

Original Research Article

The Impact of Incentives on Employee Engagement in an Insurance Industry at Colombo District

Abstract

Aims: Employee participation has emerged as one of the biggest challenges in the workplace today. With the complexities and strict regulations, the future of employee employment will be challenging for Insurance Companies. This aspect challenges management, as interventions are vital to the Insurance Companies' vitality, survival, and profitability. Insurance Companies with high paying employees are more profitable. Insurance Companies that have a high level of employees increase customer satisfaction, profitability and employee productivity. The number of field employees increased left in Insurance Companies. Example Softlogic insurance employee's 2016 left 2% but 2019 Left percentage 6%. It is clear. That field employees are not engagement with the Insurance Companies. To identify the level of employee incentives, employee engagement, at Colombo district and impact of employee incentives on employee engagement deductive process is used for the research study.

Study design: Further, Quantitative method is used in the study.

Conclusion:

As a researcher I need to identify the problem in correct manner with suitable correct & accurate data. Convenience sampling method is used in this study. Sample of this study is 100 employees who are in an Insurance Industry at Colombo District. I have chosen the sample in Ceylinco Insurance - Sales Agent 26, Union Assurance-Sales Agent 26, Softlogic Insurance - Sales Agent 26, Sri Lanka Insurance - Sales Agent 22. As per the impact of financial and non-finance incentives on employee engagement, the area is highly significant for Insurance Industry in Colombo District to continue while increasing the business activities in order to meet the firm's objectives. Consequently, the contribution of employees is very significant due to number of reasons such as productivity, to meet challenges and familiarize innovative approaches to receive

the competitive advantage. Result shows that there is a positive impact on “The Impact of Incentives on Employee Engagement in an Insurance Industry at Colombo District”.

Keywords: Incentives, Engagement, Insurance Industry

1 Introduction

Employee engagement is very important for an Insurance Industry to survive in an industry while expanding their activities in order to meet its objectives. Therefore, the contribution of employees is very significant due to number of reasons such as profitability, to meet challenges and introduce innovative approaches to receive the competitive advantage. However, it is important to understand the motivational factors of employees which are required for them to become more efficient while enhancing productivity. Although, when considering the impacts of incentives, rewards for employee commitments are some of the most essential areas that an organization have to understand, in terms of its numerous positive outputs. However, when considering the human behavior, it is required to understand the psychological patterns of people and how they are motivated to engagement better while orientating on the job area.

Employee engagement in the twenty – first century is one of the most crucial metric for an organization (Saks, 2006). Employee engagement is defined as employee participation, job satisfaction, and commitment to the organization (Scott & McMullen, 2010). Employees are the most important asset of any organization (Drucker, 2002). Based on research by the United States Nobscot Corporation, the employee turnover rate rose from 15.3% in 2005 to 16.5% in 2006. Therefore, finance and non- financial incentives were developed for the benefit and motivation of employees (Zaidi & Abbas, 2011). Financial incentives are a way of financially benefiting employees, such as bonus, Transportation Allowance and commission. Non- Financial incentive can be in tangible or intangible form which does not involve any direct cash payment to employees such as status as well as posting (Yavuz, 2004).

Sri Lankan Insurance Industry is governed by the Regulation of Insurance Industry Act, No. 43 of 2000; Insurance has evolved as a process of safeguarding the interest of people from loss and uncertainty. It may be described as a social device to reduce or eliminate risk of loss to life and

property. Insurance contributes a lot to the general economic growth of the society by provides stability to the functioning of process. Further, in order to do the insurance company activity very efficiently & effectively the insurance company should have the loyal workforce or increase the employee engagement among the sales agents. Because, the success of the insurance companies depend on the amount of quality business brought by the marketing executives operating in a highly competitive environment. These marketing executives are the backbone of insurance companies. It is the responsibility of the management to retain the marketing staff by motivating them. When the sales agents an insurance company, the company loses not only the training cost, but also the valuable portfolio handled by the executive. It is revealed that most of the time the sales agents leave with his portfolio as the client is psychologically attached to the agents.

Problem Statement

The failing global economy has made a huge difference in the way business is run. Employment is also important to the employee and to this Insurance Companies. Employees can use contractual provisions to hinder the achievement of the goals and objectives of an Insurance Industry. The ability of management to utilize corporate employee engagement strategies is essential. An organization must continue to incorporate the process that enhances employee participation.

