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INVESTIGATION RELATION OF THE COMPENSATION POLICY ON IMPLEMENTATION OF ORGANIZATION, EFFICIENCY AND FINANCIAL IMPLEMENTATION IN TERMS OF PAYMENT AND PAY STRUCTURE IN THE SOCIAL SECURITY HOSPITALS OF ISFAHAN PROVINCE

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ABSTRACT

One of the most important duties of Human Resource Management (HRM) is planning and implementing of compensation system. Performance management has significant role in the compensation management. Performance management tries to achieve a coherent approach toward management and encouragement of people by alignment of individual and team purposes, creation a relation for organizational developments, human resource development, and compensation. The present study aims to explain the relation of compensation policies in terms of payment structure with organizational performance (efficiency and financial implementation). In this regards, explanation of payment structure has been considered for efficiency of resources, financial implementation and results of patient care in the Social Security Hospitals of Isfahan province. Findings indicated relation between strategies of payment structure, efficiency of resources, relation between efficiency of resources and dispersion of payment, relation between dispersion of payment and results of patient care.

Keywords: *Compensation, Organizational Performance, Financial Implementation, Efficiency, Pay Levels, Structure of Payment*

INTRODUCTION

Knowledge of management in the organizations has been changed by advancement of different sciences. Position of human resource has been considered as intellectual capital in the organizations. Nowadays, according to the costs, which are used for educating, training and gaining experience, preservation of this capital and prevention of outflow of capital are problem in the organizations and for managers. Successful managers believe that the most important capital of them is human resource. Hence, organizations which do not attention to human resource will be far away from this condition. So we can say one of the most important factors in training, attraction and advancement of specialist human resource is compensation. According to the increase of medical expenses, hospitals are as important as healthcare provider organizations, which are important and costly organizations.

About 65% to 75% of annual budget spend for costs of employees in the hospitals. Nevertheless, hospitals have not proper efficiency and effectiveness. On this basis, investigation compensation policies and financial implementation of hospitals has been considered as a necessary work.

Health is a kind of primary needs, which people think about it, and hospitals are responsible for preventing and treatment. The Social Security Organizations as the first and largest buyer of compensation in Iran has expanded dimensions in section of treatment (with the budget more than one-third of all proceeds of insurance premiums). Hence, they resolve all the problems, which are need to high effort, expert opinions and real specialists in this field. According to the cost of hospitals and limitation of resources, these organizations need to scientific and efficient management. The final aim of conducting correct management in the hospital is development of efficiency and implementation in terms of provide services in various levels, reduce the length of patients staying and prevention of financial losses (Qorbanpour, 2007).

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Among different fields of HRM, payroll management is the most important and sensitive section, which need to investigate, study and design of system proportionate with internal and external conditions of organizations. Hence, Human resource management examined payment ability of the organization and general condition of every country by internal and external experiences. It investigated condition of labor market. HRM with the strategic version wants to design a pattern, which causes the logical and correct relation with economic, social and cultural systems, and finally it leads to payroll management. Compensation systems have been replaced with words such as payroll management and payment system in the recent couple of decades. Compensation systems included cash and noncash payroll, which employees and managers of the organization were benefiting from them, based on the factors such as kind of the organization, conditions of the workplace, features of jobs, and manner of doing work. On other words, in order to compensate of activities, which employees are conducted in the organization, salary and reward would be paid in exchange for time and effort of them. System, which is based on its rate and method of payment that employees determined, is called Compensation system. Compensation system in the new approaches of Human Resource Management has been considered with the aim of improvement of quality and desirability of life. Also, it has been considered in the organizations by methods such as classification techniques, evaluation of jobs, structure of organization, settlement of positions, engineering of jobs, and design of jobs (Zivdar, 2007).

According to the increase of organizational objectives in the current turbulent and changeable environments, ability of employers is so important factor in order to attract employees and ratio of confidence optimum performance to efficiency of organization by establishment of compensation system. Establishing a proper relationship between reward and performance is the most effective and unique performance in the organizations. Reward system as a part of organization culture indicated that which behavior need to reward in order to achieve the correct and desired results. Hence, default in paying reward for the correct behavior leads to the wrong result (Mosavinasab, 1997).

