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STUDYING THE RELATION BETWEEN COMPENSATION OF EMPLOYEES AND ORGANIZATIONAL PERFORMANCE REGARDING PAYMENT LEVELS IN SOCIAL SECURITY HOSPITALS IN ISFAHAN PROVINCE

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ABSTRACT

As various sciences and technologies progress, management knowledge is evolving in organizations and the place of human resources has received attention as the intellectual capitals of each organization. Today, due to expenses that are paid for training these people, keeping this capital within the organization is a concern of all organizations and managers. To this end, the present paper aims at determining the impacts of payment levels on financial performance and the results of patient care in hospitals owned by social security in Isfahan province. Based on gathering data, this is a descriptive-survey research. Also, based on data analysis, it is a causal-correlation research. Therefore, the data required by the research that include hospital data and outputs are extracted from documents of statistic management unit of social security and hospitals. In this study, besides statistical methods, Pearson and Spearman correlation coefficient tests have been used. The obtained results revealed that the relation between payment distribution and the results of patient care is significant. No significant relation was observed between payment distribution and financial performance. Therefore, existence of significant relation between policies of compensation of employees regarding payment structures and organizational performance as well as the significant relation between these policies and financial performance is confirmed.

Keywords: Compensation of Employees, Financial Performance, Payment Structure

INTRODUCTION

Health is one of the primary needs. Hospitals' social responsibility regarding prevention and treatment is to fulfill this need. Social security organization is the first and the biggest buyer of services in the country. In treatment section, with a budget more than a third of the entire money paid for insurance, social security is so expanded that solving all its issues require perseverance and using ideas of experts and real scholars of this field. Regarding the volume of hospital expenses and limits of resources, this institution needs a scientific and efficient management in all levels. The final goal of proper management in hospital is to increase proficiency and efficiency regarding presenting services in various levels, shortening the time patients are kept in the hospital and avoiding financial damages (Kashef and Nuri, 2007).

In various aspects of human resource management, the most important and the most sensitive aspect is about salary management that requires systematic designing and studying that is in accordance with internal and external circumstances of organizations. Therefore, human resource management benefits from existing theories, studies new knowledge and theoretical science, uses domestic and foreign experiences and considers the conditions of employment marketing and the public economic condition of each country in order to be able to design a pattern using strategic perspective that leads to proper and logical connection with economic, social and cultural systems and subsequently results into a desirable salary management and ideal salary. In the last two decades, compensation of employees has been used instead of terms including salary management and payment system and includes all cash and non-cash rights and advantages of workers and managers of organizations according to the type of organization and the conditions of the workplace, features of the job and how it is done. In other words, an amount is paid for the sake of compensation of employees' activities in organization as well as the time and the power used for fulfilling the goals of the organization. Compensation system is the system that determines the

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amount and the method of paying these amounts. In new perspectives of human resource management, compensation of employees system has been regarded as highly important with the aim of improving the quality and subsequently the desirability of lives of human resources using classifying techniques and evaluation of jobs, organizational structure, methods of establishment of posts, reengineering of jobs and designing jobs in organizations (Zivdar, 2007).

As organizational goals are emphasized in changing environments of today, employers' abilities to attract and retain the employees, to make sure they have effective and efficient performance and to increase the efficiency of organization through establishing compensation of employees system are of great importance. Establishing the proper relation between the award and the performance is the unique and effective secret of organizations. Award system is a part of organization's culture and determines the organization should award what behaviors in order to fulfill the proper and expected results. Therefore, not giving award to proper behaviors probably leads to wrong results (Musavi, 1996).

Performance management is an approach that tries to make employees' goals in accordance with organization's goals and increase the efficiency of human resources by establishing a just system regarding evaluation of performance of employees and establishment of salary systems based on performance (Seyedi and Akbari, 2009). The present paper studies the relation between compensation of employees' policies and organizational performance that displays how the structure of payment and the levels of payment are related to resource profitability, the results of patient care and financial performance of social security hospitals in Isfahan province. Since issues related to compensation of employees are significant and complicated, more research is required regarding the outcomes of organizational performance using particular methods. Therefore, the present paper studies the social security organization and hopes the results are useful for the beneficiaries both theoretically and practically. The extant paper studies the relation of human resource management methods (as a whole) and compensation of employees systems (in particular) with organizational performance. It seems that the relationship is a strong one. The theoretical and experimental researches revealed that the level of payment and the payment structure are both important for understanding the concepts of payment policies in the organization level. Also, when the payment system is determined by both components, it is significant to study how these two components perform regarding organizational outcomes. Independent and mutual impacts of these components on three types of organizational performance which means benefiting from the resources, results of patient care and financial performance were also studied.

