

AAMC 2019
The 13th Asian Academy of Management International
Conference 2019

EVIDENCE ON THE LINKS BETWEEN COMPENSATION, JOB
SATISFACTION AND TASK PERFORMANCE

Aizzat Mohd. Nasurdin (a)*, Tan Cheng Ling (b), Sabrina Naseer Khan (a)
*Corresponding author

(a) School of Management, Universiti Sains Malaysia, 11800 USM Penang, Malaysia
(b) Graduate School of Business, Universiti Sains Malaysia, 11800 USM Penang, Malaysia

Abstract

Nurses play a vital role in the provision of healthcare services. They represent the bulk of the healthcare workforce and act as frontliners in serving patients particularly during the present Covid19 pandemic. Their performance at work is closely linked to the productivity and quality of care delivered by the healthcare organization. Compensation has a strategic role in fulfilling employees' needs and desires. Compensation has been widely acknowledged as a precursor to job satisfaction and greatly impact employees' job performance. Therefore, this study aims to examine the links between compensation, job satisfaction, and task performance of nurses. Self-administered questionnaires were used to collect the survey data on 354 staff nurses working in public hospitals in Malaysia. Data was subsequently analysed using Partial Least Squares (PLS) method. Our results revealed that compensation has a positive relationship with job satisfaction. Likewise, job satisfaction has a positive relationship with task performance. Furthermore, satisfaction was found to significantly mediate the relationship between compensation and task performance. The present findings suggest that policy makers need to develop an attractive and fair compensation package so that nurses become satisfied with their jobs, which in turn, trigger them to exhibit superior nursing performance. Finally, useful insights to healthcare authorities are provided to further improve the contribution and reputation of the overall healthcare industry.

2357-1330 © 2020 Published by European Publisher.

Keywords: Task performance, job satisfaction, compensation, public hospitals, Malaysia.



1. Introduction

The importance of healthcare workers has been increasing all around the world due to the rising demand for quality healthcare service delivery (Tourigny et al., 2010). As such, improving the performance and productivity of these healthcare personnel is paramount. Healthcare organizations have a responsibility of providing welfare to the public (Ismail & Abdullah, 2018). In Malaysia, there are two types of healthcare providers namely that of the public and private sector (Lee et al., 2018). Despite the growing demands for private healthcare services, a majority of the Malaysian population is still dependent upon the public healthcare hospitals managed by the Ministry of Health Malaysia (hereafter termed as MOH) for treatments (Yap & Tan, 2012). This is due to the fact that the treatment and services provided at public hospitals are cheaper compared to the private hospitals (Ismail & Abdullah, 2018). In terms of the workforce, approximately two-third of nurses in Malaysia work in the public sector (Barnett et al., 2010).

Nurses are the frontliners of healthcare organizations. They constitute the largest portion of healthcare professionals (Ledgister, 2003). A satisfactory level of nursing performance is necessary in order to avoid undesirable consequences, for instance, diminished standard of patient care, delay, negligence, and growing number of patient complaints, which could negatively affect the hospital's reputation (Hee & Kamaludin, 2016). Task performance refers to activities or behaviours that are carried out by employees in accordance to their roles and responsibilities (Pongpearchan, 2016). For nurses, examples of their task performance include the planning, execution, and assessment of treatment plans for patients (Greenslade & Jimmieson, 2007).

Apart from the issue of job performance, job satisfaction of nurses is equally vital as high job satisfaction would translate into a pleasant demeanour, thus increasing patients' satisfaction as well (Tsai & Wu, 2010). Job satisfaction denotes how much employees like their job (Agho et al., 1992). Employees who are satisfied with their job will be able to familiarize themselves with their job (Malhotra & Mukherjee, 2004). Not only that, nurses who are satisfied with their job would become more productive, exert more commitment, and contribute to higher quality of patient care (Gulavani & Shinde, 2014).

Remunerations have been identified as precursors to job satisfaction and performance. For instance, empirical evidence has shown that compensation plays an imperative role in determining both employees' job satisfaction (Mabaso & Dlamini, 2017) and job performance (Wekesa & Nyaroo, 2013). Compensation refers to all forms of pay or rewards of either direct or indirect financial payment that an employee receives from his or her organization (Dessler, 2011). According to Upadhyaya (2014), compensation is essential in motivating employees because such rewards help employees fulfil their basic needs. Syahreza et al. (2017) asserted that compensation is expected to encourage motivation by fulfilling employees' needs, which in turn, will further stimulate them to further improve their performance. In view of the fact that comparatively low wages has attracted the out-migration of Malaysian registered nurses to English-speaking countries such as the United Kingdom (Barnett et al., 2010), the goal of the current study is to examine the relationships between compensation, job satisfaction, and task performance in the context of public healthcare sector in Malaysia.

