

# HUMAN RESOURCES IN ORDER TO IMPROVE THE OVERALL QUALITY: THE CASE OF CPII

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*Source / Izvornik:* **Ekonomski vjesnik : Review of Contemporary Entrepreneurship, Business, and Economic Issues, 2016, 29, 231 - 240**

**Journal article, Published version**

**Rad u časopisu, Objavljena verzija rada (izdavačev PDF)**

*Permanent link / Trajna poveznica:* <https://um.nsk.hr/um:nbn:hr:145:951180>

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*Download date / Datum preuzimanja:* **2022-12-01**



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**UDK: 658.56:658.3**  
*Review article*

*Received: April 29, 2016*  
*Accepted for publishing: May 12, 2016*

# HUMAN RESOURCES IN ORDER TO IMPROVE THE OVERALL QUALITY: THE CASE OF CPII

## ABSTRACT

The paper shall present the results of the research that was aimed at measuring employee satisfaction with the existing state of affairs as well as their expectations in the future in the case of the Economic and Financial Affairs Department of the Croatian Pension Insurance Institute (CPII), Regional Office (RO) Osijek. The study was conducted by using the KVALIMETAR measuring instrument. The results of the study allowed the identification of critical areas in the management system through the dimensions of the KVALIMETAR measuring instrument, based on which recommendations for improvement were made. A negative gap was recorded in all dimensions, which leads to the conclusion that the existing state of affairs should not be maintained. It is also necessary to continue to work and invest further efforts to improve quality since it is precisely continuous improvement and upgrading that quality management mandates.

**Keywords:** Quality, quality management, measuring instrument, employee satisfaction

## 1. Introduction

The need for quality improvement in public administration is continuously growing and the proposals for reform of public administration aim at improving quality. The orientation of public administration toward beneficiaries is being emphasized more and more and it is precisely the fulfilling of their expectations that is becoming the measure of quality. Public administration should be meeting the needs of the citizens and the business sector. Quality depends on numerous factors of which – according to the subjective opinion of the author – the most impor-

tant include employee competencies and commitment, quality planning, management and insurance and finally – quality improvement (Lazibat, 2009: 57). There are various quality management mechanisms, but there is also the question of how and to which extent they are applied in public administration. The introduction of a quality management system is not an easy and simple process; but, it is necessary. There is a reason as to why it has not been sufficiently implemented in all organizations. There are those who advocate the implementation and – as with anything – there are those who oppose it, mainly by arguing that it is costly, that the consultants are expensive, that there are no palpable or

immediate benefits and most commonly that there is the need to maintain the existing state and not alter the established habits and relations. There is also the ever-present strong political influence since quality requires a review of all business processes in order to create accountable structures. The implementation of a quality management system in any organization including public administration will not solve all our problems, but it will raise the level of responsibility and alter the awareness of public administration services and its orientation toward beneficiaries and thereby restore public confidence in the public administration's work.

The aim of this paper is to present the results of the study that was conducted at the Economic and Financial Affairs Department of the CPII<sup>1</sup> Regional Office Osijek by using the data obtained via anonymous employee surveys. For the purpose of measuring the quality of services as well as employee satisfaction at the Department, the measuring instrument KVALIMETAR was specifically adapted to public administration. Perception and expectation covered by 21 questions through dimensions (*Strategy, Organizational Structure, Human Resource Management, Management and Leadership, Collaboration*) were examined with the aim of detecting the level of service quality and employee satisfaction at the Department. This is the goal sought to be achieved: to identify critical points in the management system based on the established differences (*gaps*) between the dimension of *perception* and the dimension of *expectation* and to provide recommendations for improving overall quality.

## 2. Research Methodology

The research was conducted as part of the elective course *Quality Management in the Public Sector* at the Public Administration Specialist Graduate Studies at the Faculty of Law in Osijek by applying the KVALIMETAR measuring instrument. The public administration questionnaire was adapted for this purpose, with the help of which employees-respondents answered the questions anonymously.

