Assessing Organisational Commitment of Employees in Insurance Industry

* Dr. Neelam Jain

** Ms. Sugandh Rawal

Effulgence

Vol. 12 No. 1

January - June, 2014

Rukmini Devi Institute of Advanced Studies

E-mail : effulgence@rdias.ac.in, Website : www.rdias.ac.in

<http://effulgence.rdias.ac.in/user/default.aspX>

<https://dx.doi.org/10.33601/effulgence.rdias/v12/i1/2014/50-54>

Abstract

The differential relationship between the day to day increasing employee turnover and exceeding profits in few industries highlights issues of organisational commitment. The organisations are continuously taking measures to bind their employees. The major reason is that the companies starting paying more to attract the employees from their competitive industry. Besides the pay package, career growth opportunities are considered, other major reason for the same. Around 79 percent of employers in Asia Pacific had problems in attracting critical-skill employees, while around 73 percent had difficulty in attracting high-potential employees, compared to global figures of 72 percent and 60 percent, respectively. The changing commitment is a serious problem among Indian Insurance players. This purpose of this paper is to understand the difference in commitment level with respect to affective, calculative and normative commitment. The data is collected through self-administered questionnaire developed on the basis of three component model of organisational commitment (Allen, Meyer 1990). The employee were asked to answer 17 statements (affective commitment- 5 statements, Calculative commitment- 6 statements and normative commitment- 6 statements) on the 5 point scale from Strongly agree to Strongly disagree. The commitment level is found to be quite satisfactory as our result goes with previous studies.

Key Words: Commitment, Turnover, Organisation.

INTRODUCTION

Increasing employee turnover cost and exceeding profits in some industries, addresses the issue of employee engagement and commitment. A number of HR practices had been successful in binding the employees to some extent. The major reason is that the companies starting paying more to attract the employees from their competitive industry. Besides the pay package, career growth opportunities are considered, other major reason for the same. According to a survey by global professional services company Towers Watson, some of the countries like Philippines are facing fewer problems in attracting and engaging the employees compared with other countries of Asia pacific region. The survey reported that the employees perceived to

have more learning and development opportunities as compared to pay, health, job security benefits; perceived by the employers.

The few other studies have reported that the demographic factors like experience is considerably relevant; as employers with experience of up to five years had switching rate of 39%, 27% for those with 5-10 years experience and 22% in the 10-15 years experience bracket. The seniors working for more than 15 years report a 15 % rate which quite low as compared to other categories. This is due to the reason that the entry level employees and young blood have high aspirations to earn more and as fast as possible. The changing commitment is a serious problem among Indian Insurance players.

<http://business.inquirer.net/97345/attracting-right-people-a-challenge-to-asia-pacific-employers>, December 10th, 2012, 2:22 am

* Director, Institute of Management Studies and Research, Maharshi Dayanand University, Rohtak, Haryana, India

** Assistant Professor, PDM College of Engineering, Sarai Aurangabad, Maharshi Dayanand University, Haryana, India

Insurance business is divided into four classes: Life insurance, Fire insurance, marine insurance and miscellaneous insurance. The life insurance transacts the life business while the general insurance transacts the rest. India has reported consistent increase in insurance density every year since the sector was opened up for private competition in 2000. However, for the first time in 2011, there was a fall in insurance density. The rising of loyalty and lowering productivity has increased the cost. Over the year's organization have spent a lot of money and time in research, finding the ways to retain the talent. The talent management and organizational commitment has become a severe issue now days. The present study has been attempted to study the level of organisational commitment in insurance industry.

REVIEW OF LITERATURE

The commitment is a multidimensional concept the first definition grows out of **Becker's (1960)** early work on the idea of side bets, whereby individuals stake some unrelated aspect of their lives on continued organizational membership. For instance, people may be unwilling to quit an organization for fear they will be perceived as "job hoppers." In this case, individuals make side bets by staking their reputation for stability on the decision to remain with a particular organization. Sometimes, according to Becker and others, organizations make side bets for employees through practices that lock them into continued organization membership. Commitment results, post hoc, when pensions, tenure in the organization, organization-specific skills, status, age, or other factors combine as accumulated investments, rewards, and sunk costs.

