The effect of compensation, work environment and work satisfaction toward employees performance at Regional Hospital of Prambanan

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Abstract

Background: Efforts to improve quality of a hospital must also be considered how medical staff’s job satisfaction, which will later have an impact on medical staff’s performance. Performance of medical personnel needs to be improved, for example by providing appropriate compensation and improving quality of work environment, then it is expected that job satisfaction will increase and have a good impact on the performance of medical personnel at hospital. The purpose of this study was to determine the effect of compensation, work environment and job satisfaction with employee performance at Prambanan District Hospital.

Method: This study used four variables namely performance, compensation, work environment and employee job satisfaction. The population in this study was employees who worked at Prambanan District Hospital, as many as 300 people. The sampling technique used simple random sampling totaling 150 people. Data analysis techniques used Structural Equation Modeling analysis.
**Results:** The results showed that, 1) There is a positive and significant effect between compensation on employee job satisfaction at Prambanan District Hospital. 2) There is a positive and significant influence between work environments on employee job satisfaction at Prambanan District Hospital. 3) There is a positive and significant effect between compensation on employee performance at Prambanan District Hospital. 4) There is a positive and significant influence between the work environments on employee performance at Prambanan District Hospital. 5) There is no effect of job satisfaction on the performance of Prambanan District Hospital employees. 6) Job satisfaction does not mediate the effect of compensation on employee job satisfaction at Prambanan District Hospital. 7) Job satisfaction does not mediate the effect of work environment on employee job satisfaction at Prambanan District Hospital.

**Conclusion:** Compensation and work environment variables have an impact on job satisfaction and employee performance at Prambanan District Hospital. Appropriate compensation and a comfortable work environment have an impact on job satisfaction and have high performance to support the achievement of goals set by the company.

**Key words:** compensation, job satisfaction, performance, work environment

**INTRODUCTION**

In an effort to improve health services, good service quality will be achieved if there is good cooperation between all health workers who work at a hospital. One of health workers who have an important role in hospital is nurses because nurses who are in the vanguard in providing services in hospitals in this case serve or deal directly with patients. If job satisfaction from nurses is good then services provided will have good quality, if quality of services provided by nurses is good, then satisfaction from patients will increase. Therefore, hospital needs to pay attention to job satisfaction of nurses so that nurses can be encouraged to do their jobs well and then quality of service can be improved.

Several factors can affect job satisfaction of nurses, among other compensation obtained and work environment where nurses working. That way it needs proper management to produce good performance in providing services to patients. Compensation is a financial remuneration given by an organization to its employees in return for their work. By implementing tiered BPJS guarantee system in Indonesia, it results in changes in income of health workers in Indonesia. Some nurses consider this change to have a positive impact on financial performance of medical personnel, but not a few of them are of
hospital, work satisfaction of medical staff must be paid attention, which in turn will affect performance of medical staff. Various ways will be taken to improve performance, for example by providing appropriate compensation and improving quality of work environment conditions. Then it is expected that job satisfaction will increase and have a good impact on performance of medical personnel at hospital. This background underlies the need for research on the relationship of compensation, work environment and job satisfaction with the performance of hospital employees.

METHOD
This study used four variables namely compensation, work environment, job satisfaction and performance. The population in this study was employees who worked at Prambanan Regional hospital, amounting to 300 people. The sampling technique was simple random sampling with a research sample of 150 people. Data analysis techniques used Structural Equation Modeling analysis with AMOS applications.

This research was conducted with permission from the UMY Master of Management Ethics commission. Respondents are given an approval sheet after the respondent gets an explanation of the purpose, benefits of the study, the information obtained is only used for research purposes and is willing to be a research respondent. This study did not include names on the data collection sheet but only contained certain codes to ensure the confidentiality of respondents.

