

## **The Effect of Compensation on the Psychological Well-Being, Work Engagement and Individual Performance (Case Study on The Nurses Of Private Hospitals In South Borneo, Indonesia)**

Hairudinor<sup>1</sup>

<sup>1</sup>(Department of Social and Politic Sciences, Lambung Mangkurat University, Indonesia)

---

**ABSTRACT:** *The fast growing number of hospitals in Indonesia are good for people to have health services and the hospitals are challenged to give the best service to the people through good performance of the employees including the nurses. In order to keep business keeps going on, some resources are needed such as financial supports and quality of the employees. This study aims to describe and to analyze the effect of compensation on psychological well-being, work engagement, and performance of nurses in private hospitals. Sample of 216 respondents was taken with area proportional random sampling at nine hospitals which spread out on four districts/cities in South Borneo (Banjarmasin, Banjarbaru, Kandungan and Tanjung). The data was collected through questionnaires and direct interviews. Statistical analysis of the data are conducted using GSCA (Generalized Structured Component Analysis) which are more preferred for analyzing the relationship of latent variables such as attitudes or behaviors. The result shows that compensation has significant effect on psychological well-being, work engagement and performance. It is recommended for private hospitals in South Borneo to make compensation on favor both nurses and hospital to improve work engagement and performance.*

**KEYWORDS:** *Compensation, Nurse, Performance, Psychological Well-Being, Work Engagement.*

---

### **I. INTRODUCTION**

The number of hospitals in Indonesia has developed quite rapidly based on the increasing number for both government and private hospitals. There are 1,523 and 1,668 hospitals in 2010 and 2011 respectively [1]. Since there are large numbers of hospital, the health services are easily enabled for people to obtain, hence the hospitals are challenged to compete in maintaining good performance in order to provide the best service to the community. Based on the performance, there are 870 hospitals have not received the accreditation yet from Ministry of Health of the Republic of Indonesia where 50% of them are government hospitals and another 50% are private hospitals [1]. Since there are still a lot of hospitals that have not been accredited, which means their services are still below the expected standards, then the members of parliament criticized this poor phenomenon [2]. The poor performance is attributed to the lack of competence and individual behavior which can be caused by some factors, such as the lack of support from hospital to encourage the employees to work accordingly by the given standards. Meanwhile the hospitals hoped that the parliament and the provincial government always be able to provide the required financial support for the operations and improving the public health.

Nowadays, the managements of the hospital aware that hospital as a social institution has more difficulties and challenges than the previous era. Environmental changes and demands of globalization are among factors that led to the hospital's managements that should be carried out with a strong management with the attention to the financial aspects. Another change is in the form of owner of resources, which then the hospital is an institution with a resource-intensive and now the hospital is an institution with solid capital resources and solid expertise. South Borneo Province is one of the provinces which the spread of private hospitals is still not evenly distributed, since they only operate in 4 cities/districts instead of all 13 cities/districts that are located in South Borneo. From the observational research, we found that some private hospitals has no longer in operation, so there are only 12 existing private hospitals left and only 9 hospitals that can be the object of the study, this is due to two hospitals were closed and one hospital only has 1 nurse who also act as midwife. The employees will be motivated to work and be able to show a good performance if the compensation from the company (hospital) is satisfied them based on the fairness principals; hence there will be no jealousy between employees that can jeopardize their performance [3]. Also, the fair compensation can affect the work engagement of the employees that can endure to their job because they feel the work environment is conducive. Financial compensation also gives an impact on the psychological well-being of the employees since it influenced by financial pressures [4].

The unclear financial condition may affect psychological well-being of a person. Therefore, it is necessary to establish a good financial plan so the employees will have a clear future financial projection [5]. Furthermore, psychological well-being will have an impact on employee performance, because employees with psychological well-being will have a good concept of self-acceptance, positive relationships with others, and able to control the situation well. It was revealed that the psychological well-being is affected by the practices of human resource management and will have an impact on performance [6]. The goals of this research are to analyze and to explain the effect of compensation on the psychological well-being, work engagement and performance, to analyze and to explain the effect of work engagement on performance, and to analyze and to explain the influence of psychological well-being on performance.