### 2.1 The KVALIMETAR Measuring Instrument

The KVALIMETAR is the measuring instrument for examining the quality of services in the public sector. It is intended for measuring the quality of services in public administration with the aim of identifying critical points in the management system so as to increase excellence in providing services as well as improving the overall quality in public administration. The service quality level in the public sector as well as employee satisfaction therein are determined by examining *perception* and *expectation*. It comprises five dimensions that are covered by 21 questions on the *perception* scale and 21 questions on the *expectation* scale. The answers were recorded using a 5-point Likert scale (1–strongly disagree with the statement to 5–strongly agree with the statement). The key dimensions of quality management in public administration include:

- Strategy (questions 1 – 4)
- Organizational Structure (questions 5 – 9)
- Human Resource Management (questions 10 – 13)
- Management and Leadership (questions 14 -17)
- Collaboration (questions 18 – 21)

The KVALIMETAR includes the following sociodemographic questions: GENDER (M/F), AGE (respondent-entered number), HIGHEST LEVEL OF EDUCATION COMPLETED (primary education (PE), lower/upper secondary education (L/USE), post-secondary education (PSE), and tertiary education (TE)), and YEARS OF SERVICE (respondent-entered number).

Table 1 Data for encoding results

| GENDER |   | AGE     |   | EDUCATION |   | SERVICE |   |
|--------|---|---------|---|-----------|---|---------|---|
| M      | 1 | 18 – 23 | 1 | PE        | 1 | 1 - 4   | 1 |
| F      | 2 | 24 – 29 | 2 | L/USE     | 2 | 5 – 10  | 2 |
|        |   | 30 – 35 | 3 | PSE       | 3 | 11 – 16 | 3 |
|        |   | 36 – 41 | 4 | TE        | 4 | 17 – 22 | 4 |
|        |   | 42 – 47 | 5 |           |   | 23 – 28 | 5 |
|        |   | 48 – 53 | 6 |           |   | 29 - 34 | 6 |
|        |   | 54 – 59 | 7 |           |   |         |   |
|        |   | 60 - 65 | 8 |           |   |         |   |

Source: Data obtained by authors

## 2.2 Sample

The study was conducted on a sample of 30 respondents employed at the Department for Economic and Financial Affairs of the Croatian Institute for Pension Insurance (CPII) Regional Office in Osijek. It is necessary to stress that the research was conducted in January 2014 when the Department comprised the following two sub-departments:

- Accounting Department and
- Pension Benefits and Child Allowance Calculation and Payment Department.

Given the timespan and the previously mentioned restructuring of the Institute with the aim of achieving the optimal employee number and structure and operating costs rationalization, in 2014 changes were made to the internal organization of the Institute<sup>2</sup>, which in turn resulted in the reducing of the number of internal organizational units and the number of managing positions. Today, the Economic and Financial Affairs Department has 25 employees. The smaller number of employees is the result of a natural outflow (e.g. retirement) as well as of other measures that involve the redistributing of employees to departments.

The introductory part of the questionnaire was used to obtain answers from the respondents to four sociodemographic questions. This data allowed insight into the employee structure of the Department according to gender, age, education and years of service, which in turn provided guidelines on what requires attention in the future.

The table contains the employee structure at the Economic and Financial Affairs Department according to demographic variables expressed as absolute and relative values.

The data on the gender structure of respondents undoubtedly shows that the percentage of women employed at the Department (90%) – i.e. 27 – is significantly higher than that of men (10%) – i.e. 3.

According to the data on the age structure of the respondents, the largest number of employees (n=10) falls under the 42-47 years of age range (33%), followed by 9 employees from 54 to 59 years of age (30%). A very small number of employees are under 41 years of age – 4 of them, i.e. 13%. The analysis of the overall age structure leads to the conclusion that there is a lack of younger people and especially those under 35. The lack is certainly caused in part

by the Decision of the Government of the Republic of Croatia on the ban on new recruitment of civil servants and civil service employees (Official Gazette no. 114/14 and 32/15)<sup>3</sup> whose salaries are funded from the State Budget and that includes the CPII employees as well.