Employee participation has emerged as one of the biggest challenges in the workplace today. With the complexities and strict regulations, the future of employee employment will be challenging for Insurance Companies. This aspect challenges management, as interventions are vital to the Insurance Companies' vitality, survival, and profitability. Insurance Companies with high paying employees are more profitable. Insurance Companies that have a high level of employees increase customer satisfaction, profitability and employee productivity.

Further, several researchers stated that employees' engagement depends on different types of factors. However, because of substantial cultural and organizational differences between Sri Lanka and industrialized Western countries, the employees' engagement theory advocated in the West may not be appropriate in Sri Lanka. Only a few empirical studies are available in Sri Lankan and foreign contexts regarding the relationship between incentives and employees' engagement. As a result, researchers must research in the topic of the employees' engagement in

the Sri Lankan environment.

Research Questions

1. What is the level of employee incentives and employee engagement in an Insurance Industry at Colombo district?
2. What is the impact of employee incentives on employee engagement in an Insurance Industry at Colombo district?

Incentives

Incentive is a promise made to motivate employees through different ways. However, these motivational factors can be divided into mainly 2 areas as finance incentives and non – finance incentives. Somehow, based on the finance incentives that fall under financial benefits they are mainly associated with money. Therefore, they may be regard to bonus, transportation allowance, commission. As per the fringe benefits or non – finance incentives, they are not directly involved with money. Despite, they have economically identifiable values in them. Non – finance incentives include status and posting for them to enhance their psychological aspects.

Somehow, these bonuses, transportation allowance, commission, status and posting have to be positively associated with the employees that provide a positive assurance to fulfil their needs and wants. Therefore, when Organization fails to fulfil the given promises, it may lead to negative incentives that will then cause adverse impacts on the organizational profitability (Breevaart, Bakker, Demerouti, & Derks, 2016).

Employee Engagement

The company must effectively manage its human resources and encourage employees to maintain their high commitment and strong relationships to the company for rapid business development and the existence of strong competition and sustainable growth (Markos & Sridevi, 2010).

Employee engagement is defined as the attachment actions of members of the company to carry out their role of work better. It means that an employee is said to be involved and bound if he could freely express himself physically, cognitively and emotionally in his official role consistent with the company goal (Gupta, Ganguli & Ponnamp, 2015).

This emotional commitment means that the employees who are engaged really care about their work and their insurance company. They work not only for a salary or the next promotion, but also by working for Insurance company goals.

There are three type of engagement. Such as,

I. Engaged Employee - Engaged employees are those who work with full passion and are emotionally attached to the organization. They are innovative and provide new ideas and consistent performance to move the organization forward. They personalize the goals and objectives of the company and always work beyond their job requirements for the betterment of the organization.

II. Not Engaged Employee - Such employees spend their time, but do not have much desire and energy for their work. They only do what they are asked to do. These employees can have a negative or positive attitude towards the organization. They treat their job as nothing more than a salary.

III. Actively Disengaged Employee – These employees spread dissatisfaction, resentment and negativity within the organization. However, even if less than the minimum, these employees stay in the company longer by dismissing employees they think will get them higher positions.

Relationship between Incentives and Employee Engagement

If the supervisors have quality supervision and if they maintain a good relationship with employees, the workplace has a high level of connectivity between employees and reduces the turnover of employees in the organization. Based on the conditions, quality supervision and better relationship with employees have a greater impact on improving the engagement from employees and promoting positive and effective results in terms of packaging (Harter, 2006; Swindall 2007)

Employee engagement is one of the decisive factors in the functioning of any organization and the successful implementation of any new dynamic changes (Wellins & Concelman, 2004). Employment was defined as a condition that motivates employees to deliver a higher level of performance while developing commitment, loyalty, productivity and ownership.

The image of the organization refers to the way employees perceive their organization as well as the products and services of the organization. If employees have a good image of the organization, it will have a positive effect on engagement (Andrew & Sofian, 2012)