## II. RESEARCH METHOD

This research was conducted by survey method to have primary data which are obtained directly from the original source through questionnaire to measure the attitude or behavior of the respondents. And this method requires direct relationship (direct contacts) between the researchers and subjects (respondents) who are private hospital's nurses in the province of South Borneo. The secondary data is also used to obtain nurses personal information related to this research. This research is also referred as an explanatory research since the goal is to explain the causality or cause-effect between variables through hypothesis testing. Similarly, this study is conclusive research [7] because it meets the following characteristics, which are 1) the goal is to examine hypotheses about the influence of the studied variables and 2) necessary information is clearly defined, and the definition is clearly stated in the questionnaire. The 216 nurses of sample is randomly selected from 471 nurses of population who was observed in 9 private hospitals in South Borneo province with a minimum criterion that they have been working at the hospital for at least 1 year using area proportional random sampling. The variables used in this study consist of the exogenous variable (financial compensation) and endogenous variables (work engagement, psychological well-being and individual performance) as described in Figure 1.

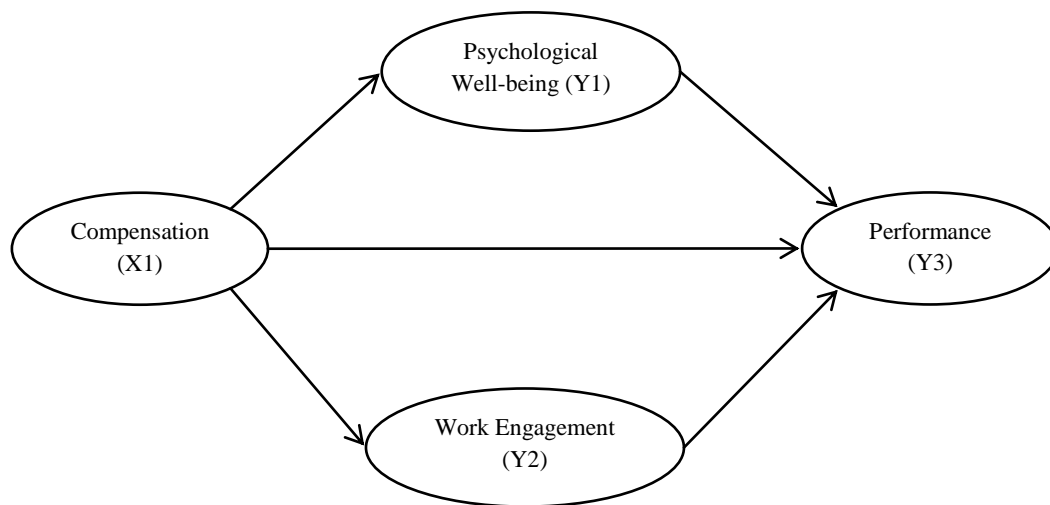


Figure 1: Research Model

Compensation is rewards in the form of money or benefits for employees. The indicators of compensation are financial compensation (salaries, incentives, commissions, health insurance, sick leave/pregnancy, pension payments) and non-financial compensation (assignment of responsibilities, gain recognition, and the chance of promotion). Work engagement is a working attitude which indicates that the subordinates continue having a passion in working with high dedication so the job completion can be passed with enjoyment. The indicators of this variable are vigor, dedication and absorption. Vigor is defined as the act with enthusiasm, and willingness to give effort in one's work and to show consistency in the face of adversity. Dedication is indicated by the presence of a sense of interest, enthusiasm, inspiration and pride. And absorption is indicated by the presence of a deep preoccupation shown by someone on the job, which is when someone found it difficult to break away from the job as time passed. Psychological well-being is a person's confidence to evaluate him well, ability to establish good relationships with others, and have ability to feel the meaning and purpose of life. The indicators for this variable are self-acceptance (the ability to see and to evaluate them well in terms of strengths and weaknesses), positive relations with others and purpose in life.