2. Problem Statement

Employees' performance and satisfaction are vital elements in ensuring an organization's good reputation and image (Mondy & Noe, 2008). This good performance can be maintained by rewarding the employees with an attractive compensation package. However, some organizations are known for not emphasizing too much on issues related to employees compensation and as a result, the employees will not be satisfied with their job and will reduce their effort in performing their job tasks (Morris et al., 2004). In addition, some organizations are known to utilize the "one program fits all" compensation system which led to job dissatisfaction and poor job performance among employees (Govindarajulu & Daily, 2004). Although compensation system has a critical role in enhancing employees' job satisfaction and job performance, it is difficult to be implemented effectively in the organization (Bunning, 2004).

Bearing in mind the importance of a good compensation system, an improved understanding on its effect on employees' job performance and job satisfaction is required. This mandatory need for greater awareness on the role of compensation in boosting satisfaction and performance is more so for nurses working in the Malaysian public healthcare sector given the overwhelming demands by Malaysians seeking treatments at public hospitals. This is proven by statistics for 2015 provided by the Ministry of Health Malaysia (2016) where a total of 2,465,727 patients were admitted to public hospitals compared to a total of 1,064,718 patients' admission in private hospitals. Furthermore, 20,260,479 outpatients were given medical treatments and consultations at the public hospitals compared to 3,932,361 outpatients at the private hospitals (Ministry of Health Malaysia, 2016). These statistics show that public hospitals play an essential role in catering to the needs of Malaysians by providing medical treatments to the bulk of the population (Ismail & Abdullah, 2018). Therefore, this study intends to contribute to the literature by examining the links between compensation, job satisfaction and task performance among nurses in the context of Malaysian public hospitals.

3. Research Questions

- The following are the research questions for this study.
- Does compensation have a direct relationship with job satisfaction of nurses in Malaysian public hospitals?
- Does job satisfaction have a direct relationship with task performance of nurses from Malaysian public hospitals?
- Does job satisfaction mediate the relationship between compensation and task performance of nurses from Malaysian public hospitals?

4. Purpose of the Study

The purpose of this study was to investigate the direct relationships between compensation and job satisfaction, job satisfaction and task performance, as well as the indirect relationship between compensation and task performance via job satisfaction among staff nurses working in public hospitals in Peninsular Malaysia. This research used a cross sectional approach where all variables and data are

collected over a set period of time. All variables for this study were measured at the individual level using self-administered questionnaires.

5. Research Methods

5.1. Sample and Data Collection Procedure

Our population consists of staff nurses working in 6 state hospitals located in the Northern region (Penang, Kedah and Perlis) and central region (Perak, Kuala Lumpur, Selangor). Initial registration for research was made with the National Medical Research Register (NMRR). After gaining approval, emails were sent to the directors of the 6 hospitals to gain their consent to conduct the study at their premises. However, permission was only granted by 5 hospitals. Subsequently, 450 questionnaires were distributed in proportion to the number of staff nurses in these hospitals. Assistance was sought from the matron-in-charge who is responsible in distributing and collecting the questionnaires in each hospital. A period of 2 weeks was given to the respondents to answer the questionnaire. After the stipulated period, a total of 354 useable questionnaires were collected and subsequently analysed.

5.2. Instruments

Compensation was measured using 6 items adapted from Tessema and Soeters (2006). The sampled item for compensation is “I consider the compensation (salary, incentives, benefits) I receive as attractive”. Job satisfaction was measured using 3 items adapted from Konrad et al. (1999). The sampled item for job satisfaction is “Overall, I am pleased with my job”. Task performance was measured using 7 items adapted from Williams and Anderson (1991). The sampled item for task performance is “I always adequately complete my assigned duties”. A five-point Likert Scale ranging from (“1” = “strongly disagree” to “5” = “strongly agree”) was used.

