

The Effects of Work Stress and Compensation on the Employees' Performance through Motivation and Job Satisfaction at the Private Life Insurance Companies in Jakarta, Indonesia

Andi Baharuddin Anwar

Ph.D scholar, Post Graduate School of Economics
Hasanuddin University
Makassar

Haris Maupa

Professor of Economics, Post Graduate School of Economics
Hasanuddin University
Makassar

Muhammad Ali

Professor of Economics, Post Graduate School of Economics
Hasanuddin University
Makassar

Muhammad Ismail

Professor of Economics, Post Graduate School of Economics
Hasanuddin University
Makassar

Abstract- This study aims to analyze and determine the effect of work stress and compensation on employees' performance through motivation and job satisfaction in Life Insurance Companies in Indonesia. The data was collected using a purposive sampling of the population. The number of respondents sampled were 260 respondents out of 928 employees who work in 10 private life insurance companies in Jakarta, Indonesia. The data was collected using questionnaires. This data were then estimated using statistical analysis so called Structural Equation Modeling (SEM) with the help of AMOS program. The study found inter alia that job stress has a significant negative effect on employee performance, while compensation has a significant positive effect on employee performance. However, using SEM analysis it was found that only compensation has significant positive effect on employee performance through motivation and job satisfaction. This suggests that to increase the work performance of the life insurance companies in Jakarta, it is a must for the company to give a greater attention on the compensation.

Index Terms— Work stress, compensation, motivation, job satisfaction and employees' performance

I. INTRODUCTION

It was argued that performance-based analysis emphasizes the importance of collaboration to improve the quality of employees and identify areas respectively (Urbach, Smolnik, & Riempp, 2011). For this reason, many companies and organizations are trying to develop, motivate and improve the performance of their employees with a wide range of applications of human resource development (Gungor, 2011).

By having efficiency and effectiveness of employees' performance, the company will no doubt be able to achieve a better overall growth (Ahmad, Farrukh, and Nazir, 2015).

In various studies, the employee's performance is determined by the level of employee motivation and job satisfaction. The concept of motivation include things that promote action from time to time (Tietjen & Myers, 1998). Motivation is a series of systematic analysis of the person, task and environmental characteristics affect the behavior and performance of the work (Wiley, 1997).

Motivation is a one of the drivers of the organization as it can direct the activities of the organization (Islam and Ismail, 2008). Therefore, the organization is required to continue to develop good working intrinsic motivation and extrinsic (Stringer, Didham, & Theivananthampillai, 2011). Bjerke and Paoli (2007) found that many of the employees working in some segments states that they are motivated by their specific duties and on the basis of their positions so that they may be liable.

The next construct that most affect the performance of employees is a job satisfaction (Tietjen and Myers, 1998). Job satisfaction is formed of a multidimensional consisting of overall job satisfaction, as well as various aspects of job satisfaction of other work (Cranny, Smith, & Stone, 1992). Job satisfaction refers to an individual's emotional positive reaction for a specific job (Oshagbemi, 1999).

However, individual employees have different levels of job satisfaction and the type of work related to the welfare of employees (Cambre, Kippers, Veldhoven, & Witte,

2012). Wickramasinghe (2009) from his study found that gender and tenure have a significant impact in the measurement of job satisfaction. Other studies also found that Job satisfaction is positively related to one's tribe (see Lund, 2003 for details).

In addition, it was also argued job satisfaction can have an indirect effect on labor productivity (Freeman, 1978). This is simply because job satisfaction may help push employees to increase their productivity and is able to minimizing the levels of employees who quit work and attendance (Artz, 2010).

As the level of competition of the life insurance companies in Jakarta is extremely competitive, the company should then maximize all the potential sources they have, especially in the aspect of human resources. For this reason, this study aimed to analyze three things. First, to examine the effect of work stress on employee performance. Second, to examine the effect of compensation to employee performance. Third, to examine the effect of work stress on employee performance through motivation and job satisfaction. Finally, to examine the effect of compensation to employee performance through motivation and job satisfaction.