RESEARCH RESULT
1. Testing the Goodness of Fit Index and Hypotheses
a. Model I Goodness of Fit Index Test (Initial Model)

![Model I (Initial Model)](image)

Goodness Of Fit:
Chi Square = 608.904
CMIN/DF = 7.164
Probability = .000
GFI = .715
AGFI = .597
NFI = .832
CFI = .851
TLI = .816
RMSEA = .203

Figure 1. Model I (Initial Model)
Table 1. Initial Model Goodness of Fit Index

<table>
<thead>
<tr>
<th>Goodness of Fit</th>
<th>Analysis Result</th>
<th>Cut-off Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$ (Chi-Square)</td>
<td>608.904</td>
<td>To be expected small</td>
<td>Lack</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000</td>
<td>≥ 0.05</td>
<td>Lack</td>
</tr>
<tr>
<td>CMIND/DF</td>
<td>7.164</td>
<td>≤ 2</td>
<td>Lack</td>
</tr>
<tr>
<td>GFI</td>
<td>0.715</td>
<td>≥ 0.90</td>
<td>Lack</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.597</td>
<td>≥ 0.90</td>
<td>Lack</td>
</tr>
<tr>
<td>TLI</td>
<td>0.816</td>
<td>≥ 0.95</td>
<td>Marginal</td>
</tr>
<tr>
<td>NFI</td>
<td>0.832</td>
<td>≥ 0.90</td>
<td>Marginal</td>
</tr>
<tr>
<td>CFI</td>
<td>0.851</td>
<td>≥ 0.90</td>
<td>Marginal</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.203</td>
<td>≤ 0.08</td>
<td>Lack</td>
</tr>
</tbody>
</table>

Result of the Goodness of Fit is obtained Chi-Square value of 608.904 with a probability of 0.000 indicating the model is not fit because the value is close to recommended value. RMSEA value of 0.203 indicates that the model is still far from recommended value. The Goodness of fit test overall concluded that the model could not be said to be fit, therefore a modification of model II was made.

b. Model II Goodness of Fit Index Test (Final Model)

Table 2. Final Model Goodness of Fit Index

<table>
<thead>
<tr>
<th>Goodness of Fit</th>
<th>Analysis Result</th>
<th>Cut-off Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$ (Chi-Square)</td>
<td>388.942</td>
<td>To be expected small</td>
<td>Lack</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000</td>
<td>≥ 0.05</td>
<td>Lack</td>
</tr>
<tr>
<td>CMIND/DF</td>
<td>4.802</td>
<td>≤ 2</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>0.764</td>
<td>≥ 0.90</td>
<td>Marginal</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.650</td>
<td>≥ 0.90</td>
<td>Lack</td>
</tr>
<tr>
<td>TLI</td>
<td>0.886</td>
<td>≥ 0.95</td>
<td>Good</td>
</tr>
<tr>
<td>NFI</td>
<td>0.893</td>
<td>≥ 0.90</td>
<td>Marginal</td>
</tr>
<tr>
<td>CFI</td>
<td>0.912</td>
<td>≥ 0.90</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.160</td>
<td>≤ 0.08</td>
<td>Lack</td>
</tr>
</tbody>
</table>

Figure 2. Model II (Final Model)
Goodness of Fit results obtained Chi-Square value of 388,942 with a probability of 0.000 indicating the model is not fit because the value is not in accordance with the recommended value. A CFI value of 0.912 indicates that the model is fit because it matches the recommended value. Testing the goodness of fit overall concluded that the model can be said to be fit.

c. Hypothesis test

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimate</th>
<th>C.R</th>
<th>P</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y1 &lt;- X1</td>
<td>0.479</td>
<td>4.667</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Y1 &lt;- X2</td>
<td>0.183</td>
<td>2.386</td>
<td>0.017</td>
<td>Accepted</td>
</tr>
<tr>
<td>Y2 &lt;- Y1</td>
<td>0.053</td>
<td>0.753</td>
<td>0.452</td>
<td>Rejected</td>
</tr>
<tr>
<td>Y2 &lt;- X1</td>
<td>0.610</td>
<td>6.364</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Y2 &lt;- X2</td>
<td>0.380</td>
<td>6.707</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

H1: Compensation has a positive effect on job satisfaction.  
The results obtained a CR value of 4.667 more than 1.97 (CR> t table) with a significance value of 0.000 (p < 0.05), that means hypothesis that “compensation has a positive and significant effect on job satisfaction” is accepted.