Performance is the maximum capacity generated by the employee in completing the task in accordance with the level of achievement quantity, the quantity specified, and can complete the work within the time available. Indicators in this performance are the quantity of results, the quality of the results and timeliness of results.

### III. ANALYSIS OF DATA

Validity and reliability analysis was conducted to ensure the valid indicators and the reliable instrument will be used. Then the Generalized Structured Component Analysis (GSCA) is employed to analyze the relationship of those variables since they are latent variables with some indicators in order to obtain estimates of path coefficients more accurately [8] using GeSCA software package.

**Table 1.** Goodness of Fit Model

FIT	0.642
GFI	0.976
SRMR	0.119

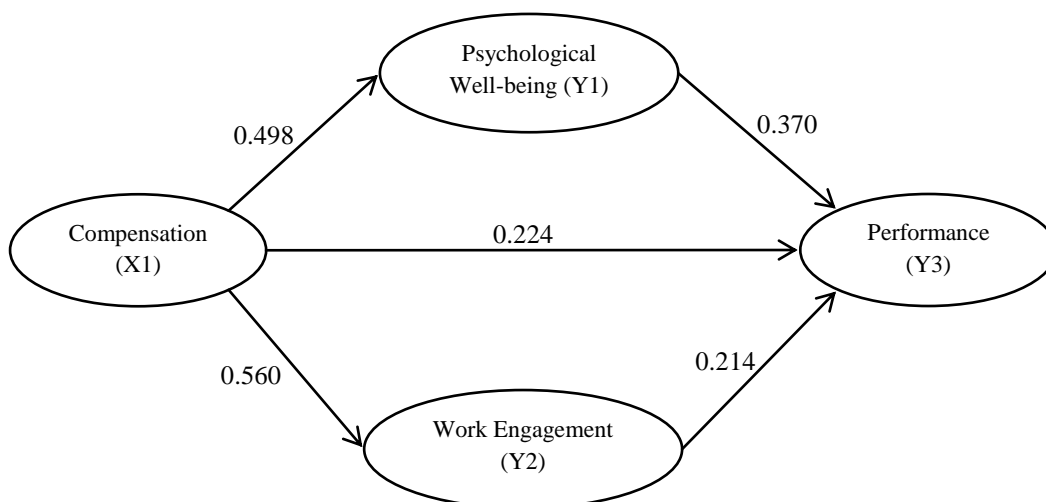
Table 1 show the value of FIT is 0.642. It indicates the total variance of all variables explained by particular model specification is 64.2% (Figure 1). From GFI value of 0.976, it indicates the total variance explained by all variables and their indicators and items is 97.6%. And SRMR of 0.119 means there's only about 11.9% the difference between error and prediction. From 3 indexes above, it can be said that the model is sufficient enough to describe the phenomenon about performance of the nurses in private hospitals in South Borneo.

**Table 2.** Path coefficients estimation

Path	Estimate	SE	T
Compensation ->Psychological Well-being	0.498	0.063	7.94*
Compensation ->Work Engagement	0.560	0.006	92.18*
Compensation ->Performance	0.224	0.014	16.52*
Psychological Well-being -> Performance	0.370	0.060	6.18*
Work Engagement -> Performance	0.214	0.029	7.51*

\*) Significant at 5% level

From Table 2 we can see that all paths (estimates) are significant or different from zero. It means that the exogenous variables really affect the endogenous ones.