II. RESEARCH METHODS

To examine the above problems, a sample survey was undertaken at the Life Insurance Companies in Jakarta using questionnaires. The sample was selected using a purposive sampling method. In addition to a primary data, a secondary

data was also collected. Note that, The unit of analysis in this study is a permanent employee at the insurance company.

The study population were employees of 10 Life Insurance companies in Jakarta. This private life insurance compnaies under survey were PT Prudential Life Assurance, PT Asuransi Jiwa Manulife Indonesia, PT Axa Mandiri Financial Services, PT AIA Financial, PT Asuransi Allianz Life Indonesia, PT Asuransi Jiwasraya (Persero), PT Avrist Assurance, PT Asuransi Jiwa Sequis Life, PT Commonwealth Life, PT Sun Life Financial Indonesia. The total of the asmple was 260 people.

In testing the hypothesis, a statistical analysis so called Structural Equation Modeling (SEM) is used with the help of AMOS program. The use of SEM is because this statistical tool allows researchers to test the validity and reliability of research instrument, confirm the accuracy of the model as well as test the effect of a variable to another variable.

III. RESULTS AND DISCUSSION

Based on the analysis of SEM, it was found that there are six (6) loading factors that have a significant effect. While variables work stress and job satisfaction were found to have insignificant effect. Similarly, the effect of work motivation and work performance were also found to be insignificant. Detail of the statistical results were shown at Table 1.

Table 1. Loading Factors of the Model

Variable	Variable	Loading Factor	Critical Ratio	Sig. Level $\leq 0,050$	Notes
Work Stress	Work Motivation	-0,152	- 1,999	0,046	Significant
Compensation	Job Satisfaction	0,198	2,679	0,007	Significant
Work Stress	Job satisfaction	0,007	0,096	0,923	insignificant
Compensation	Work Motivation	0,238	2,694	0,007	Significant
Work Motivation	Employees Performance	0,044	0,659	0,510	Insignificant
Job Satisfaction	Employees Performance	0,594	6,059	0,000	Significant
Work stress	Employees Performance	-0,161	- 2,676	0,007	Significant
Compensation	Employees Performance	0,141	2,178	0,029	Significant

Source : calculated using SEM analysis.

From this Table, at least there are seven interesting finding of the study. First, it was found that the value of the statistics showed a negative and significant influence between work stress on work motivation, assuming other factors that affect the size of work motivation is considered constant.

Second, the study found that the value of statistics showing positive and significant impact on job satisfaction amongst compensation, assuming other factors that affect the size of the job satisfaction is considered constant;

Third, the value of the statistics showed no significant effect between work stress on job satisfaction, assuming other factors that affect the size of the job satisfaction is considered constant.

Fourth, the value statistics show a positive and significant influence between compensation for work motivation, assuming other factors that affect the size of work motivation is considered constant.

Fifth, the value of the statistics showed no significant effect between work motivation on employee performance, assuming other factors that affect the size of the employee's performance is considered constant.

Six, the value statistics show a positive and significant effect between job satisfaction on employee performance, assuming other factors that affect the size of the employee's performance is considered constant. Also, the value statistics show a negative and significant influence between work stress

on employee performance, assuming other factors that affect the size of the employee's performance is considered constant.

Finally, the value of statistics show a positive and significant influence between the compensation to employee performance, assuming other factors that affect the size of the employee's performance is considered constant.

Furthermore, the results of the study also showed that employees can work well when using office equipment, can work well when using office facilities, is working toward achieving the vision and mission of the company, and realize the company's objectives are considered important to be maintained and developed by employees.

The coefficient work stress variables influence on employee performance work shows the influence of the negative and significant. These results are consistent with the studies' findings conducted by Dar, Akmal, Naseem, and Khan (2011), Ahmed and Ramzan (2013), and Olusegun, Oluwasayo, and Olawoyim (2014) to name just a few studies in that the work stress a significant negative effect on performance. While studies Manzoor, H, & Mariam (2012) found that between job stress and employee performance has no significant effect.

In terms of the effect of compensation on employees' performance. This study found that there was a positive and significant impact. This result was also confirmed by studies Byun, Kim, and Shin (2009); and Yamoah (2013) that the employee's performance is determined by the compensation received by employees. On the results of the distribution of the value of the indicator shows the role of conflict in general, respondents undecided.