**Table 2 Respondent structure according to socio-demographic variables**

|                            | ABSOLUTE VALUES | RELATIVE VALUES (%) |
|----------------------------|-----------------|---------------------|
| <b>GENDER</b>              |                 |                     |
| M                          | 3               | 10                  |
| F                          | 27              | 90                  |
| <b>TOTAL</b>               | <b>30</b>       | <b>100</b>          |
| <b>AGE</b>                 |                 |                     |
| 18 – 23                    | 0               | 0                   |
| 24 – 29                    | 1               | 3                   |
| 30 – 35                    | 1               | 3                   |
| 36 – 41                    | 2               | 8                   |
| 42 – 47                    | 10              | 33                  |
| 48 – 53                    | 7               | 23                  |
| 54 – 59                    | 9               | 30                  |
| 60 - 65                    | 0               | 0                   |
| <b>TOTAL</b>               | <b>30</b>       | <b>100</b>          |
| <b>COMPLETED EDUCATION</b> |                 |                     |
| PE                         | 0               | 0                   |
| L/USE                      | 26              | 87                  |
| PSE                        | 1               | 3                   |
| TE                         | 3               | 10                  |
| <b>TOTAL</b>               | <b>30</b>       | <b>100</b>          |
| <b>YEARS OF SERVICE</b>    |                 |                     |
| 1 - 4                      | 1               | 3                   |
| 5 – 10                     | 2               | 7                   |
| 11 – 16                    | 1               | 3                   |
| 17 – 22                    | 11              | 37                  |
| 23 – 28                    | 8               | 27                  |
| 29 - 34                    | 7               | 23                  |
| <b>TOTAL</b>               | <b>30</b>       | <b>100</b>          |

*Source: Data obtained by authors*

The qualification (education) structure is dominated by the 26 employees with secondary education (87%). Only 3 employees have completed post-secondary or tertiary education (10%) and this mostly involves managerial staff. Just 3%, i.e. 1 employee has completed post-secondary education. What certainly affects this result is the fact that the tasks performed at the Department mostly involve secondary-education-level tasks. According to the new job classification that has been in force since 1 September 2014<sup>4</sup>, the situation has not changed much and the positions within the Economic and Financial Affairs Department largely remain secondary-education ones.

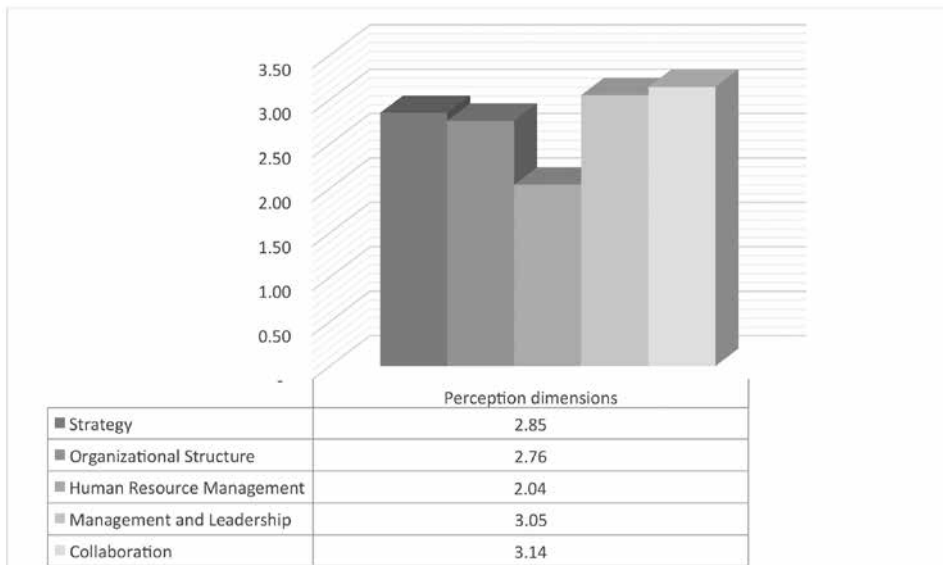
In terms of years of service, the prevailing number of employees has 17-22 (37% or 11 employees), followed by 8 employees with 23 to 38 years of service (27%). The number of employees with 1-4 or 11-16 years of service is equal – 1 per range (3%).