The second definition of organizational commitment focuses on behaviours that result in the attribution of commitment, attributions that are made, in part, in order to maintain consistency between one's behaviour and attitudes.

The third definition concerns itself with processes of identification and the dedication of one's own energies to the organization's goals and values. One of the most popular measures of organizational commitment, **The Porter, et al., 1974**, defined OC as "the relative strength of an individual's identification with and involvement in

a particular organization" It has considered three characteristics of OC, (1) a strong belief in and acceptance of the organization's goals and values; (2) a willingness to exert considerable effort on behalf of the organization; and (3) a strong desire to maintain membership in the organization. The different researchers have reviewed and reconceptualised organisational commitment.

Allen and Meyer (1990) have given three dimensions of attitudinal organisational commitment. The affective component of organizational commitment, proposed by the model, refers to employees emotional attachment to, identification with, and involvement in, the organization, such that the strongly committed individual identifies with, is involved in, and enjoys membership in, the organization. The continuance (calculative) component refers to commitment based on the costs that employees associate with leaving the organization. Finally, the normative component refers to employees feelings of obligation to remain with the organization.

Vandenberghe Christian (1996) investigated the usefulness of the three dimensional conceptualization of organizational commitment in a Belgian context. The reason for this may be that eight items from the original scales were dropped from the analyses. The cross-cultural similarities and differences in level of organizational commitment were studied among African, English and Afrikaans language groups. The factor analyses survey reveals the comparison of the subscale correlations across the African, English and Afrikaans language groups, and the DIF analysis support the view that the organisational commitment construct is psychologically equivalent across the language groups. **Magano and Thomas Bruin (2011)** defines strategic importance of the automotive industry to the South African economy, this finding could alert managers to the necessity of understanding the reasons for the lower normative commitment of the African language group (compared to the Afrikaans and English speakers) and, accordingly, to devise ways of increasing normative commitment with this group **Kassahun, T. (2005)** studied the level of commitment in Delhi organisations and got 23.5% level of high commitment.

METHODOLOGY

The study is based on descriptive as well as diagnostic research. The objective of this paper is to check the level of commitment in Insurance Industry with respect to ²AC, CC and NC.

The study was conducted in two private insurance companies in Delhi and Gurgaon. Of these one is ICICI Prudential life insurance and other is Aviva. The companies are chosen on the basis of total premium collected in last few years. As per the IRDA reports ICICI had highest total premium for the last 10 years and Aviva in the list of company earning lower premium. Another reason both are having foreign partners of UK based companies i.e. Prudential Plc, UK & Aviva International Holdings Ltd, UK respectively.

The random sampling is used and the data was collected only from the on roll employees. Around 50 questionnaires were distributed and only 32 were found correct without any missing values. The reliability of the entire questionnaire is checked and two were found unfitted having $p < 0.50$. The reliability of others questionnaire were found to be $p > 0.70$. Hence 30 questionnaires (15 each) were analysed for his study. The data is collected through self-administered questionnaire developed on the basis of three component model of organisational commitment (Allen, Meyer 1990). The employee were asked to answer 17 statements (affective commitment- 5 statements, Calculative commitment- 6 statements and normative commitment- 6 statements) on the 5 point scale from Strongly agree to Strongly disagree.

ANALYSIS

For the purpose of this study, descriptive statistics (frequency distribution and percentages) used. The male respondents were around 60% and majority of the respondents were of the age 25-30. Only few of them were above 41 or below 25 years of age. The level of commitment could be judged from the fact that 56.6 % of respondents are having experience in the class interval of 3-5 years. Around 33% of respondents are having the experience of more than 5 years. The experience figures

relate to same organisation irrespective of their total experience.