Performance management is an approach, which tries to create cooperation between employees and employers with conducting necessary training in order to have workforce, establishment of a system for evaluating of employees, performance, payroll systems and rewards that are based on performance. They want to integrate aims of employees with aims of organization, and increase labor productivity by mentioned method (Syedi, 2010).

In the present study, relation between compensation policies and organizational performance has been considered. Also, relation between structure of payment and pay levels with efficiency of resources, results of patient cares and financial implementation has been considered in the social security hospitals of Isfahan.

According to the significant and complexity of issues, which are related to compensate, more studies are required for consequence of organizational performance. Hence, the present study has been investigated in the Social Security Organization. It is hoped that obtained results will be used by beneficiaries scientifically or practically. In the present study, relation between compensation policies and organizational performance has been investigated, which seems there is a strong relation between them. Theoretical and experiential studies indicated that structure of payment and pay levels are important for understanding concepts of policy in the organization. In addition to this, since payment system determined by two elements, it is necessary to understand how these two elements work together at the same time for organizational consequences. Also, independent effects of these factors would be considered in results of organizational performance (efficiency of resources, results of patient care and financial implementation).

Compensation

There are various definitions for compensation, which some of them are as follows:

- Compensation is every kind of payment, which human resource receives in exchange for doing organizational work in the specific time. On other words, Compensation of employees is internal and external rewards, which are paid in exchange for employees, work in the organization fairly (Hajikarimi, 2001).

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- Compensation is every kind of salary, which employer or organization would be paid in exchange for doing work of people in the organization. Compensation including financial compensation and nonfinancial compensation (Zarehei, 2000) .
- Employees know compensation as a result of effort or rewards. Employers know it as their efforts and abilities in order to return capital or educate specialists. Many people interpret compensation as a salary that they receive in exchange of doing work. Hence, compensation is an important and determinant factor in economic and social behavior (Syed, 1995).
- Managers have two viewpoints about compensation. The first viewpoint, which most of the managers believe that is expressed compensation as the major cost of operating. These costs are more than 50% of operating expenses in many organizations. So it is necessary that payments have been conducted calculatedly. Besides, payment can effect in behavior of employees as a cost (Syed, 1995).

Effective Factors in Increase of Human Resource Efficiency

There are different opinions in determining effective factors of efficiency. The scientists and scholars have determined some factors as an effective factor. Factors which are effective in efficiency are as follows: constant training of managers and employees, advancement of motivation among employees in order to have effective works, creation proper fields by innovation of managers and employees, establishment of payment system based on performance, establishment of punishment and encouragement system, job conscience, social regulation, development in the systems and methods which have a key role, strengthening the rule, dominate the policies of organization, and saving money as a national tasks. Many authors have the same idea about this issue that presentation a specific cause is not possible for increasing efficiency. They said advancement of efficiency should be known as combination of different factors (Ostadzadeh, 2008).

Literature

Azaji and Amini (2008) have conducted a study under the title of “Relation between wages and efficiency, and presentation template of wages based on efficiency in the economics of Iran”. This study has been presented that change the wages proportional to change the key factors of labor market (such as efficiency of workforce) has an important role in direction of firms. Results demonstrated factors such as efficiency of workforce, average of educational years of industrial employees, and minimum wages, which have an effective role in real wages of industrial section. This relation would be determined in the short-time and long-time. Hence, wages variables of public sector and unemployment rate in the long-term have not effect in wages of industrial sector. Although in the short-time wages in industrial sector are affected by wages in public sector. So for increasing the real wages of employees and labor welfare has been suggested beside the increase of firm’s profitability. Also, appropriate conditions should be provided for advancement of efficiency, and determinant system of payment should be revised according to the efficiency factor (Azaji, 2008).

Kameli *et al.*, (2011), have conducted a study under the title of “Consideration role of payroll management system for efficiency of employees in the police department of Iran”. Kind of the study was applied, and in terms of method was descriptive-survey and solidarity. Statistical population of this study was 2200 employees of the police department.