### 3. Research results

The aim of the research was to analyse the actual state and the level of quality by examining the employees' perception through the previously explained five dimensions (*Strategy, Organizational Structure, Human Resource Management, Management and Leadership, Collaboration*) and to determine what their expectations in the future are (using the same five dimensions). Figure 1 represents the results of the research on the perception scale expressed as average values in all dimensions of the KVALIMETAR measuring instrument.

Out of the five dimensions, on the perception scale the respondents rated *Collaboration* the highest – the average rating being 3.14. The inference here may be that respondents express satisfaction in this dimension. The latter is followed by *Management and Leadership* with an average rating of 3.05, then *Strategy* with an average rating of 2.85 and finally *Organizational structure* with 2.76. The lowest rated dimension is *Human Resource Management* with an average rating of 2.04. The reason for such a low rating likely lies in the fact that it involves issues related to vocational training of employees, evaluation of their work or rather the lack of an evaluation method and the non-existence of a reward system for accomplishments and results as well as insufficient means for work.

Figure 1 Perception dimensions



Source: Data obtained by authors

Having observed the average rating from the highest to the lowest rated dimension, the conclusion is that the overall employee satisfaction is on a medium level with a tendency towards a lower level of satisfaction.

Below is a graphical representation of the five expectation dimensions expressed as mean values in all dimensions of the KVALIMETAR measuring instrument.

It is clear from the average rating range of 3.83 to 4.60 that respondents have higher expectations in terms of all five observed dimensions.

Based on the highest average rating of 4.60, the highest expectations are in the *Collaboration* dimension. This primarily refers to expectations in terms of collaboration with other departments as well as open communication within the Department, mutual cooperation and constructive resolution of possible conflicts. Expectations are mutually similar in *Management and Leadership* and *Human Resource Management*. They are followed by *Organizational Structure* with the average rating of 4.17. The lowest expectations were recorded under *Strategy* with an average rating of 3.83.

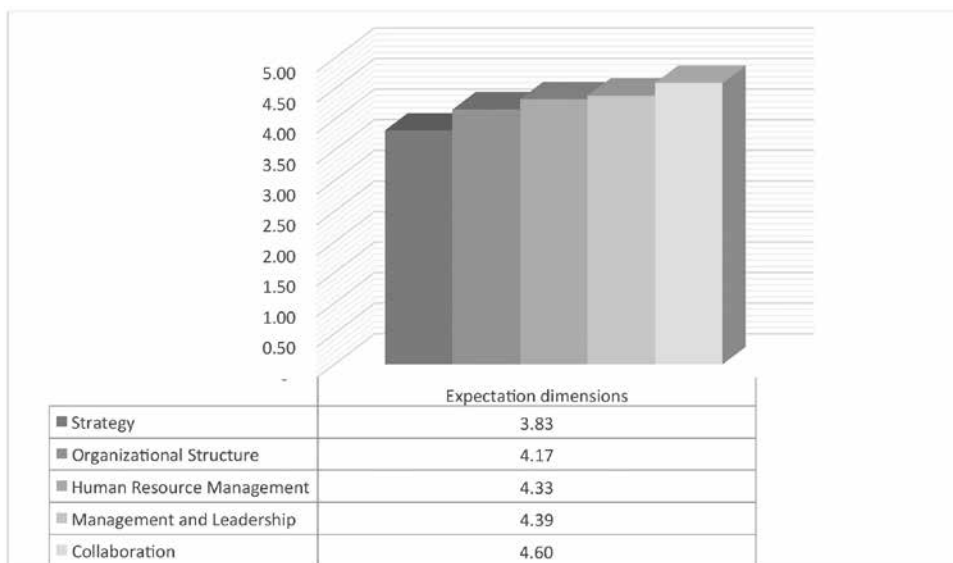
In general, strategy refers to the familiarity of all employees with the objectives in terms of improving the work result quality, the familiarity with the implementation of the organizational strategy and its monitoring and the presenting of results to all employees.

The comparison of the perception and expectation scales through the dimensions of the KVALIMETAR measuring instrument allowed the finding of differences (*gaps*) between the actual and expected state, which in turn allowed for the identification of critical points in the management system. The table below represents the results with the average rating of each dimension on the *perception* scale and the *expectation* scale along with the resulting *gap* between perception and expectation.