#### **IV. RESULTS & DISCUSSIONS**

The results prove the significant effect from compensation (X1) towards Psychological Well-Being (Y1) of private hospital's nurses. It shows that the level of compensation will have an impact on nurses' psychological happiness. Nurses who work with realizing their own strength and weakness in doing the work, will measure the compensation they would get. From the interview with nurses, they admit that they work not only because of the compensation they will receive, but there are other things that encourage them to work as nurse. But they also realize that the increase in the living cost over time, like household expenses and education becomes basic needs to make them think how to obtain more compensation with the work they do. Although they considered that the amount of compensation can affect their psychological happiness, but nurses do not acknowledge compensation as something that should be top of priority in achieving psychological happiness. From the interview, the nurses clarify that they even gladly accepted the low salary. To have opportunity to help others is something happier for most nurses. Even if the compensation received is not too big, they can't just decide to move to another hospital because it quite difficult finding a new job. This has affected the attitude to accept the current condition, rather than speculate to sign up to another hospital in the hope of obtaining greater compensation but having the risk to become unemployment for quite a long time.

Work engagement (Y2) is significantly affected by compensation (X1). With high motivation to carry out the job and a willingness to collaborate with colleagues in completing the work, organization or company would get benefit from some programs completion. Therefore, the company will pay more attention to and review the compensation policy for the better. It is natural that organizations that have qualified human resources will be faster in achieving progress. Progress organizations can also be felt by employees with increased revenue. Subordinates who have high morale in the work, does not make the amount of compensation as the primary goal, but the spirit itself will be difficult to sustain if the organization's achievement does not linearly affected to employees' prosperity, then slowly but surely the spirit will decrease, if the employees aware the presence of injustice in compensation. These findings support the statement of that the total remuneration structure, policies and programs can influence employees' engagement (work engagement) [9]. And the increasing of salary also has a moderate positive effect with employees' engagement.

Compensation (X1) significantly affects performance (Y3). Through the interview, the nurses have committed that their profession is regarded as a noble work which contains a high human values and the importance of loyalty to the organization is always kept high in order to keep the hospital in operation since the private hospitals are run independently without government's support in contrast of the government (general) hospitals. Other information that supports the findings of the study is that the work as a nurse has a worship value due to saving lives; this statement can be understood considering the South Borneo Province is one of the provinces that have a fairly high religious value. Another explanation given by the characteristic of respondents, which is 64.8% female and 56.0% of nurses are already married. They perceive that the work is to help the husband, not to get the main income for the family spends. That's why the compensation's effect to performance is smaller than the effect to other variables.

The psychological well-being (Y1) also significantly affects the performance (Y3) of the nurses. This result supports the statements which said there is positive influence from psychological happiness towards performance. The better psychological well-being will improve employees' performance. Furthermore, there are two approaches to investigate the influence of psychological well-being and performance. The first approach is characterized by studies that have examined the direct role of psychological well-being in job performance. The second is marked by the studies that have examined the performance as a consequence of the conditions of employment or stress on the job. It is assumed to be associated with lack of prosperity [10]. The conditions of employment include less autonomy at work, too many demands, role ambiguity, role conflict and lack of social contact and support. So it can be assumed that poor psychological well-being causes poor performance. Performance is also significantly affected by work engagement. It can be said that high employees' involvement in carrying out the work will have a positive impact on the performance of nurses and vice versa. This result supports the research that stated that there is a significant influence from work engagement towards performance. Work Engagement is seen as an attitude with high spirit, dedication, and has a high absorption power needed for performance improvement. Furthermore, it said that the energy level and mental resilience in working, the willingness to invest effort in one's work and persistence to handle difficulties is also included in the description of work engagement. Dedication refers to involvement in work, experiencing a sense of importance, enthusiasm, inspiration, pride, and challenging work. Finally, absorption is characterized by fully concentrated and happily engrossed in one's work, where time passes quickly [11].