Policies of Compensation of Employees

Policies or instructions of a company regarding the level of payment and employees' salaries can affect the amount and advantages that they receive (Dessler, 2005). The significant issue is that the organization wants to use pioneer policy or market leading in order to determine the salaries. This means they want to pay more than the average salary of the market. For example, a hospital may use a policy and give the nurses a salary which is 20% more than the average salary of the market, or may have a pursuant policy and pay the same as the average salary of the market or may benefit from a backward policy and pay less than the average (Brown *et al.,* 2003). It should be mentioned that most organizations and companies perform competitively in their plans. It means their aim is to pay salaries similar to the common rate of work market for various classes of work force. Most organizations consider the two following payment criterion:

The first criterion consists of career factors and the second criterion considers the current rates of payment in the work market. Other parameters include life expenses, payment supply and demand, payment ability and profitability. Particular condition may enforce one of these criteria for a short while (Haji and Rangriz, 2000). Organizations that pay salaries that are more than average should increase efficiency in both individual and organizational levels because they can attract and retain the best employees. Paying salaries that are more than average encourage too many people to want to work for the organizations. Therefore, the organizations have too many choices and can choose competent employees among them. However, it also causes limitations in terms of credibility and selecting (Brown, Sturman, & Simmering, 2003). Other important policies include determining bases in order to increase promotion or degradation

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of salaries of employees or overtime pay. Place has an important role in codification of policies related to paying salaries and advantages. For example, a job that is paid 36831 $ a year in New York, is paid 31773 $ in California and 25640 in Florida. These differences happen due to geographic conditions.

Literature Review

Yusefnejad *et al.,* (2012) studied execution of comprehensive system of performance of municipality's recycle organization of Isfahan with BSC card. The present paper aims to develop an efficient relation between operational performance, perspective and overall strategy of Isfahan municipality's organization of recycle and to evaluate the organization's performance in terms of finance, customers, internal growth processes and learning. It was a descriptive-analytic research. First, the extant paper studied the general issues regarding methods of evaluation of performance, how organizations rely on financial performance despite their natural limits and various obstacles that hinder successful execution of strategies. Then, BSC was introduced in Isfahan municipality's recycle organization. The results of proposing this model included development of a relation between strategy and performance, developing a relation between four aspects of organization's performance and developing balance between external and internal performance of financial and non-financial criteria, short-term and long-term goals, performance indexes and their results.

Azvaji and Amini (2008) studied the relation between salary and efficiency and proposed a salary pattern based on efficiency in economics of Iran. They declare that changing the salary in accordance with key variables including efficiency of work force have crucial roles. The obtained results reveal that efficiency of work force, average of education of industrial workers and the least real salary have effective roles on the real salary of industrial section. This fact is confirmed in long term and short term. Variables of salary of public section and unemployment role do not affect the salary of industrial section in long term. In short term, the salary of industrial section is affected by the salary of the public sector. Therefore, in order to increase the real salary and the welfare of workforce besides increasing profitability of institutes, it is suggested to provide proper conditions for improving efficiency of workforce and revise the system of determining profitability based on efficiency factors.

Ameriun and Sedqiani (2005) studied the current methods of evaluation used in public and private hospitals in Tehran from the perspective of directors of public and private hospitals. The obtained results revealed that directors of public hospitals have a more negative point of view toward the current methods of evaluation of hospitals. Fifteen point four percent of directors of private hospitals agree with the current methods of evaluation and 84.6% of directors disagree with the current methods. However, both groups agreed with providing changes in the current methods of evaluation of hospitals.