There is a negative difference in all dimensions of the KVALIMETAR measuring instrument, which in turn represents a *negative gap* and certainly room for improvement since there is no single dimension in which the existing state should be maintained.

The *Strategy* dimension covers questions on the familiarity of employees with the objectives of the Department relating to CPII services, the improvement of the overall operation and the familiarity with the implementation of organizational strategy and continued monitoring thereof.

Figure 2 Expectation dimensions



Source: Data obtained by authors

**Table 3** Gap between perception and expectation

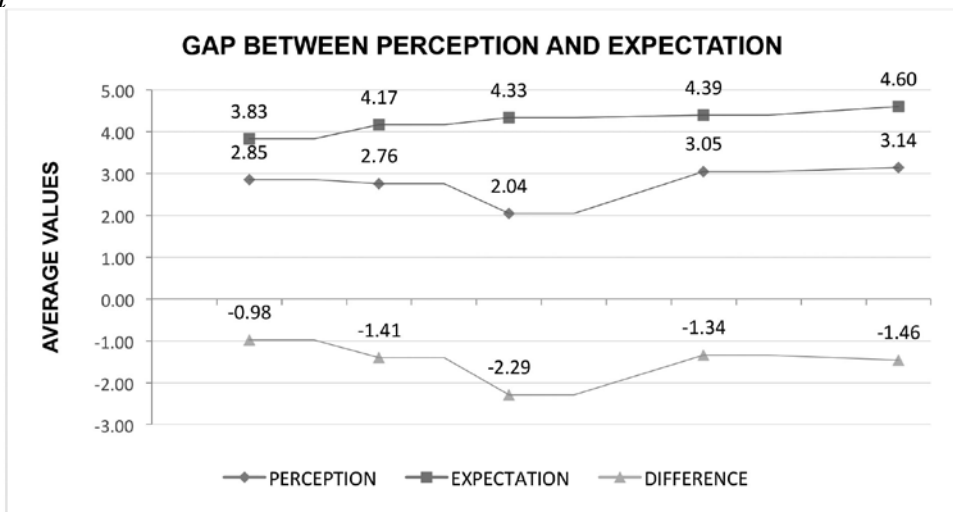
| DIMENSIONS  | STRATEGY | ORGANISATIONAL STRUCTURE | HUMAN RESOURCE MANAGEMENT | MANAGEMENT AND LEADERSHIP | COLLABORATION |
|-------------|----------|--------------------------|---------------------------|---------------------------|---------------|
| PERCEPTION  | 2.85     | 2.76                     | 2.04                      | 3.05                      | 3.14          |
| EXPECTATION | 3.83     | 4.17                     | 4.33                      | 4.39                      | 4.60          |
| GAP (P – E) | -0.98    | -1.41                    | -2.29                     | -1.34                     | -1.46         |

Source: Data obtained by authors

The average rating for *Strategy* on the perception scale is 2.85 and 3.83 on the expectation scale, causing a *negative gap* of -0.98. The gap between the ratings obtained for this dimension is the smallest for the simple reason that the expectations are the lowest.

*Organizational Structure* covers questions on employee understanding of the Department structure, the existence of an optimal division of work within the Department, employee participation in decision-making, clearness of tasks and the valuation of their excellence. The average rating in *Organizational Structure* on the perception scale is 2.76 and 4.17 on the expectation scale.

**Figure 3** Graphical representation of the gap between perception and expectation on the dimensions of the KVALIMETAR measuring instrument



Source: Data obtained by authors

The *negative gap* in this dimension is -1.41. Given the changes in the organizational structure that took place after this research was conducted, it is possible that the negative gap in this dimension upon repeated examination could prove to have become smaller.

The observing of the perception scale results in all five dimensions shows that employees gave the lowest rating in *Human Resource Management* – 2.04. In this way they are likely expressing their dissatisfaction with their vocational training, skill improvement and investment in additional means for work. Employees were particularly dissatisfied in terms of the recognition of their work and rewards for accomplishments and good business results. In analysing the same dimension on the expectation scale, based on the high average rating of 4.33, it is clear that expectations in the future are high. The largest negative gap between perception and expectation was recorded in *Human Resource Management*: -2.29.



