

**THE COMPENSATION STRATEGY AND NON  
COMPENSATION STRATEGY AND ITS INFLUENCE  
TOWARDS WORKERS TURNOVER INTENTION IN  
SABAH PRIVATE HEALTHCARE SECTOR**

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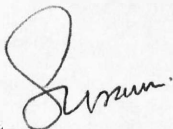
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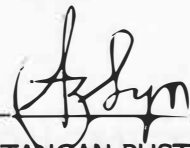
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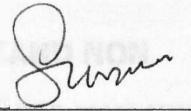
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Heartiest Gratitude to EVERYONE with love.

Liau Su Sun @ Susan

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## **ABSTRACT**

### **The Compensation Strategy And Non Compensation Strategy And Its Influence Towards Workers Turnover Intention In Sabah Private Healthcare Sector**

As the number of healthcare employees in Sabah is low and the ratio of nurses to population is below the WHO standards, the quality of service offers to patients' population is in question. At the same time, the ambition towards healthcare tourism might not be up to standard. Thus, the study investigates Compensation Strategy and Non Compensation Strategy as part of Human Resource Practices towards Turnover Intention in the three Multidisciplinary Private Hospital in Kota Kinabalu were carried out to identified if these signifies the root of the problem. A total of 105 respondents comprise of pharmacists, pharmacy assistants, nurses, and management staffs were the respondent in this study. The objective of the study is to identify which strategy leads more to turnover intention and also to verify if age and job title would moderate the effect of either Strategy. In the findings, it was identified that Compensation Strategy is significantly but weakly related to Turnover Intention and Non Compensation Strategy does not relate to Turnover Intention. Besides, Age and Job Title were prove not to moderate the effect of Compensation Strategy towards Turnover Intention. Therefore, discussion reveals other strategies which also relates to Turnover Intention. Implications of study, together with limitations and suggestions of future study were being discussed as well.

*Apabila bilangan pekerja dalam sektor kesihatan di Sabah serba kekurangan dan nisbah jururawat kepada penduduk adalah dibawah keperluan yang disyorkan "WHO", adakah kualiti perkhidmatan yang ditawarkan kepada penduduk memadai? Pada masa yang sama, cita-cita untuk menjadikan Sabah sebagai salah satu pusat industri perlancongan perubatan mungkin tidak tercapai tahapnya. Untuk mengetahui masalah yang membawa kepada kekurangan pekerja di sektor kesihatan terutamanya di Sabah, kajian ini telah menyiasat jikalau 'strategi pampasan' dan 'strategi bukan pampasan' merupakan factor yang membawa kepada niat berhenti kerja di kalangan pekerja di tiga hospital pelbagai disiplin di Kota Kinabalu ini. Sejumlah 105 responden yang terdiri daripada pegawai farmasi, pembantu farmasi, dan kakitangan pengurusan telah mengambil bahagian dalam kajian ini. Objektif kajian ini adalah untuk mengenalpasti seberat mana strategi tadi akan membawa kepada niat berhenti kerja di kalangan pekerja kesihatan. Selain itu, ia juga mengenalpasti sama ada faktor umur dan jawatan mempengaruhi kesan strategi tadi terhadap niat berhenti kerja. Penemuan dikenalpasti bahawa strategi pampasan adalah strategi yang ketara menyebabkan niat berhenti kerja, akan tetapi phubungannya itu agak lemah. Akan tetapi, strategi bukan pampasan tidak menyebabkan niat berhenti kerja. Sedangkan itu, factor umur dan jawatan tidak memberi sebarang pengaruh kepada strategi pampasan terhadap niat berhenti kerja. Dalam perbincangan, strategi lain yang mungkin memberi kesan terhadap niat berhenti kerja telah ditampikan. Implikasi, had kajian dan cadangan untuk kajian akan datang juga turut dibincangkan.*



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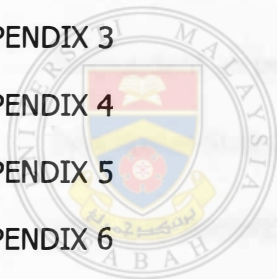
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## LIST OF ABBREVIATIONS