H2: The work environment has a positive effect on job satisfaction.  
The results obtained a CR value of 2.338 more than 1.97 (CR> t table) with a significance value of 0.017 (p < 0.05), that means the hypothesis that “work environment has a positive and significant effect on job satisfaction” is accepted.

H3: Compensation has a positive effect on employee performance.  
The results obtained a CR value of 6.364 more than 1.97 (CR> t table) with a significance value of 0.000 (p < 0.05), that means the hypothesis that “compensation has a positive and significant effect on employee performance” is accepted.

H4: Work environment has a positive effect on employee performance.  
The results obtained a CR value of 6.707 more than 1.97 (CR> t table) with a significance value of 0.000 (p < 0.05), that means the hypothesis that “work environment on employee performance” is accepted.

H5: Job satisfaction has a positive effect on employee performance.  
The results obtained a CR value of 0.753 more than 1.97 (CR < t table) with a significance value of 0.452 (p > 0.05), that means the hypothesis that “job satisfaction with employee performance” is rejected.

H6: Compensation has a positive effect on employee performance mediated by job satisfaction.

H7: Work environment has a positive effect on employee performance mediated by job satisfaction.
DISCUSSION

1. Effect of compensation on employee job satisfaction at Prambanan Regional Hospital.

Compensation has a positive and significant effect on employee job satisfaction at Prambanan Regional Hospital. The results of the study showed that the higher the compensation given to employees, the higher the level of employee job satisfaction at Prambanan Regional Hospital. This statement is supported by the results of an analysis which shows that there is an effect of compensation on employee job satisfaction.

The findings of this study are in accordance with previous research which shows the results of the path coefficient of 0.464 with a calculated value of 6.129 with a probability of 0.000 (<0.05) then partially the compensation variable (X1) has a significant effect on employee satisfaction (Y), the magnitude of the effect of compensation on employee satisfaction in the Medical Support Services Work Unit of Al Islam Hospital in Bandung is 35.29%6,7.

Another supportive study which shows that salary, promotion opportunities, recognition, and meaningful work are compensation management factors that have a direct effect on job satisfaction with doctors7. Satisfaction is the response of a sense of satisfaction or dissatisfaction felt by every individual in the organization influenced by many factors including the compensation obtained after carrying out the work6. Compensation is an award/reward to workers who have contributed in realizing their goals, through activities called work8.

Compensation received by individuals or employees who work in an organization or company generally in the form of finance received directly by employees such as salaries, wages, bonuses, incentives, commissions and there are also indirect payments including involving employees in the labor insurance program, health insurance, pension insurance6.

The results of research, theory and previous research can be said that compensation has a positive and significant effect on employee job satisfaction. Compensation given to employees can be a consideration in managing human resources so that staffs get their own feelings, thus providing employee satisfaction at Prambanan Regional hospital.

2. The effect of work environment on employee job satisfaction at Prambanan Regional hospital.

Work environment has a positive and significant effect on employee job satisfaction at Prambanan Regional hospital. The results of the study stated that there is a positive relationship that showed that the higher the work environment, the higher the level of employee job satisfaction at Prambanan Regional hospital.

The findings of the study are consistent with previous research which show that the work environment has a positive and significant effect on employee job satisfaction. If the organizational climate in an organization gets better, then job satisfaction felt by employees will increase8,9,10.

Work environment is the overall tools and materials faced, as well as surrounding environment in which a employee works, his work methods, and his work arrangements both as individuals and as a group10. A supportive environment is of particular concern to hospital because this greatly influences whether or not the nurse is satisfied at work.

Based on the results of research, theory and previous research it can be
concluded that the work environment has a positive and significant effect on employee job satisfaction. A comfortable work environment can create calm of supporting staff activities, so that it can provide employee satisfaction at Prambanan Regional hospital.