Seeing as how human resource management and development is one of the set goals of the Institute as a modern institution, it is reasonable to hope that in the future the Institute will fulfil the high expectations of its employees.

In *Management and Leadership*, the *negative gap* between perception and expectation is somewhat smaller in comparison with the second dimension, i.e. *Organizational Structure*, but it is still large at -1.34. The average rating for the perception variable is 3.05, whereas the average rating for the expectation variable in this dimension is 4.39, meaning that there is plenty room for improvement, much like in all other dimensions.

The last dimension is *Collaboration*, which encompasses collaboration with other institutions, departments, constructive resolution of possible conflicts and level of communication and mutual cooperation of all employees. At 4.60 on the expectation variable, this dimension displayed the highest expectations of employees seeing as how it is the highest average rating. At 3.14 on the perception variable, it was also rated highest on average of all dimensions. The resulting *negative gap* is -1.46. Even though it has been rated highest on the perception scale, the gap indicates that collaboration needs work and additional effort to improve it since it is precisely continuous improvement and upgrading that quality management mandates.

The gap between perception and expectation on the dimensions of the KVALIMETAR measuring instrument is shown graphically in Figure 3.

#### 4. Recommendations for improvement

The analysis of research results obtained from employees of a single department by using the KVALIMETAR measuring instrument allowed for the identification of dimensions with the largest *gaps*, the negative sign of which represents areas, i.e. dimensions that require improvement both in terms of the services provided and of employee satisfaction. As previously established, a *negative gap* is present in all dimensions. The existing state should not be maintained in any of the dimensions.

However, the largest gap has been found in *Human Resource Management*, which has thus been identified as the most critical area that leaves plenty room

for improvement. A number of recommendations for the future shall therefore be given below:

- Human resource is a key factor in the success of operations of any organization and human resource management should thus be one of the strategic goals of the organization. The decision of top management is therefore essential (Sikavica et al., 2008: 134)
- People and their competencies, talent, skills and commitment to work are the most important factor in the success of operations.
- Employees should be encouraged to learn and train and be justly rewarded, promoted and acknowledged for their contribution to achieving the goals of the organization.
- An important prerequisite for the realization of human resource development is of course the procurement of technical and additional means for work.
- New technologies and the significance of the work environment and the power of teamwork and the benefits thereof should be emphasized. Civil servants who refuse to learn digital skills and embrace computerization should be candidates for downsizing.
- It is necessary to create a working environment within which employees can work in accordance with their abilities and to encourage the development of innovative and creative thinking. Each employee has an impact on the results of the organization and it is necessary to point out that their work is indispensable.
- In carrying out their tasks and duties, employees should conduct themselves professionally and apply their expertise and work experience as well as respect the prescribed deadlines and strive towards completing their tasks and duties without undue delay and interfering with the work of others.
- Mutual relations between employees should be based on mutual respect, trust, cooperation and collegiality.
- In organizing work, hierarchy should be respected, but the willingness to present own ideas, values, knowledge and skill should also be shown even if they are contrary to those of others, whereby particular attention should be paid to mutual appreciation.



- Management should be resolute in implementing their ideas as long as they are justified by analyses and projections; resistance should not discourage them, but they should also be open to new ideas and work guidelines coming from others as well as accept innovation and changes in work.

Following *Human Resource Management*, the second dimension in which a negative gap was recorded is *Collaboration*. It is a well-known fact that collaboration is key to the successful operation of a work team. Recommendations for improvement:

- Create an environment of good cooperation and the readiness to achieve with joint efforts that which cannot be achieved single-handedly. Communication is the exchange of information and ideas in the process of finding the best solution or – in the words of a Japanese proverb: “None of us is as smart as all of us” (Skoko, 2000: 76).

And lastly, an equally important recommendation is that management and leadership should not be dependent of political influence but instead be result-driven. Political criteria should not affect the management structure.