The sample size has been determined by Cochran statistical method with 327 people, and it has been conducted by stratified and random sampling method in order to select samples. Data has been analyzed by correlation method of Spearman. Findings of the study are indicated that there is a significance and positive relation between payrolls, welfare services and rewards with efficiency of employees in the police department of Iran. Hence, hypothesis of the study are accepted by error rate of less than 5 percent (Kameli, 2011).

Mark *et al.*, (2003), have conducted a study under the title of “Compensation policy and Organizational Performance: The efficiency, operational, and financial implementation of pay levels and pay structure”. They have been expressed there is a relation between methods of Human Resource Management, especially compensation systems, and organizational performance. Experimental and theoretical studies indicate that pay levels and pay structure are important for realizing the concepts of payment policies in

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the organization. In addition to this, importance of payment system is determined by two factors, which should be considered (Mark, 2003).

Shieh (2008) has conducted a study under the title of “Effect of Corporate Compensation Design on Organizational Performance, Social Behavior and Personality”. The aim of mentioned study is reorganization relations between three variables such as compensation design of large companies (independent variable), mental motivation (adjustment variable), and organizational performance (dependent variable).

In addition to this, effects of psychological motivation have been considered between organizational compensation and organizational performance. Findings of the study demonstrate that compensation design of companies can have advantages in organizational performance. Compensation system of a company includes rewards, rewards of performance and benefits. The rate of compensation depends on performance. If an organization has better performance, it leads to offer more rewards. In the mentioned design there is a specific design between organizational compensation and organizational performance (Shieh, 2008).

MATERIALS AND METHODS

Methodology

According to nature of the present study, the method of the research is descriptive. Also, in terms of aim is applied, and Data collection has been conducted by documents, which exist in static unit and financial unit of Social Security Hospitals.

Statistical Population

Statistical population of the present study includes Social Security Hospitals of Isfahan province. Because investigation on all the population was not possible, so sampling has not been conducted and entire community was examined.

Hypothesis

According to the literature of the study and theories, which have been proposed about the factors such as compensation studies, efficiency, and financial implementation two hypothesis would be considered as follows:

- **Main Hypothesis**

There is a significance relation between compensation policies in terms of pay levels and structure with organizational performance (efficiency and financial implementation).

- **Secondary Hypothesis**

1. There is a significance relation between pay levels and efficiency of resources.
2. There is a significance relation between pay levels and results of patient care.
3. There is a significance relation between pay levels and financial implementation of organization.
4. There is a relation between organizational performance (efficiency of resources, results of patient care and financial implementation) with pay distribution in structure of payment.

Variables

Variables of the present study are divided in two categories as follows:

Independent Variables

Pay level Strategies

Strategies of organizational pay levels have been determined by average of salary for job classification in hospitals. At first the average of payment should be calculated for every occupational category. Positive values indicate leading strategy and negative values indicate following strategy. Hence, after calculation average of salary for every occupational category the following formula has been used for standardizing the average of salary.

$$1) Y = \frac{(X-M)}{SD}$$

X = the average salary of each category in a month

M = the annual average of all benefits in occupational category

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SD = annual standard deviation of all benefits in occupational category

Y = average of standardized salary for each occupational category

In order to calculate strategy of pay levels, average of standardized salary has been calculated in each month.

Distribution of Payment

The distribution of payment has been calculated by Gini coefficient.

$$2) \text{gini coefficient} = 1 + \frac{1}{n} - \left(\frac{2}{n^2 \bar{y}} \right) (y_1 + 2y_2 + \dots + ny_n)$$

$y_1 \dots y_n$: have indicated chain rights of occupational category in the hospital.

$\bar{y}$: The average value of salary for each occupational category in the hospital

n: the number of occupational category in the hospital.

Gini coefficient can involve spectrum from zero (indicated equal pay structure) to one (classified pay structure).

Dependent Variable

Efficiency of Resources

For introducing efficiency of resources a common criterion has been used under the title of the average length of stay. In order to investigate quality of hospital, those hospitals with shorter average length of stay have been considered in using resources to more efficiency. The average length of stay in the hospital is the average time of hospitalization (based on day). It means the average number of days, which some services are presented for each patient. This index has been used as an efficiency variable.