6. Findings

6.1. Respondents' Profile

Our sample was predominantly females (93.5 %). A majority of the respondents (93.2 %) were diploma holders. The average age for the sample was 35.1 years. In addition, the respondents' average job tenure and organizational tenure were 11.8 years and 8.3 years respectively. The mean scores and standard deviations (SD) for our study variables were: 3.30 for compensation (SD = 0.82), 3.88 for job satisfaction (SD = 0.78), and 3.98 for task performance (SD = 0.60).

6.2. Measurement Model Results

Factor loadings, composite reliability (CR), and average variance extracted (AVE) were computed to measure convergence validity. As shown in Table 1, all indicators ranged from 0.514 to 0.954, which exceeded Hair et al.'s (2010) minimum cut-off value of 0.5. Similarly, all latent constructs demonstrated adequate convergent validity with AVE values ranging from 0.593 to 0.701. Meanwhile, the CR values for the latent variables ranged from 0.894 to 0.942 and were above Hair et al.'s (2010) threshold value of 0.7, suggesting the existence of significant homogeneity. Therefore, the measurement model is considered reliable and displayed sufficient convergent validity.

Table 01. Results of the Measurement Model

Model construct	Items	Loadings	AVE	CR
Compensation	Com1	0.732	0.593	0.894
	Com2	0.742		
	Com3	0.921		
	Com4	0.921		
	Com5	0.514		
	Com6	0.717		
Job Satisfaction	Js1	0.949	0.797	0.921
	Js2	0.954		
	Js3	0.761		
Task Performance	Tp1	0.761	0.701	0.942
	Tp2	0.894		
	Tp3	0.842		
	Tp4	0.839		
	Tp5	0.796		
	Tp6	0.854		
	Tp7	0.868		

In this study, the discriminant validity was measured by the Heterotrait-Monotrait (HTMT) ratio of correlations between the study variables. As depicted in Table 2, all HTMT values (which ranged from 0.140 to 0.605) did not surpass Gold et al.'s (2001) threshold value of 0.90, which corroborated the existence of discriminant validity.

Table 02. Heterotrait-Monotrait (HTMT) Ratio of Correlations

	Compensation	Job Satisfaction	Task Performance
Compensation			
Job Satisfaction	0.141		
Task Performance	0.140	0.605	

From our measurement model (see Figure 1), the R² values for job satisfaction and task performance were 0.015 and 0.318 respectively suggesting that 1.5% of the variance in job satisfaction, and 31.8% of the variance in task performance can be explained by compensation.

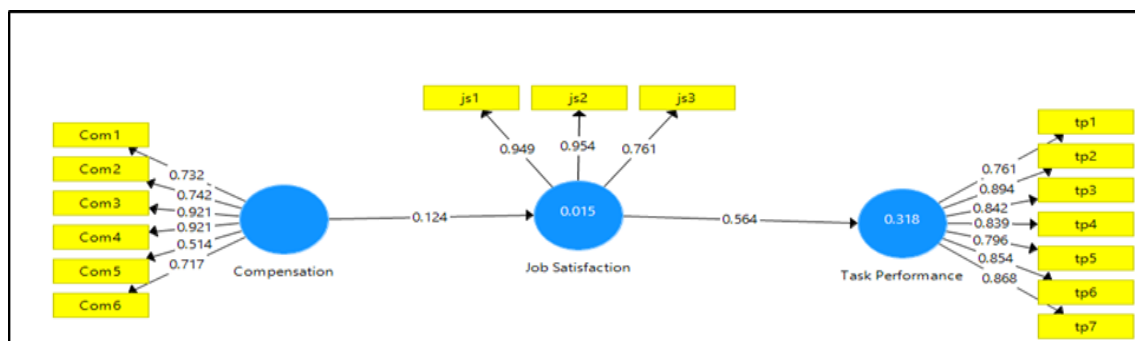


Figure 01. Measurement Model of the Study

6.2 Structural Model Results

Bootstrapping results (refer to Table 3) indicate that hypotheses (H1-H3) were supported. In terms of direct relationships, compensation was found to be positively associated with job satisfaction. This is consistent with the findings by Bozeman and Gaughan (2011) who reported that employees' perception of the compensation system predicts their job satisfaction. In another study by Neog and Barua (2014), a positive relationship was found between compensation and job satisfaction of employees. Next, job satisfaction was found to be positively related to task performance. According to Mathis and Jackson (2000), organizational authorities can influence the job performance of their employees by increasing the latter's job satisfaction. Findings by Vermeeren et al. (2014) showed that there is a significant positive relationship between employees' job satisfaction and their job performance. In terms of the indirect relationships, job satisfaction was found to mediate the relationships between compensation and task performance. This is also consistent with the findings by Hameed et al. (2014) who discovered that compensation was positively associated with increased job performance, satisfaction and productivity. In addition, the positive and direct impact of compensation on job performance has been supported by researchers (Armanu, 2017; Qureshi & Sajjad, 2015).