3. Effect of compensation on employee performance at Prambanan Regional hospital.

Compensation has a positive and significant effect on employee performance at Prambanan Regional hospital. The results of the study stated that there is a positive and significant relationship that obtained that the higher the compensation given to employees, the higher the performance of employees at Prambanan Regional hospital. The results of the questionnaire answers show that the indicator with the highest value of compensation is salary with a statement of salary paid on time. The compensation given to employees so far is in accordance with hospital regulations and is given on time.

The findings of this study are in accordance with previous research which showed that compensation had a significant influence on the performance of Bandung General Hospital’s employees. The compensation payment system which is assumed to be unfair affects the work behavior of employees as seen from the unsupportive performance of employees toward institution's goals.\textsuperscript{4,11}

Performance is a work that can be achieved by an individual or group of people in carrying out their duties in accordance with the authority and responsibility given to him in order to achieve the objectives of the organization concerned.\textsuperscript{4}

Efforts to improve optimal or high performance are employees are required to do work professionally, that is work or activities carried out by someone and become a source of income for life that requires expertise, skills, skills that meet certain quality standards or norms, and requires professional education. Every employee in carrying out his work, earning income in accordance with work performance or earning an income above the minimum living needs and get compensation.\textsuperscript{11}

Results of research, theory and previous research can be said that compensation has a positive and significant effect on employee performance. Compensation given to employees provides benefits for meeting certain needs and goals, so the compensation can increase responsibility and performance in Prambanan Regional hospital.

4. Effect of work environment on employee performance at Prambanan Regional hospital.

Work environment has a positive and significant effect on the performance of employees in Prambanan Regional Hospital. The results of the study stated that there is a positive and significant relationship that shows the higher the work environment, the higher the level of employee performance at Prambanan Regional hospital.

The results of the questionnaire answers show that the indicator with the highest value of the work environment is the indicator of relations with colleagues. It is showed by statements of Prambanan Regional hospital employees that can socialize with colleagues, both in matters of work or activities outside of work. The researcher considers it is not only limited to colleagues but it is like part of the family. In addition, relationships with superiors can also affect employee performance. Supervisors who can give attention to the needs of employees are good leaders. These supervisors can
make employees feel cared for. This can also positively impact the employee's creativity in doing his work.

The findings of the study are in accordance to the previous research which shows that work environment influences employee performance\(^\text{12}\). Physical work environment has a significant influence on employee performance. This is because if the physical work environment such as: lighting, color, air, music, cleanliness, and security are getting better, then the employee's performance will also improve. Non-physical work environment has a significant influence on employee performance. This is because if non-physical work environments such as: task structure, job design, leadership patterns, patterns of cooperation and organizational culture get better, then employee performance will also improve.

Work environment is a situation where a good workplace includes physical and non-physical environments that can give impression of being pleasant, safe, peaceful and so on. A supportive work environment will provide comfort, security and allow employees to work optimally\(^\text{9}\). If the employee appreciate work environment where he works, then the employee will feel comfortable at work and enjoy doing his activities so that working time is used effectively. Conversely, an inadequate work environment means employees are not comfortable in the workplace because they feel less satisfied with such conditions so as to reduce employee performance\(^\text{13}\).

The more important thing is to maintain organization, especially hospital. The way that can be done to maintain it is to pay attention to factors that can affect employee performance\(^\text{13}\). Hospital that plays an important role is employees, because the main actors in carrying out all hospital operations are employees. If the employee's performance is not noticed, this will certainly affect the results of the work done by the business. One factor that affects employee performance is the work environment.

Based on the results of research, theory and previous research can be said that the work environment has a positive and significant effect on employee performance. A comfortable working environment felt by employees can support work activities so that the process orientation can be achieved with performance at Prambanan Regional hospital.

