Journal of World Business*. 38, 70-79.
- Dowling, P.J. & Welch, D.E. (2007). International human resource management – managing people in a multinational context. Noida: Thomson Learning.
- Flippo, E.B. (1984). Personnel management. New York: McGraw-Hill Book Company.
- Gopalakrishna, G. (2007). Life insurance products - their innovation and development. *Insurance Chronicle*. 7(6), 28-33.
- Koontz, H. & Weihrich, H. (1990). Essentials of management, New York: McGraw-Hill International Editions.
- Lehal. (2000). Organizational climate, job satisfaction and managerial effectiveness. New Delhi: Deep & Deep Publications Pvt Ltd.
- Luthans, F. (1995). Organizational behavior. Singapore: McGraw-Hill International Editions.
- Mrudula, E. & Kashyap, VRP. (2004). Flexible work options. *HRM Review*. September, 54-58.
- Natarajan, K. & Ganesan, K,P. (1994). Principles of management. Mumbai: Himalayan Publishing House.
- Nirmal. (2005). Motivation, theories and practical applications, New Delhi: Deep & Deep Publications Pvt Ltd.
- Pigors, P. & Myers,C.A. (1985). Personnel administration - a point of view and method, New York: McGraw-Hill.
- Prakash, S. & Bhati, A. (2008). Determinants of job satisfaction – a study of managerial cadre of Indian oil corporation Ltd. *Business Perspective*. 10(1), 37–55.

Prasad, L.M. (2009). Human resource management. New Delhi: Sultan Chandan & sons.

Sharma, D.D. (1994). Marketing research principles, application and cases. New Delhi: Sultan Chand & sons.

Sharma (2008). Factors influencing sales force motivation in Indian life insurance sector: Life insurance sector; An exploratory factor analysis. *Journal of Insurance & Risk Management*. 7(13), 63-74.

Steers, R.M & Rhodes, S.R. (1979). Major influences of employee attendance: A process model. In Steers, R.M & Porter, L.W (Eds), *Motivation and Work Behavior*. Tokyo: McGraw Hill International Student Editions.

Tietze, S. (2004). Motivation and the meaning of work. *International Journal of HRM*. 1(1), 1-3.

Tripathi, P.C. (2002). *Human Resource Management*. New Delhi: Sultan Chand & sons.