BLS	Bureau of Labor Statistic
DV	Dependant Variable
EPA	Employee Assistance Programme
EPF	Employee Provident Fund
HR	Human Resource
IV	Independent Variable
LTAT	Armed Forces Fund Board
MBA	Master in Business Administration
MHTC	Malaysia Healthcare Travel Council
Mil	Million
MOH	Ministry of Health
OB	Organization Behaviour
OSHA	Occupational Safety and Health Act
PA	Personal Accident
PH	Private Hospital
POS	perception of support
SET	Social Exchange Theory
SOCSSO	Social Security Organization
UMS	Universiti Malaysia Sabah
WHO	World Health Organization

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# CHAPTER 1

## INTRODUCTION

### 1.0 Overview

This dissertation studied the influence of Compensation and Non Compensation strategy towards employees' retention in Sabah Private Healthcare Sector. It observe how the target group responds towards some of the type of compensation strategy such as salary and benefits given; as well as the type of Non Compensation Strategy, towards their career plan. The observation relates how the target group perceives what they received towards their intention to leave their organization. The target group is particularly the medical doctors, the pharmacist and the support group such as the nurses and medical assistant.

### 1.1 Identification of Problem

At this point of time, there is minimal study done in Malaysia particularly for healthcare industries in Sabah in regards to employee turnover intention. At the same time, minimal studies been conducted to identify what are the factors that influence employee turnover intention in the context of compensation strategies. Thus, to look into the relationship between compensation strategies and the employee turnover intention in the healthcare industries, there is a need to understand which type of compensation strategy regulates more on the employees' towards lower level of turnover intention in their workplace particularly the components within the compensation strategies.

At the same time, in reality, when one need to pay a visit to get a health check or seek medical consultation in any of the Private Healthcare Sector in Kota Kinabalu, perhaps the waiting time check would give one a better idea of what is the problem denoting Healthcare Services here.

## **1.2 Problem Statement**

Low level of healthcare employee was observed in the State of Sabah, specifically medical doctors and support group. As per April 23, 2010, Deputy Health Minister Datuk Rosnah Abdul Rashid Shirlin in The Star, been quoting that Sabah have a doctor-population ratio of 1:2248 which is far from the 1:600 standard set by the World Health Organisation (WHO). In October 2010, Professor Dr Osman Ali (Dean, School of Medicine, UMS) reported in the Borneo Post Online that the nurse to population ratio in Sabah is 1:564. Again, this is still below the WHO standards of 1:200 as stated by the Higher Education Minister Datuk Seri Mohamed Khaled Nordin in The Star, May 16, 2010.

Besides the low level of doctors and nurses, the healthcare employee had been seen leaving their employment. As per Department of Statistic Malaysia, The Quarterly Labour Force Survey shows that there is a trend of losing out Health and Social worker which was observed between Quarter 4, 2007 (241.7 thousand) and Quarter 1, 2008 (231.9 thousand) with a decline of 9800 workers. In the year 2009 when Health Tourism was installed, there seems to be increase of Health and Social Worker. These was observed as per Quarter 4, 2008 (256.2 thousand) and Quarter 1, 2009 (281.0 thousand), there is increase of 24800 workers. But the number does not sustain long as in Quarter 4, 2009 there were only 263.2 thousand workers in the industry; and when it reaches Quarter 1, 2010 there were only 255.7 thousand workers in the industry. This situation causes brain-drain in the healthcare industries.

Despite that, Ministry of Health Malaysia (MOH) had established "Healthcare Tourism" policies under the Malaysia Healthcare Travel Council (MHTC) in 3<sup>rd</sup> July 2009. Here we would observe that, with high turnover intention especially in the healthcare sector, health tourism might not be successfully implemented.

Further to this it, there would be less available skilled employees which resulted in poor health management that is extremely important in the private Healthcare Sector in Sabah. So said as:-

1. There's limited multidiscipline private healthcare sector in Sabah
2. Paying customer always demand better healthcare service

The first statement represents how the healthcare industries are able to support the direction of the policies to sustain "health Tourism". It is important as these limited multidiscipline private healthcare sectors are the one who will drive towards the success of the "Health Tourism". Imagine if there is lack of manpower in these sectors, would they be able to sustain the healthcare services that they offer? The manpower issue in healthcare industries was identified in few studies such as in 2010, Masroor and Fakir had identified in their study that there is intention to turnover amongst the nursing profession in Malaysia; as well as nursing profession being unattractive (Utusan.com, 2004); and even in the world stage where nurses external migration were observed in countries such as those in South East Asia and Malaysia being one of them (Diallo, 2004).