(REFER TABLE 1 HERE)

The reliability statistics is checked and the value comes to 0.695, which is higher than 0.5 hence a good score. The independent t- test is use to check the significant difference between the level of Organisational commitment in Aviva and ICICI Prudential (Life Insurance Companies)

H0_a : There is no significant difference between the level of affective commitment in Aviva and ICICI Prudential Insurance

H0_c : There is no significant difference between the level of calculative commitment in Aviva and ICICI Prudential Insurance

H0_n : There is no significant difference between the level of normative commitment in Aviva and ICICI Prudential Insurance

H1_a : There is no significant difference between the level of affective commitment in Aviva and ICICI Prudential Insurance

H1_c : There is no significant difference between the level of calculative commitment in Aviva and ICICI Prudential Insurance

H1_n : There is no significant difference between the level of normative commitment in Aviva and ICICI Prudential Insurance

The independent t -test is used in this study to test the hypothesis and as it is parametric test and is based on the assumptions that dependent variable needs to be metric and normally distributed. It is checked graphically through Q-Q plot and normality of the data can't be questioned. The second assumption is of equal variance. The following Table II reveals the Levene's test for equality of variance. A significant value of this test shows the difference in the variance. But the **insignificant value** in our study has proved that they have approximately equal variance. Thus, second assumption also proved to be true in this case. The t test value of only equal variance has been considered in the further study. The table II shows the insignificant F value for all three components of commitment.

AC: Affective Commitment, CC: Calculative Commitment, NC: Normative Commitment

(REFER TABLE 2 HERE)

This study has attempted to check the level on three components of commitment. The level of commitment is higher in the ICICI prudential as compared to employees of Aviva. The affective component scores highest with the 74.2% (3.712) level of commitment in ICICI Prudential as compared to 70.4% (3.552) in Aviva. The low commitment score as compared to ICICI Prudential may be due to the fact that Aviva Life insurance has laid off more than 150 people as part of its restructuring exercise after recession in 2012. Mathieu and Zajac (1990) found that affective commitment is related to job involvement and overall satisfaction in the organisation with peers, boss and subordinates. Thus a good score of affective commitment will help the organisation to retain their customers for a long. If we look at the values of other two measure of commitment, this would be clearer. The value of normative commitment i.e. 3.2733 shows 65.4% level of commitment among the employees of ICICI Prudential as compared to 64.8% (3.24) level of commitment. The commitment level is quite satisfactory as our result goes with previous studies. The third component is calculative commitment which shows higher probability of intention to quit (Mayer and Schoorman 1992). In ICICI Prudential the score of calculative commitment is 2.94(58.33%) which is low as compared to Aviva score of 2.96(59.2%). It shows, comparatively low score as compared to other components, so intention to quit is quite less.

Affective commitment has the strongest positive correlation with these desirable work behaviors, followed by normative commitment; continuance commitment is unrelated or negatively related to these behaviors. Meyer, Stanley, et.al (2002).

(REFER TABLE 3 HERE)

The table II defines the level of commitment in both the companies; however the score differs by a very little percentage. The significance of t value can be seen in Table III. The t value for affective commitment is -1.527 with 28 degrees of freedom. It is insignificant and hence H1_a is rejected and null hypothesis is accepted.

(REFER TABLE 4 HERE)

As same for the calculative and normative commitment, alternative hypothesis fails to be accepted. The alternative hypothesis H1_b and H1_c are accepted. The result could be drawn that there is no significant difference between the employees of ICICI Prudential and Aviva in terms of level of commitment.