RESULTS AND DISCUSSION

Results of Patient Care

One of the important points during hospital performance test is effectiveness of patients, treatment. Measuring the efficiency of treatment quality is not possible easily. Since the more efficiency is, the less quality of treatment would be. Hence, ratio has been used for patients who are died to all the patients who are discharged. This ratio will be achieved as division of all the people who are died (in a specific time) to all the people who are discharged (in a specific time) multiplication in one thousands. This index has been used as variable of patient care results.

Table 1: Descriptive statistics of research variables

Description	Average	Standard deviation	Skewness	Elongation
Efficiency of resources	2.783	0.375	0.056	-1.100
Results of patient cares	90.133	4.368	0.239	-0.663
Financial implementation	0.819	0.512	2.809	10.808
Strategy of pay level	0.000	0.638	0.251	2.947
Distribution pay	0.403	0.050	0.151	1.797
Active bed	253.23	104.94	0.138	-1.492
Percentage of active bed	71.917	8.118	0.000	0.519
Bed turnover rate	8.246	1.713	0.266	-0.864
Fixed bed	292	133.467	0.389	-1.508
Number of human resource	623	242.828	0.042	-1.482

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Financial Implementation

The word “return on investment” is used to evaluate economic efficiency in organization. This standard includes ability of hospital in order to control of spending and use of capital to make money. Because of private activities in Social Security Hospitals the following formula will be used instead of using standards of efficiency, which are based on benefit.

$$\frac{\text{Hospital efficiency}}{\text{Total current costs}} = \text{percentage of hospital expenses}$$

Other Variables

1. Size of hospital based on the number of hospital bed: the number of beds, which hospital designed and built based on it (nominal capacity of hospital).
2. Number of human resource: the number of human resource in the hospital indicates size and capacity of the hospital.

Data Analysis

Descriptive statistics, which are related to main variables, is presented in table number one.

According to the mentioned information the average of efficiency index, which is measured by medium of length of stay, is 2.78 days with standard deviation of 0.37 days. This information indicates that length of stay has not significant fluctuations during the period of investigation. The average index of patient care results, which are measured by dead patient's to total people ratio, indicates death of 0.009 patients with standard deviation of 4.36.

The average index of financial implementation, which is measured by performance of hospital to current costs ratio, indicates 81% of costs with standard deviation of 51 percentages. The average index of payment distribution, which is measured by Gini coefficient, with standard deviation of 0.05 indicates that distribution of payment has not significant fluctuations during the period of investigation. The average index of active bed by 253 beds and standard deviation of 104 indicates significant fluctuations of active bed.

Test of Main Hypothesis

Pearson correlation efficient and Spearman test have been used in order to investigate the relation between variables.

$$H_0: P_{x1y} = 0$$

$$H_1: P_{x1y} \neq 0$$

Hypothesis 1

H_0 : There is not significance relation between pay level and resource efficiency.

H_1 : There is a significance relation between pay level and resource efficiency.

Table 2: Correlation coefficient of hypothesis 1

Correlation coefficient			
Pearson		Spearman	
amount	Significant level	Amount	Significant level
0.234**	0.002	0.268**	0.000

According to the above-mentioned information the Pearson and Spearman correlation coefficient between pay level and resource efficiency were respectively 23% and 26%, which error in level 1% was significant. According to this H_0 will be rejected. So there is a relation between pay level and resource efficiency.

Hypothesis 2

H_0 : There is not significant relation between pay level and results of patient care.

H_1 : There is significant relation between pay level and results of patient care.

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Table 3: Correlation coefficient of hypothesis 2

Correlation coefficient			
Pearson		Spearman	
amount	Significant level	Amount	Significant level
0.108	0.150	0.189*	0.011

According to the above-mentioned information the correlation coefficient of Pearson and Spearman were respectively 10% and 18% between pay level and results of patient care. Linear correlation in significant level of 0.15% with error level of 5% was not significant. So hypothesis of H_0 will not be rejected. Actually, linear relation between pay level and results of patient care will not be accepted. Correlation coefficient of spearman is 18%. Error is significant according to the significant level of 0.011 in level of 0.5. On other word, non-linear relation will be accepted between variables.