Gerhart and Milkovich (1990) studied the organizational differences in compensation of managerial services and financial performance. They asserted two main aims for their study. First, according to literature of compensation strategies, the organization is studied in terms of similar conditions of managerial decision-making regarding salary, awards and receiving long-term grants. Then, the impacts of these decisions on company's performance are figured out through capital and asset return through theoretical point of view of expectancy and representation theories. The smallest impacts of the organization happen in the salary level and the hugest ones happen regarding the levels of awards and receiving long-term grants. In other words, they obtained results indicated that organizations intend to distinguish between deciding about probable payments or diversity and avoid deciding based on the determined salary. Payment level is not in accordance with organization's financial performance. Also, payment as awards and long-term grants lead to better financial performance.

Brown *et al.,* (2003) studied the relation of compensation in the organization level with organizational performance, payment structure, payment levels regarding benefiting from resources, the results of patient care and financial performance. They asserted there is a strong relation between human resource management methods, particularly compensation systems, and organizational performance. Theoretical and experimental researches indicated that payment level and payment structure are both important for understanding the payment policies in the organization. Also, when payment system is defined by two

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components, it is significant to discuss how these components perform in relation to organizational outcomes.

Shieh (2008) studies the impact of designing compensation of huge companies on the organizational performance. He asserts that this study is done in order to identify the relations between three variables including compensation design of huge companies (independent variable), mental motivation (moderator variable) and organizational performance (dependent variable). Moreover, mental motivation is considered in terms of designing compensation of organizational services and organizational performance. The obtained results revealed that designing compensation of services can have positive impacts on organizational performance. Compensation system of a company includes awards, performance award and advantages. The level of compensation depends on performance. Better organizational performance leads to more awards. There is a particular relationship between designing compensation of organizational services and organizational performance.

Ismail and Shariff (2008) studied interactional justice between salary levels, career satisfaction and career performance in higher education institutions of Malaysia. The present study used 917 questionnaires for exploring the intervening role of interactional justice in the relationship between salary levels, career satisfaction and career performance. The questionnaires were filled by employees who worked in the higher education institutions of Malaysia. The results of regression analysis revealed that interactional justice affected the impact of salary level on both career satisfaction and career performance. These results confirm that interactional justice works as a mediator variable in payment level models in organizations.

MATERIALS AND METHODS
Methodology
In terms of gathering data, it is a descriptive-survey research because the literature review, the variables and the indices were determined based on gathering data from secondary resources. In terms of analyzing the data, it is a causal-correlation research. Therefore, the research data which include hospital data and outcome were extracted based on the ideas of professors, experts and scholars. Library research method was used in this research. Books, journals and internet databases were studied in order to gather data regarding the theoretical framework and the literature review of the paper. The existing statistics and documents were also studied. The main hypothesis of the present research is that "compensation policy has a significant relation with organizational performance and financial performance". The secondary hypotheses are as follows.

There is a significant relation between payment levels and results of patient care.
There is a significant relation between payment levels and financial performance.

RESULTS AND DISCUSSION

Table 1: Mean distribution, standard deviation, average skewness and average elongation of salaries of career groups

Description	Mean	Standard Deviation	Skewness	Elongation	The first quartile	Median	The third quartile
Doctors	27107833	10269883	0,979	1,791	18570918	28141482	32864412
Managers	8543410	2296729	0,225	- 0,618	6938829	8253753	10245504
Nurses	4674353	1444816	0,703	- 0,025	3552666	4324352	5580812
Paraclinical	5018491	1871271	0,507	- 0,309	3674574	4775854	6389061
Official and financial	4175621	1216640	0,449	0,100	3244160	4280472	4742969
Average salary	9903942	2907808	0,350	0,017	7709305	10150587	11667276

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The following statistical methods were used in the descriptive statistics and inferential statistics levels. In descriptive statistics, statistical indexes including frequency, percentage, mean and standard deviation were used in order to organize and analyze the data. Table 1 displays law condition and salaries of various groups. The difference between various groups can denote the degree of payment justice among the staff. According to Table 1, the mean of salary of doctors were 27107833 Rials with standard deviation of 10269883. The salary of 75% of doctors was 32864412Rials. The average salary of directors was 854310 Rials with standard deviation of 2296729 Rials. The average salary of 50% of directors was 8253753 Rials. The average salary of nurses was 4674353 Rials with standard deviation of 1444816 Rials. The average salary of 25% of nurses was 3552666 Rials. The mean of average salary of all groups was 9903942 Rials with standard deviation of 2907808 Rials. The average salary of 50% of them was 10150587 Rials.