CONCLUSION

The systematic relationship of organisational commitment with the organisational performance, productivity and effectiveness has made it an important issue. The leadership is a motivating factor of organizational commitment Bass (1988). The employees are found to be more creative and innovative in supportive culture. Lok and Crawford (2004) noted that employees are more interactive in an innovative and supportive culture shaped by the leader, which bears on commitment. To address the issue of attrition and declining commitment in Industry, IRDA is examining the introduction of a senior-agent system to provide a career path for agents. Insurance majors are looking to rope in joint venture partners to enhance their distribution network and boost finances in this cash-starved sector like MetLife is collaborated with the PNB. To reduce attrition and improve customer service, Reliance Life, is introducing fixed salary for insurance advisors in semi-urban and rural areas. It is introducing a fixed income system under its new format called 'Career Agent'. The objective is to provide a minimum fixed salary to agent in order to infuse a sense of security and professional commitment. The level of commitment also helps in reducing absenteeism rate, intention to stay increases. The positive correlation between the commitment and customer satisfaction as well as business growth demonstrated the value of commitment programme.

REFERENCES

1. Allen N.J. & Meyer J.P. 1990, The measurement and antecedents of affective, continuance and normative commitment to the organization, *Journal of Occupational Psychology*, 63: 1-18.
2. Bass et.al 1988, Superiors' evaluations and

- subordinates' perceptions of transformational and transactional leadership, *Journal of Applied Psychology*, 73:4, 695-702.
3. Becker HS (1960), Notes on the concept of commitment, *Am. J. Sociol.* 66: 32"40.
 4. Kassahun, T. 2005, Level of Organisational Commitment: Its Correlates and Predictors, *Indian Journal of Industrial Relation*, 41:1, 29.
 5. Lather Anu Singh and Mohan Sangeeta 2007, A Comparative Study Of Executive And Non-Executive Associates Of Delhi Metro Rail Corporation For Their Level Of Commitment And Personal Efficiency, *VISION—The Journal of Business Perspective*, 11:4
 6. Lok Peter and Crawford John 2004, The Effect of Organizational Culture and Leadership Style on Job Satisfaction and Organizational Commitment, *Journal of Management Development*, 23: 321-338
 7. Magano and Thomas Bruin 2011, A cross-cultural comparison of organisational commitment amongst Vehicle sales staff, *S.Afr.J.Bus.Mnag.* 2011, 42(1)
 8. Mathieu J. E. & Zajac, D. 1990) A review and meta-analysis of the antecedents, correlates, and consequences of organizational commitment, *Psychological Bulletin*, 108, 171–194.
 9. Meyer, John P., Stanley, David J., Herscovitch, Lynne, Topolnytsky, Laryssa. (2002), Affective, continuance, and normative commitment to the organization: a meta-analysis of antecedents, correlates, and consequences, *Journal of Vocational Behavior*, 61, 20-52
 10. Porter, L.W., Steers, R.M., Mowday, R.T., & Boulian, P.V. 1974, Organizational commitment, job satisfaction, and turnover among psychiatric technicians, *Journal of Applied Psychology*, 59, 603-609.
 11. Vandenberghe Christian 1996, Assessing Organisational Commitment in a Belgian Context: Evidence for the Three-dimensional Model. *Applied Psychology: An International Review*, 45 (4). 371-386
 12. [Http://www.hindustantimes.com/News-Feed/BusinessBankingInsurance/Aviva-India-lays-off-over-150-employees/Article1-953524.aspx](http://www.hindustantimes.com/News-Feed/BusinessBankingInsurance/Aviva-India-lays-off-over-150-employees/Article1-953524.aspx)

Table 1 (Demographic characteristics)

GENDER	No. of respondents (30)	
	Frequency (N)	%
Male	18	60
Female	12	40
Age	No. of respondents (30)	
	Frequency (N)	%
< 25	3	10
25-30	18	60
31-40	6	20
41-50	3	10
EXPERIENCE	No. of respondents (30)	
	Frequency (N)	Experience in ICICI Prudential /Aviva
< 1 years	-	-
1-3 years	3	10
3-5 years	17	56.6
5-7 years	4	13.4
7-10 years	3	10
More than 10 years	3	10