Based on the overall path in the model (Figure 1), the important variables that need attention to improve performance are compensation, psychological well-being and work engagement. This shows how important the presence of conditions such as work of engagement which shown by the high spirits in the work, the desire to always want to be involved in a variety of jobs as well the presence of a full appreciation of the work. Psychological well-being is indicated by the psychological satisfaction of the nurses in performing their job with less depression and stress and doing the job with full discipline.

## V. CONCLUSIONS & RECOMMENDATIONS

Performance is affected by compensation, psychological well-being and work engagement. Based on this result, the research gives practical contribution related to compensation for hospital's management to make policy on the favor of both employees and hospital. The management of hospital also needs to consider providing outside activities and tasks in order to increase the level of psychological happiness, because this can increase work engagement and ultimately have an impact on employees' performance. These activities, for example, outbound and sightseeing activities, community service, gathering fellow nurses, meeting and eating together every two months and so on. It is recommended that the nurses are to maintain good relations with colleagues and superiors, so they can create good communication and interaction, which allows each of them to provide advice or counsel, and in the end, they will have good work environment and have self-control. It is also suggested to the nurse to have great confidence in his ability in resolving any difficult tasks, so it will have an impact on the achievement of performance as determined by superior.

## REFERENCES

- [1] Department of Health of Jakarta Province, 870 Rumah Sakit belum Terakreditasi, [Online],
- [2] [http://111.67.77.202/dinkesdki/index.php?option=com\\_content&view=article&id=140:870-rumah-sakit-belum-terakreditasi&catid=36:informasi-umum&Itemid=28](http://111.67.77.202/dinkesdki/index.php?option=com_content&view=article&id=140:870-rumah-sakit-belum-terakreditasi&catid=36:informasi-umum&Itemid=28), 2012.
- [3] Suara Merdeka, RSUD Bantah Kinerja Rendah, [Online],
- [4] <http://suaramerdeka.com/v1/index.php/read/cetak/2010/02/17/99255/RSUD-Bantah-Kinerja-Rendah>, 2010.
- [5] Prasetya, Arik, M. Kato, The Effect of Financial and Non-Financial Compensation to the Employee Performance, The 2nd International Research Symposium in Service Management, Yogyakarta, Indonesia, July 26-30, 2011, 382-391.
- [6] Choong Yu' Hui' et al., Relationship Between Incentives And Employee Engagement: An Empirical Study On Employees In Manufacturing Companies, Bachelor Of Commerce (Hons) Accounting Universiti Tunku Abdul Rahman, 2012.
- [7] Kapp, Amy, Financial Stress, Neighborhood Stress, and Well-Being: Mediation and Moderational Models, Honors Projects, Paper 14, [Online], [http://digitalcommons.iwu.edu/psych\\_honproj/142](http://digitalcommons.iwu.edu/psych_honproj/142), 2010.
- [8] V. Voorde, HRM. Karina, Employee Well-being and Organizational Performance: A Balanced
- [9] Perspective (Ridderprint Offsetdrukkerij B.V., 2009).
- [10] Malhotra, Naresh K., Satyabhushan D., Marketing Research: An Applied Orientation, Fifth Edition. (Dorling Kindersley (India) Pvt. Ltd. Licences of Pearson Education in South Asia New Delhi, 2009).
- [11] H. Hwang and Y. Takane, Generalized Structured Component Analysis, Psychometrika, 69(1), 2004, 81-99.
- [12] S. Dow, T. McMullen, M. Royal, M. Stark, The Impact of Rewards Programs on Employee Engagement. Survey of Rewards and Employee Engagement, ©2010 World at Work, pp. 1-17, 2010.
- [13] Daniels K. and Harris, Work, Psychological Well-Being and Performance, Occup. Med. Vol. 50, No. 5, pp 304-309, Sheffield University Management School, Sheffield, UK, 2000.
- [14] Schaufeli, W.B. & Bakker, A.B., Job demands, job resources and their relationship with burnout and engagement: A multi-sample study on the COBE-model (Utrecht: Utrecht University, 2002).