Hypothesis 3

H_0 : There is not significant relation between pay level and financial implementation of organization.

H_1 : There is significant relation between pay level and financial implementation of organization.

Table 4: Correlation coefficient of hypothesis 3

Correlation coefficient			
Pearson		Spearman	
amount	Significant level	Amount	Significant level
-0.573**	0.000	-0.474**	0.000

According to the above-mentioned information of Table 4, correlation coefficient of Pearson and Spearman were respectively -57% and -47% between pay level and financial implementation. Error is significant due to the significant level of 0.000 in level of 1%. Hence, H_0 will be rejected and linear relation between pay level and financial implementation will be accepted.

Hypothesis 4

H_0 : There is not significant relation between resource efficiency and pay distribution.

H_1 : There is significant relation between resource efficiency and pay distribution.

Table 5: Correlation coefficient of hypothesis 4

Correlation coefficient			
Pearson		Spearman	
amount	Significant level	Amount	Significant level
0.413**	0.000	-0.469**	0.000

According to the above-mentioned information, correlation coefficient of Pearson and Spearman were respectively -41% and -46% between resource efficiency and pay distribution. Error is significant due to significant level of 0.000 in level of 1%. Hence, H_0 will be rejected and linear relation between resource efficiency and pay distribution will be accepted.

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Hypothesis 5

H_0 : There is not significant relation between results of patient care and pay distribution.

H_1 : There is significant relation between results of patient care and pay distribution.

Table 6: Correlation coefficient of hypothesis 5

Correlation coefficient			
Pearson		Spearman	
amount	Significant level	Amount	Significant level
-0.248**	0.001	-0.274**	0.000

According to the information of Table 6, correlation coefficient of Pearson and Spearman were respectively -24% and -27% between results of patient care and pay distribution. Error is significant in level of 1%. Hence, H_0 will be rejected and linear relation between results of patient care and pay distribution will be accepted.

Hypothesis 6

H_0 : There is not significant relation between financial implementation and pay distribution.

H_1 : There is significant relation between financial implementation and pay distribution.

Table 7: Correlation coefficient of hypothesis 6

Correlation coefficient			
Pearson		Spearman	
amount	Significant level	Amount	Significant level
0.023	0.761	0.098	0.193

According to the information of Table 7, correlation coefficient of Pearson and Spearman were respectively 2.3% and 9.8% between financial implementation and pay distribution, which it was not significant. Hence, H_0 will be rejected and linear relation between financial implementation and pay distribution will not be accepted.

Comparison with Previous Studies

Mark *et al.*, (2003) have investigated relation between compensation decision in organizational level and organizational performance. Also, they have investigated pay structure and pay levels, which are for efficiency of resources, results of patient care and financial implementation. They suggested that methods of Human Resource Management and particularly compensation systems have strong correlation with organizational performance.

Experimental and theoretical studies indicate that pay level and pay structure are significant for understanding concepts of payment policies in level of organization. Findings of the present study are shown, there is a relation between pay levels with efficiency of resources (the average stay length of a patient) and results of patient care. Also, correlation between organizational performances (efficiency of resources, results of patient care, financial implementation) with pay distribution has been determined. Inverse relation has not been determined between pay levels and financial implementation.

Conclusion

The present study aims at examining relation between compensation policies with organizational performance, efficiency, and financial implementation in terms of pay levels and pay structure. Statistical community in the present study included the Social Security hospitals of Isfahan. Because investigation and analysis of data was possible in statistical community, so the total statistical community was

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investigated and sampling method was not used. Data was collected and analyzed from databases and documents of the Social Security Hospitals in Isfahan.

Results, which are for index of patient care, indicated high fluctuations of this index. Index of financial implementation indicated 81% of expenses. Index of pay distribution indicated stability of the Gini coefficient during conducting the present study.

Results of hypotheses indicated significant relations between pay level and efficiency of resources, nonlinear relation between pay level and results of patient care, and negative relation between efficiency of resources and financial implementation. Also, negative linear relation between efficiency of resources and pay distribution has been confirmed. Hence, increase of resource efficiency is caused for decreasing of pay distribution. On the other hand, relation negative linear relation between results of patient care and pay distribution has been confirmed.

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