Inferential Statistics

In the inferential level, various statistical tests were used for the sake of statistical inference and generalizing the results of the sample. In other words, in this research, the variables were chosen based on various aspects of organizational culture and the desirable condition. Also, for determining the prioritization of career satisfaction aspects, the following statistical tests were used in the inferential level.
Inferential statistics
The results of normality test
Kolmogorov-Smirnov and Shapiro were used in order to study the normality of the data.
H_0= Data have normal distribution.
H_1= Data does not have normal distribution.

Table 2: Comparison between variable's scores distribution and normal distribution

	Kolmogorov-Smirnov		Shapiro	
	Statistic	**Significance level**	**Statistic**	**Significance level**
Patient care results	0.062	0.88	0.980	0.011
Financial performance	0.188	0.001	0.740	0.001
Payment level strategy	0.82	0.005	0.950	0.001
Available bed	0.080	0.007	0.969	0.001
Inpatient Bed Occupancy Rate	0.110	0.001	0.980	0.010
Bed turnover rate	0.195	0.001	0.830	0.001
The mean of average salary	0.82	0.005	0.982	0.023
	0.92	0.18	0.969	0.001

The results of Table 2 revealed that Kolmogorov-Smirnov statistics regarding the results of patient care, financial performance, payment level strategy, payment diversity, available bed, inpatient bed occupancy rate, bed turnover rate and the mean of average salary are significant with 0.05 error level. Therefore, the distributions of indexes are not normal.

Shapiro statistics regarding the variables of the results of patient care, financial performance, payment level strategy, payment distribution, available bed, inpatient bed occupancy rate, bed turnover rate and the mean of average salary are significant with 0.05 error level. Therefore, the distributions of scores are not normal.

Testing Research Hypotheses (Correlation)
First Hypothesis
H_0: There is not significant relation between payment level strategy and the results of patient care.
H_1: There is a significant relation between payment level strategy and the results of patient care.

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Table 3: Testing correlation hypothesis between payment level strategy and the results of patient care

Correlation coefficient			
Spearman		**Pearson**	
Statistic	**Significance level**	**Statistic**	**Significance level**
0.189	0.011	0.108	0.150

Considering Table 3, Pearson correlation coefficient between payment level strategy and the results of patient care equaled 10% with the significance level of 0.15and 5% error level. Therefore, the null hypothesis is not rejected. In fact, the linear relation between payment level strategy and the results of patient care is not confirmed. Since distribution of data is not normal, Spearman correlation coefficient is used for testing research hypotheses. In Table 3, the correlation coefficient equals 18% with significance level of 0.011 and 5% of error level. In other words, the nonlinear relation between the variables is confirmed.

Second Hypothesis

H_0: There is no significant relation between payment level strategy and financial performance of the organization.

H_1: There is a significant relation between payment level strategy and financial performance of the organization.

Table 4: Testing correlation hypothesis between payment level strategy and financial performance of the organization

Correlation coefficient			
Spearman		**Pearson**	
Statistic	**Significance level**	**Statistic**	**Significance level**
-0.474	0.000	-0.573	0.000

Table 4 indicates that Pearson correlation coefficient between payment level strategy and financial performance equals 57% with significance level of 0.000 and 1% error level. Therefore, the null hypothesis is rejected and the linear relation between payment level strategy and financial performance is confirmed. Since distribution of data is not normal, Spearman correlation coefficient is used for testing research hypotheses. Table 4 revealed that correlation coefficient equals 47% with significance level of 0.000 and 1% error level. In other words, the linear and non-linear relations between the variables are confirmed.

Discussion and Results

The obtained results indicated that the mean of salary of doctors is 27107833 Rials with 10269883 Rials standard deviation. The salary of 50% of doctors is less than 28141482 Rials. The mean of salary of directors is 8543410 Rials with standard deviation of 2296729 Rials. The salary of 50% of directors is more than 8253753 Rials. The mean of salary of nurses is 4674353 Rials with 1444816Rials standard deviation. The salary of 25% of nurses is 3552666Rials. The mean of salary of career groups is 9903942 Rials with standard deviation of 2907808 Rials. The salary of 50% of people is less than 10150587 Rials. Studying the main variables of the research displayed that the mean of efficiency index of resources is measured using average of resistance duration which is 2.78 day with standard deviation of 0.37. This information denotes that resistance duration during research period does not have so much instability.