Employees are often at odds with colleagues, often caught between conflicting demands by the employer, it is difficult to divide their time between work and activity outside of work, and it is difficult to divide time for family in general is a challenge faced by the employees to be managed in a balanced way. Distribution of value indicators achievement results show generally respondents agree. This condition indicates that the work harder in order to achieve the target, to do better, exceeding the achievements of colleagues, and continue to innovate in the work becomes important to be maintained and developed by employees.

Finally, the effect of variable compensation on employee performance through motivation and job satisfaction (as intervening variables), it was found that there are a positive and significant influence. This finding was also supported by other studies including Pratheepkanth, (2011) and Tahir, Yusoff, Khan, Azam, Ahmed, and Sahoo, (2011). These studies confirmed that the role of motivation in the company is largely determined by the quality of the compensation that employees receive. Therefore, it is once again no doubt that work motivation play important role in increasing the work performance of the Life Insurance Companies in Jakarta under study.

IV. CONCLUDING REMARKS

The work performance are determined by many factors. Of the many factor affected the work performance, this study found that work motivation plays a very important role. While work stress shows a negative effect on the work performance. Also, it was found that employees' performance is largely determined by the compensation received by employees. This

suggests that compensation cannot be avoided by the Life Insurance companies in order to increase the employees' performance.

The study also found that work stress on employee performance through motivation and job satisfaction shows negative effects and insignificant. Also, it was found that the effect of variable compensation on employees' performance through motivation and job satisfaction showed a positive and significant influence. Based on these findings, it can be suggested that work stress and compensation should be given attention by the Life Insurance Companies under studies to increase the employees' performance. This employees' performance can be further optimized if the companies give serious attention to the importance of work motivation and job satisfaction.

REFERENCES

- [1] Abdullah, D. A., & Lee, O. Y. (2012). Effects of Wellness Program on Job Satisfaction, Stress and Absenteeism between Two Groups of Employees (Attended and Not Attended). *International Congress on Interdisciplinary Business and Social Science. Procedia - Social and Behavioral Sciences* 65 , 479-484.
- [2] Ahmad, T., Farrukh, F., & Nazir, S. (2015). Capacity building boost employees performance. *Industrial and Commercial Training. Vol. 47 Iss 2* , 61-66.
- [3] Ahmed, A., & Ramzan, M. (2013). Effects of job stress on employees job performance a study on banking sector in Pakistan. *IOSR Journal of Business and Management. Vol. 11 Iss 6* , 61-68.
- [4] Artz, B. (2010). Fringe benefits and job satisfaction. *International Journal of Manpower. Vol. 31 Iss 6* , 626-644.
- [5] Banker, R., & Datar, S. (1989). Sensitivity, precision and linear aggregation of signals for performance evaluation. *Journal of Accounting Research. 27* , 21-39.
- [6] Baran, R. (1986). *Understanding Behaviour in Organizations*. Boston: MA.
- [7] Bjerke, R., Ind, N., & Paoli, D. D. (2007). The impact of aesthetics on employee satisfaction and motivation. *EruoMed Journal of Business. Vol. 2 Iss 1* , 57-73.
- [8] Byun, D., Kim, J., & Shin, J. (2009). The effects of deferred compensation and performance-based compensation on firm value. *Asia-Pacific Journal of Accounting & Economics* 16 , 49-68.
- [9] Cambre, B., Kippers, E., Veldhoven, M. v., & Witte, H. d. (2012). Jobs and organisations. Explaining group level differences in job satisfaction in the banking sector. *Personnel Review. Vol. 41 Iss 2* , 200-215.
- [10] Cranny, C., Smith, P., & Stone, E. (1992). *Job Satisfaction: How People Feel about Their Jobs and How it Affets Their Performance*. New York: Lexington Books.
- [11] Dar, L., Akmal, A., Naseem, M., & Khan, K. U. (2011). Impact of stress on employees job performance in business sector in Pakistan. *Global Journal of Management and Business Research. Vol. 11 Iss 6* .
- [12] Freeman, R. (1978). Job satisfaction as an economic variable. *American Economic Review. Vol. 68 No. 2* , 135-141.
- [13] Goris, J. (2007). Effects of satisfaction with communication on the relationship between individual-job congruence and job performance/satisfaction. *Journal of Management Development. Vol. 26 Iss 8* , 737-752.
- [14] Gungor, P. (2011). The relationship between reward management system and employee performance with the mediating role of motivation: A quantitative study on global