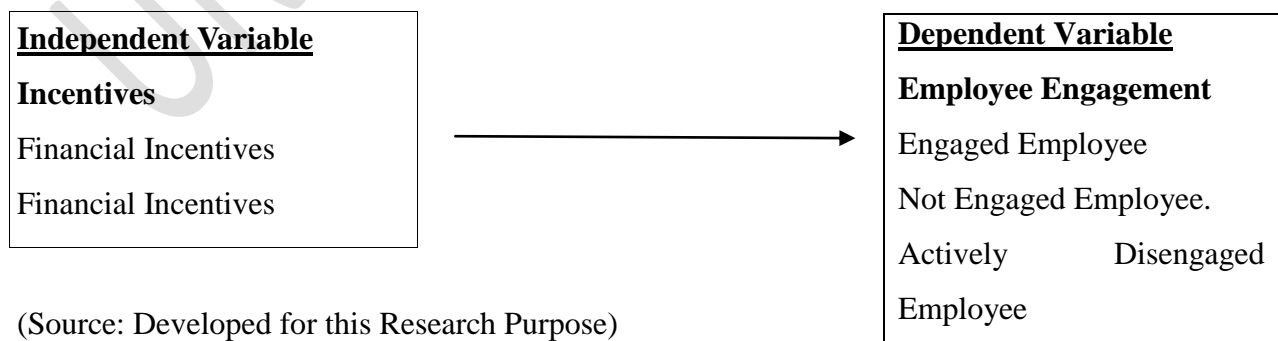
The organization must have a system of appropriate benefits and recognition to identify employee performance and motivate them through financial and non-financial benefits. A system that provides good returns can motivate employees to engage in organizational activities. To improve employee engagement levels the employees should be provided with certain benefits and compensations such as salary increment, bonus, promotion, etc (Vazirani, 2007)

Confidence in leadership helps to build better engagement between employees and leadership and management affect employee sustainability (Tower Watson, 2006)

Employee communication is the process of communicating upward and downward within the organization using the proper communication tools. When the employees are empowered to take decisions up to some extent and sharing their ideas and comments for organizational decision making, then it enhances their level of engagement as it makes the employees trust themselves as well as increase job satisfaction (Andrew & Sofian, 2012)

Employee development is the belief of employees that managers and managers will seek to build their skills and abilities through training and development programs organizations should be given ample opportunity to enhance the skills of their employees as well as acquire new knowledge and skills in order to obtain a high level of employment engagement.

Fig 1 : Conceptual Framework



(Source: Developed for this Research Purpose)

Methodology

In this research researcher used questionnaire to collect the information from respondents. Further, this research is quantitative research that involves measuring and quantifying data as well as research methods based on various measurement scales and statistical specifications (Malhotra, 2004). The purpose for conducting this research survey is to identify to investigate the impact of finance and non-finance incentives on employee engagement of Insurance Industry at Colombo District. The marketing executives who are working in the insurance industry in Colombo district considered as a population of this study. Among them only 100 sales agent are selected as a sample through convenience sampling method.

Ceylinco Insurance - Sales Agent 26

Union Assurance -Sales Agent 26

Softlogic Insurance - Sales Agent 26

Sri Lanka Insurance - Sales Agent 22

A questionnaire consists of set of questions presented to a sales agents of insurance company for their answers. The most popular data collection techniques include surveys, primary data, and secondary data source. In this study likert scale questionnaires are used. Company background information is obtained from the online web, annual report, and magazines. Questionnaire method is to collect data through the questionnaires. Researchers list the relevant questions and ask respondents to answer them according to their personal situation. Questionnaires have the comparing advantage such as: it is easy to analyze, familiar to most people, it can reduce bias and less intrusive than face to face surveys.

Result & Discussion

The results of the findings showed that by gender 72% male and 28% female were contributed to this study. In this study, age wise 8% people were less than 20 years old, 37% people were between 21 - 30 years old, 31% people were between 31 - 40 years old and only 24% people were above 41 years old. In terms of education level, 84% people have G.C.E.A/L qualification, 14% people have Diploma qualification and 2% people have professional qualification. In terms of marital status, 28% people were single and 72% people were married. Based on the service experience 14% people have less than 2 years of experience, 32% people have between 2 - 4 years of experience, 21% people have between 5 - 7 years of experience, 15% people have

between 8 – 10 years of experience & 18% people have more than 10 years of working experience in this study.

As per the results obtained, the internal consistency of the Independent variable such as incentives is determined as “Good” due to Cronbach’s Alpha resulted between $0.8 \leq \alpha < 0.9$. The internal consistency of the dependent variables such employee engagement is determined as a “Acceptable” as the Cronbach’s Alpha resulted between $0.7 \leq \alpha < 0.8$.

Previous researchers have suggested that reliability of 0.60 can be considered as an average coefficient, and 0.70 can be considered as high reliability coefficient (Mohammed Inuwa 2017). Therefore, the study shows that the variables are considerably consistent.