The mean of index of patient care that is determined using the ratio of patients who die to all the patients (in a 1000 casualties) display that nine people die in a 1000 in patients with standard deviation of 4.36. It means casualties had remarkable fluctuations during the research. The mean of financial performance that is evaluated using the ratio of financial performance of the hospital to the current expenses shows that 81% of expenses are covered with standard deviation of 51%. The mean of index of payment level strategy is about zero. Also, the standard deviation (0.63) indicates that data are not normal. The mean of

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the deviation that is evaluated by Gini coefficient is 0.4 with standard deviation of 0.05. It denotes that payment distribution did not have too many fluctuations during the research. The mean of the available bed index with 253 beds and standard deviation of 104 beds revealed that the index of available bed had too many fluctuations during the research. The mean of bed turnover rate is 8.2 with standard deviation of 1.7. The mean of percentage of occupancy of bed showed the occupancy coefficient is 71% with standard deviation of 8.1%. The mean of the stable bed index is regarded as control variable of 292 beds with standard deviation of 133 beds. The mean of human resource is regarded as control variable with 623 people with standard deviation of 242 people. Kolmogorov-Smirnov and Shapiro statistics regarding the variables of patient care results, financial performance, payment level strategy, payment distribution, available bed, and percent of bed occupancy, bed turnover and the mean of salary is significant with the error level of 0.05. Therefore, the null hypothesis is rejected and the distribution of indexes is not normal.

The Results of the First Hypothesis

Considering Pearson correlation coefficient, the relation between payment level strategy and the results of patient care that equaled 10% was not significant with the significance level of 0.15 and error level of 5%. In fact, the linear relation between payment level strategy and the results of patient care are not confirmed. Since distribution of data is not normal, Spearman correlation coefficient has been used in order to test research hypotheses. The correlation coefficient equaled 18%, the significance level is 0.001 and the error level is 5%. In other words, the linear relation between variables is confirmed. The positive correlation coefficient between these two indexes confirms the positive relation between payment level strategy and the results of patient care. Therefore, increase in index of payment level strategy leads to increase in the index of the results of patient care and decrease in casualties.

The Results of the Second Hypothesis

Considering Pearson correlation coefficient between payment level strategy and financial performance which is 57% is significant with significance level of 0.000 and 1% error level. In fact, the linear relation between payment level strategy and financial performance is confirmed. Since the distribution of data is not normal, Spearman correlation coefficient is used for testing research hypothesis. The correlation coefficient equals -47% and is significant with the significance level of 0.000 and error level of 1%. The linear and non-linear relations between the variables are confirmed. Moreover, since the correlation coefficient between these two variables is negative, the reverse relation between payment level strategy and financial performance are confirmed. Therefore, increase in the index of payment level strategy reduces the index of financial performance.

Conclusion

Each scientific research provides some suggestions regarding the subject of its study in order to be helpful for the future researches. The following suggestions are made.

Suggestions for Execution of Research are as Follows:

Changing hospital's compensation system from paying on daily-basis to contingency payment like payment system based on performance. Reviewing the payment plan of hospital's employees so that performance index and performance of personnel is regarded as the most important issue in payment regulations. Paying awards based on improvement of performance and reduction of expenses. For example, the saved money can be given to employees as awards in cases when performance improvement is observed. Offering authority to hospitals and healthcare managements for the sake of making compensation policies that are in accordance with work market regarding attracting and retaining human resource Suggestions provided for people who want to study the same subject are as follows:

Comparative study of the impacts of the variables with university hospitals.

Comparative study of the impacts of the variables with private hospitals.

Studying the impacts of compensation policies on variables in private hospitals.

Conducting the research in a wider range of Social Security hospitals

Studying the impacts of increase in tariffs of healthcare services on organizational performance.

Using various non-linear models for studying the variables.

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