Table 03. Results of Structural Model

Effect s	Paths	Std Beta	Standard Error	T values	Decisions
Direct	Compensation -> Job Satisfaction	0.124	0.057	2.165*	Supported
	Job Satisfaction -> Task Performance	0.564	0.042	13.337**	Supported
Indirect	Compensation -> Job Satisfaction -> Task Performance	0.070	0.034	2.077*	Supported

Note: **p<0.01, *p<0.05, bootstrapping (n=5000)

7. Conclusion

This research studied the direct relationships between compensation and job satisfaction, and job satisfaction and task performance along with the indirect relationships between compensation and task performance via job satisfaction. Our sample comprised nurses from public hospitals in Malaysia. Our statistical results supported all 3 hypotheses. Given that nurses represent the largest component of healthcare professionals and their performance at work is crucial in determining the healthcare quality provided to patients, and since compensation positively affect nurses' satisfaction and performance, hospital administrators and policy-makers should be more concerned regarding this issue by constantly reassessing the compensation systems in the public healthcare sector to ensure that it is attractive and fair. This would ensure that the public hospitals would continue to provide effective and efficient healthcare services.

Acknowledgments

The authors would like to express their appreciation to Universiti Sains Malaysia for providing the grant (1001/PMGT/8016050) to fund this research.

References

- Agho, A. O., Price, J. L., & Mueller, C. W. (1992). Discriminant validity of measures of job satisfaction, positive affectivity and negative affectivity. *Journal of Occupational and Organizational Psychology*, 65(3), 185-195.
- Armanu, A. (2017). The role of shared leadership and work environment in strengthening the influence of compensation on nurse's performance. *European Research Studies Journal*, 20(3), 82-95.
- Barnett, T., Namasivayam, P., & Narudin, N.A.A. (2010). A critical review of the nursing shortage in Malaysia. *International Nursing Review*, 57(2), 32-39.
- Bozeman, B., & Gaughan, M. (2011). Job satisfaction among university faculty: Individual, work, and institutional determinants. *The Journal of Higher Education*, 82(2), 154-186.
- Bunning, R. L. (2004). Pay in the organic organisation. *Journal of Management Development*, 23(7), 648-663.
- Dessler, G. (2011). *Fundamentals of Human Resource Management*. Prentice Hall.
- Gold, A. H., Malhotra, A., & Segars, A.H. (2001). Knowledge management: An organizational capabilities perspective. *Journal of Management Information Systems*, 18(1), 185-214.
- Govindarajulu, N., & Daily, B. F. (2004). Motivating employees for environmental improvement. *Industrial Management and Data Systems*, 104(4), 364-372.
- Greenslade, J. H., & Jimmieson, N. L. (2007). Distinguishing between task and contextual performance for nurses: Development of a job performance scale. *Journal of Advanced Nursing*, 58(6), 602-611.
- Gulavani, A., & Shinde, M. (2014). Occupational stress and job satisfaction among nurses. *International Journal of Science and Research*, 3(4), 733-740.
- Hair, J. F., Black, W. C., Babin, B.J., & Anderson, R. E. (2010). *Multivariate Data Analysis*. Prentice Hall.
- Hameed, A., Ramzan, M., & Zubair, H. M. K. (2014). Impact of compensation on employee performance (empirical evidence from banking sector of Pakistan). *International Journal of Business and Social Science*, 5(2), 20-33.
- Hee, O. C., & Kamaludin, N. H. B. (2016). Motivation and Job Performance among Nurses in the Private Hospitals in Malaysia. *International Journal of Caring Sciences*, 9(1), 342-347.
- Ismail, N. I., & Abdullah, N. H. (2018). A systematic review of patient satisfaction on health information exchange in Malaysian public healthcare organizations. *Journal of Physics: Conference Series*, 1049(1), 1-8.
- Konrad, T. R., Williams, E. S., Linzer, M., McMurray, J., Pathman, D. E., Gerrity, M., ... & Douglas, J. (1999). Measuring physician job satisfaction in a changing workplace and a challenging environment. *Medical Care*, 37(11), 1174-1182.
- Ledgister, M. (2003). The nursing shortage crisis. *International Journal of Healthcare Quality Assurance*, 16(2), 11-19.
- Lee, K. H., Ariffin, R. N. R., & Abdullah, N. R. W. (2018). The implications of legislative controls on private hospitals in Malaysia. *Institutions and Economies*, 10(2), 62-94.
- Mabaso, C. M., & Dlamini, B. I. (2017). Impact of compensation and benefits on job satisfaction. *Research Journal of Business Management*, 11(2), 80-90.
- Malhotra, N., & Mukherjee, A. (2004). The relative influence of organisational commitment and job satisfaction on service quality of customer-contact employees in banking call centres. *Journal of services Marketing*, 18(3), 162-174. <https://doi.org/10.1108/08876040410536477>
- Mathis, R. L., & Jackson, J. H. (2000). *Human Resource Management*. South Western College Publishing.