Descriptive Statistics for Variables

According to the Table 1, mean value of the financial incentive is 4.52 with the deviation of 0.502. Mean value of the non-financial incentive is 4.43 with the deviation of 0.415 and mean value of the engaged employee is 4.59 with the deviation of 0.480, mean value of the not engaged employee is 3.20 with the deviation of 0.222 and mean value of the actively disengaged employee is 2.50 with the deviation of 0.503. So, result showed that there is high amount of mean value available regarding financial incentives, non-financial incentives, engaged employee in an insurance industry at Colombo district (High level of mean value > 3.5 , Gliem & Gliem, 2003), but there is moderate level of mean value available regarding not engaged employee and actively disengaged employee in an insurance industry at Colombo district (Moderate level of mean value < 3.5 , Gliem & Gliem, 2003),

Table 1: Descriptive Statistics for Variable

	Minimum	Maximum	Mean	Std. Deviation	Decision Attributes
Financial Incentives:	4	5	4.52	.502	High Level
Non-Finance Incentives:	4	5	4.43	.415	High Level
Engaged Employee			4.59	.480	High Level

Not Engaged Employee	4	5	3.20	.222	Moderate Level
Actively Disengaged Employee	4	5	2.50	.503	Moderate Level

(Source: Survey Data)

Correlations Analyses among Variables

Table 2: Correlations Analyses

		Engaged Employee	Not Engaged Employee	Actively Disengaged Employee
Finance Incentives : Bonus	Pearson Correlation	.783**	-.261**	-.593**
	Sig. (2-tailed)	.000	.000	.000
	N	100	100	100
Non-Finance Incentives: Status	Pearson Correlation	.850**	-.413**	-.613**
	Sig. (2-tailed)	.000	.000	.000
	N	100	100	100

(Source: Survey Data)

The correlation between the financial incentives and employee engagement was statistically significance at the 0.000 level with a Pearson correlation coefficient of +0.783. It shows that there is a positive relationship between the finance incentive and employee engagement.

The correlation between the non-financial incentives and employee engagement was statistically significance at the 0.000 level with a Pearson correlation coefficient of +0.850. It shows that there is a positive relationship between the non-financial incentive and employee engagement.

The correlation between the financial incentives and not engaged employee was statistically significance at the 0.000 level with a Pearson correlation coefficient of -0.261. It shows that there is a negative relationship between the finance incentive and not engaged employee.

The correlation between the non-financial incentives and not engaged employee was statistically significance at the 0.000 level with a Pearson correlation coefficient of -0.413. It shows that there is a negative relationship between the non-financial incentive and not engaged employee.

Further, the correlation between the financial incentives and actively disengaged employee was statistically significance at the 0.000 level with a Pearson correlation coefficient of -0.593. It shows that there is a negative relationship between the finance incentive and actively disengaged employee.

The correlation between the non-financial incentives and actively disengaged employee was statistically significance at the 0.000 level with a Pearson correlation coefficient of -0.613. It shows that there is a negative relationship between the non-financial incentive and actively disengaged employee.

Regression Analyses

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.837 _a	.700	.684	.108	.700	43.833	5	94	.000	1.835

a. Predictors: (Constant), Non-Finance Incentives, Finance Incentives

b. Dependent Variable: Employee Engagement

As above table presents a summary of the model in which the item of interest is the R square statistics, which is 0.837 with a statistical significance of $P < 0.05$. This suggests that, 83.7% of the variants in the Employee Engagement (Outcome) was predicted from level of Incentives.

Conclusion

As per the impact of financial and non-finance incentives on employee engagement, the area is highly significant for Insurance Industry in Colombo District to continue while increasing the business activities in order to meet the firm's objectives. Consequently, the contribution of employees is very significant due to a number of reasons such as productivity, to meet challenges and familiarize innovative approaches to receive the competitive advantage. However, it is important to understand the motivational factors of employees which are required for them to become more efficient while enhancing productivity. Though, when in view of the influences of

financial and non-finance incentives, for employee commitments are some of the most essential areas that an organization has to understand, in terms of its numerous positive outputs. However, when considering the human behavior, it is obligatory to comprehend the psychological outlines of employees and the way employee engagement better in their role. Though, the results, it accepted the that there is positive impact of incentives on employee engagement in ansurance industry at Colombo district.

Recommendations

As per the outcome of the research, it require to provide proper incentives to enhance the employee engagement. Further, peace rate and share option would be more appropriate for the Insurance Industry as per the findings while understanding the existing economic environment and also the variations by adjusting the inflation.

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