## 5. Conclusion

The paper examined the perception and expectations of employees of one of the organizational units of the CPII (hereinafter: Institute) RO Osijek. It is possible that the involving of all employees of the Institute in the study would have given a different picture, but it is also likely that it would not differ much. The results of the research indicate that quality creation and management represent a great challenge to the Institute.

A negative gap was recorded in all five dimensions of the KVALIMETAR measuring instrument (*Strategy, Organizational Structure, Human Resource Management, Management and Leadership, Collaboration*), but *Human Resource Management* has been identified as the most critical point in the management system. It is precisely this dimension that displays the most considerable difference between the actual and the expected state; it has the largest *negative gap* that represents plenty room for improvement. Thus, human resource management and development require great effort. In this sense it can be said that the Institute has become aware of its shortcomings, which is evident in the establishment of the Human Resource Office under the Legal, Personnel and General Affairs Sector of the Central Office. Furthermore, the management also has a key role. The direct manager should possess social skills, and use a psychological and managerial approach in dealing with employees. Employees should be motivated not only on the financial level, but also on the social level: the communication between management and employees should be open. Accountability is required on all levels.

The primary goal that needs to be achieved by introducing a quality management system is the fulfilling of requirements and expectations and, at that, primarily those of citizens through a satisfactory quality of service, but also of the employees themselves, which will ultimately be reflected in their satisfaction with work and career.

The introduction of a quality management system does not automatically imply quality, but it would surely allow for the Institute to organize its business according to international requirements and to transform into a modern, well-organized and efficient public institution that provides good quality and prompt service to its users.

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## (ENDNOTES)

- 1 The Croatian Pension Insurance Institute is a public institution established under the Pension Insurance Act (Official Gazette, no. 102/98) for the purpose of implementing compulsory pension insurance (CPI) based on generational solidarity (CPI Level I) under which rights in case of old age, disability and physical impairment are assigned to the insured and – in the event of death of the insured, i.e. the pension beneficiary – to their family members. The activity of the Institute comprises the implementation of the compulsory pension insurance based on generational solidarity and the implementation of the process of exercising the right to children's allowance. The vision of the development of the Institute is to make the Institute a modern public institution that guarantees legality, promptness and quality of operations as a public service to citizens by using modern technology and computerization. (<http://www.mirovinsko.hr/default.aspx?id=2039>. Accessed on 25 Apr 2016.)
- 2 Rulebook on the Internal Organization of the CPII of 30 July 2014, posted on the notice board at the Institute headquarters at A. Mihanović 3 in Zagreb that entered into force on 31 July 2014 and has been in force since 1 September 2014.
- 3 Decision of the Government of the Republic of Croatia on the ban on new recruitment of civil servants and civil service employees, Official Gazette no. 114/14, 32/15.
- 4 Rulebook on CPII Job Classification of 30 July 2014, posted on the notice board at the Institute headquarters at A. Mihanović 3 in Zagreb that entered into force on 31 July 2014 and has been in force since 1 September 2014.

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## **LJUDSKI KAPITAL U FUNKCIJI POBOLJŠANJA UKUPNE KVALITETE: SLUČAJ HRVATSKOG ZAVODA ZA MIROVINSKO OSIGURANJE**

### **SAŽETAK**

U radu su izneseni rezultati istraživanja koje je imalo za cilj da pomoću KVALIMETRA, mjernog instrumenta, izmjeri zadovoljstvo zaposlenika, na primjeru HZMO PS Osijek, Odjela za ekonomsko-financijske poslove, kako trenutnim stanjem tako i njihova očekivanja u budućnosti. Rezultatima istraživanja detektirana su kritična područja u sustavu upravljanja po dimenzijama KVALIMETAR mjernog instrumenta te su donijete preporuke za poboljšanje. U svim dimenzijama zabilježen je negativni jaz što nas dovodi do zaključka da se postojeće stanje nikako ne bi smjelo zadržati te je potrebno nastaviti raditi i ulagati daljnje napore za poboljšavanjem kvalitete. Upravljanje kvalitetom upravo od nas to i zahtjeva, stalno poboljšavanje i nadograđivanje.

**Ključne riječi:** kvaliteta, upravljanje kvalitetom, mjerni instrument, zadovoljstvo korisnika