- Ministry of Health Malaysia (2016). www.moh.gov.my/images/gallery/publications/-Petunjuk%20Kesihatan%202016pdf
- Mondy, W., & Noe, R. (2008). *Human Resource Management*. Prentice Hall.
- Morris, D., Yaacob, A., & Wood, G. (2004). Attitudes towards pay and promotion in the Malaysian higher educational sector. *Employee Relations*, 26(2), 137-150.
- Neog, B. B., & Barua, M. (2014). Factors influencing employee's job satisfaction: An empirical study among employees of automobile service workshops in Assam. *The SIJ Transactions on Industrial, Financial & Business Management*, 2(7), 305-316.
- Pongpearchan, P. (2016). Effect of transformational leadership and high-performance work system on job motivation and task performance: Empirical evidence from business schools of Thailand universities. *Journal of Business and Retail Management Research*, 10(3), 93-105.
- Qureshi, M. O., & Sajjad, S. R. (2015). An empirical analysis of the impact of compensation on job performance and work-family conflict in the Kingdom Of Saudi Arabia-A correlation model. *European Scientific Journal*, 11(4), 170-187.
- Syahreza, D. S. Lumbanraja, P., Dalimunthe, R. F., & Absah, Y. (2017). Compensation, employee performance and mediating role of retention: A study of differential semantic scales. *European Research Studies Journal*, 20(4), 151-159.
- Tessema, M. T., & Soeters, J. L. (2006). Challenges and prospects of HRM in developing countries: Testing the HRM-performance link in the Eritrean civil service. *International Journal of Human Resource Management*, 17(1), 86-105.
- Tourigny, L., Baba, V. V., & Wang, X. (2010). Burnout and depression among nurses in Japan and China: The moderating effects of job satisfaction and absence. *The International Journal of Human Resource Management*, 21(15), 2741-2761.
- Tsai, Y., & Wu, S. W. (2010). The relationships between organisational citizenship behaviour, job satisfaction and turnover intention. *Journal of Clinical Nursing*, 19(23-24), 3564-3574.
- Upadhyaya, C. (2014). Application of the Maslow's hierarchy of need theory: Impacts and implications on organizational culture, human resource and employees' performance. *International Journal of Education and Management*, 4(4), 353-356.
- Vermeeren, B., Kuipers, B., & Steijn, B. (2014). Does leadership style make a difference? Linking HRM, job satisfaction, and organizational performance. *Review of Public Personnel Administration*, 34(2), 174-195.
- Wekesa, J. N., & Nyaroo, S. (2013). Effect of compensation on performance of public secondary school teachers in eldoret municipality Kenya. *International Journal of Scientific and Research Publications*, 3(6), 1-4.
- Williams, L. J., & Anderson, S. E. (1991). Job satisfaction and organizational commitment as predictors of organizational citizenship and in-role behaviors. *Journal of Management*, 17(3), 601-617.
- Yap, L. L., & Tan, C. L. (2012). The effect of service supply chain management practices on the public healthcare organizational performance. *International Journal of Business and Social Science*, 3(16), 216-224.