5. **Effect of job satisfaction on employee performance at Prambanan Regional hospital.**

Job satisfaction does not significantly influence the performance of employees in Prambanan Regional hospital. The findings of the study are consistent with previous research which shows that job satisfaction does not affect employee performance\(^\text{14}\). Other research that is in line with this previous research which showed that there was no effect of job satisfaction on employee performance, so this hypothesis was not confirmed. The lack of job satisfaction on employee performance is due to low salaries and benefits and lack of incentives and lack of career opportunities and job promotions\(^\text{15}\).

Job satisfaction has become an important subject in an organization. Employees deserve to be treated fairly and with respect. Job satisfaction to some extent is a reflection of good treatment. Job satisfaction can also be considered as an indicator of emotional well-being. Satisfaction with one's work is an important component for employee welfare, one of which is in the hospital\(^\text{16}\).

Hospital services are closely related to the performance of human
resources. Research Ibrahim et al. showed that the performance among nursing staff reflected a relatively low level of performance due to the poor quality of care and nursing processes. 

6. **The effect of compensation on performance is mediated by employee job satisfaction at Prambanan Regional hospital.**

   The results showed that job satisfaction did not mediate the effect of compensation toward employee performance. This finding is in accordance to research that concluded that job satisfaction does not mediate the effect of compensation toward employee performance. It is because the value of the coefficient of indirect influence < direct influence (P1 X P3 <P2 is 0.2699 <0.278. So the results of this study indicate that there is direct effect of compensation on employee performance, but not through work.

   Compensation is anything that is given by an agency to an employee to fulfill a need, both financial and non-financial, as remuneration so that the agency can operate and achieve the agency's goals. Compensation is one of the reasons and strong motives for employees to do a job because it involves an important thing that is the fulfillment of life's needs. Through direct financial compensation, employees are able to meet physical needs which are their basic needs. The purpose of providing compensation (remuneration) includes as a bond of cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline.

   Financial compensation usually takes the form of salaries, wages, bonuses and benefits while non-financial compensation takes the form of gift items, awards and promotions. Both financial and non-financial compensation are equally influential on employee job satisfaction. Salaries, bonuses and benefits provided fairly will give employees a sense of pleasure and satisfaction. Likewise with non-financial compensation such as gifts, awards and promotions, this type of compensation will provide a level of satisfaction to employees because their performance and achievements have been valued by the company. Providing compensation will encourage employees to work optimally, to make more achievements and achieve predetermined work targets.

   When employees are satisfied with the compensation they receive, either financial compensation such as salaries, bonuses or benefits or non-financial in the form of gifts, awards and promotions, the employee will try to improve their performance. Compensation will affect the performance of employees when employees feel satisfied or not satisfied with the compensation provided. Employee performance will be maximal and continue to improve if employees are satisfied with compensation provided by the company, and vice versa employee performance will decline.

7. **The effect of work environment on performance mediated by employee job satisfaction at Prambanan District Hospital.**

   The results showed that job satisfaction does not mediate the effect of the work environment with the employee performance. The findings of the study are consistent with previous research which shows that job satisfaction does not mediate the influence of the work environment with employee performance.

   The work environment is anything that is around the employee that can affect him in carrying out the digestion that is charged to him. The work
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environment in an organization has an important role for the continuity production process because a good work environment can not only satisfy employees in carrying out tasks, but also has an effect on improving employee performance. Previous research found that the work environment has a significant effect with job satisfaction. The results of this study also show that the work environment directly affects employee performance without mediating job satisfaction. The better the work environment, the more employee performance increases. Employees will have a good performance and can produce good work too if supported by an environment that supports performance without the mediation of the variable job satisfaction.

CONCLUSION
The results showed that there is an effect of compensation and work environment variables on job satisfaction and employee performance at Prambanan District Hospital. The job satisfaction variable has no effect on employee performance so it is unable to mediate the effect of compensation and work environment on employee performance at Prambanan District Hospital. Appropriate compensation and a comfortable work environment have an impact on job satisfaction and have high performance to support the achievement of goals set by the company.

REFERENCES
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