- banks. 7th International Strategic Management Conference. *Procedia Social and Behavioral Science* 24 , 1510-1520.
- [15] Islam, R., & Ismail, A. H. (2008). Employee motivation: a Malaysian perspective. *International Journal of Commerce and Management*. Vol. 18 Iss 4 , 344-362.
- [16] Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics* 3 (4) , 305-360.
- [17] Lee, G. (2015). Korean Emotional Laborers' Job Stressors and Relievers: Focused on work conditions and emotional labor properties. *Safety and Health at Work* .
- [18] Li, Y., Lou, F., Wang, J., & Yuan, H. (2013). A survey of executive compensation contracts in China's listed companies. *China Journal of Accounting Research*. Vol. 6 , 211-231.
- [19] Linz, S. (2003). Job satisfaction among Russian workers. *International Journal of Manpower*. Vol. 24 Iss 6 , 626-652.
- [20] Lund, D. (2003). Organizational culture and job satisfaction. *Journal of Business & Industrial Marketing*. Vol. 18 Iss 3 , 219-236.
- [21] Manzoor, A., H, A., & Mariam, S. (2012). Investigating the impact of work stress on job performance: A study on textile sector of Faisalabad. *Asian Journal of Business and Management Sciences*. Vol. 2 No. 1 .
- [22] Olusegun, A., Oluwasayo, A., & Olawoyim, O. (2014). An overview of the effects of job stress on employees performance in Nigeria tertiary hospitals. *Scientific Review Article*. Vol. 60 No. 4 , 139-153.
- [23] Oshagbemi, T. (1999). Academics and their managers: a comparative study in job satisfaction. *Personnel Review*. Vol. 28 Iss 1/2 , 108-123.
- [24] Pratheepkanth, P. (2011). Reward system and its impact on employe motivation in commercial bank of Sri Lanka Plc, In Jaffna District. *Global Journal of Management and Business Research*. Vol. 11. Iss. 4 .
- [25] Stringer, C., Didham, J., & Theivananthampillai, P. (2011). Motivation, pay satisfaction, and job satisfaction of front-line employees. *Qualitative Research in Accounting & Management*. Vol. 8 Iss 2 , 161-179.
- [26] Tahir, A., Yusoff, R. B., Khan, A., Azam, K., Ahmed, M., & Sahoo, M. (2011). A comparison of intrinsic and extrinsic compensation instruments: The case of National Bank of Pakistan (NBP), District Attock, Pakistan. *World Journal of Social Sciences*. Vol. 1, No. 4 , 195-206.
- [27] Terry, B., & Newman, J. (1978). Job Stress, Employee Health, and Organizational Effectiveness. *Personnel Psychology* 31 (4) , 665-698.
- [28] Tietjen, M., & Myers, R. (1998). Motivation and job satisfaction. *Management Decision*. Vol. 36 Iss 4 , 226-231.
- [29] Urbach, N., Smolnik, S., & Riempp, G. (2011). Determining the improvement potentials of employee portals using a performance-based analysis. *Business Process Management Journal*. Vol.17 Iss 5 , 829-845.
- [30] Wickramasinghe, V. (2009). Predictors of job satisfaction among IT graduates in offshore outsourced IT firms. *Personnel Review*. Vol. 38 Iss 4 , 413-431.
- [31] Wiley, C. (1997). What motivates employees according to over 40 years of motivation surveys. *International Journal of Manpower*. Vol. 18 Iss 3 , 263-280.
- [32] Yamoah, E. (2013). Relationship between compensation and employee productivity. *Singaporean Journal of Business Economics, and Management Studies*. Vol. 2, No. 1 .