As for the second statement above; when good healthcare services is lacking, would the patients or customer be satisfied? It is not forgotten that for every sum of money one fork out, there will be a level of demand. Besides, the number of employees' in the healthcare service also determines the mortality and length of hospitalization for the patient overall health care (Gelina and Loh, 2004). It explained when employee's intention to leave an organization increases, the more detached their commitment would be; and the least satisfactory their performance would be.

To reduce the prevalence of prolonged hospitalization and mortality, upholding the 'healthcare tourism' policies, as well as to provide better health care services to the customer or patient; the root problem had to be curb. The root problem here refers to the level of turnover intention; which would eventually leads to actual turnover in the healthcare sectors. In another words, there is a need to reduce the brain-drain situation. In adjunct, Malaysia Government had tried various ways for brain-gain and thus leading to low level of turnover intention of employees' in Malaysia. Efforts were such as wages and others non wages component to reduce the turnover intention amongst employees' especially in the context of Sabah Private Healthcare.

In recent years, the government of Malaysia had been seriously looking into the aspect of wages and brain-drained issue in the country. This was seen as quoted by Tun DR Mahathir for Mission 2020 to established 'High Income Country' for Malaysia. On top of that, the New Economic Model is aiming to achieve high-income economy status through increase of GDP per-capita from US\$7,000 to US\$15,000 by the year 2020. Whereby the current drawn salary in Sabah as reported by Human Resources Policy Division, Ministry of Human Resources, 4 August 2010; 63% of population earned below RM700 and 92% of the population earned below RM3000 per month. At the same time, wages are define as basic salary which take into consideration of food, accommodation, transportation, clothes and entertainment; Employee Provident Fund (EPF), Social Security (Socso); as well as allowances.

Besides the component of wages, could it be the dissatisfaction in other Non Wages components that leads to their turnover intention? This had been found true in few studies in Belgium (Claes and Heymans, 2008) and Canada (Marjorie, 2008) that non wages component such as training, job design, career management, recognition and respect, and few others would influence older employee retention in the organization. In local context, Sabah Chief Minister Datuk Seri Musa Aman stated in Daily Express on June 24, 2011; that asides from benefits and salary, a good working environment is

needed to stop brain drain in Sabah as a whole. Though there is no specification of what is involve in 'good working environment', it clearly shows it is part of the non wage component. Thus, there is a need to identify how important will the component of wages and non wages impact employees especially those working in the private healthcare sector in Sabah. This in turn will be the determinant of employee turnover intention factors in an underpaid and brain drain society in Sabah.

### **1.3 Research Question**

The research question of this study would be:-

1. Compensation strategy; such as Salary and monetary compensation, Leave benefits (including vacation, sick, personal, paid holidays), Retirement plan, and Health and other benefits (health insurance, vision, dental, prescription); reduce turnover intention in Sabah private Healthcare Sector?
2. Non Compensation Strategy; such as Alternative Work Schedule, Voluntary Reduction in Work Schedule, Telecommuting/Work at Home, Mentoring and coaching, Job Rotation and New Assignments, Help with career planning, On-site day care, Rewards and recognition, Employee Suggestion Program, Education opportunities, Training opportunities - job related, and Annual Performance Appraisal; reduce turnover intention in Sabah private Healthcare sector?
3. Age and job title moderate Compensation Strategy and Non Compensation Strategy towards turnover intention?

### **1.4 Research Objectives**

With appropriate instruments or measurement; as well as sampling design in regards to population in the Sabah Private Healthcare Sector, this study is to investigate if:-

1. Compensation Strategy reduces Turnover Intention.



2. Non Compensation Strategy reduces Turnover Intention.
3. Age and job title would moderate turnover intention.

### **1.5 Significant of Study**

By the end of this study, it is obvious that the participated Sabah Private Healthcare sector would be able to identify their strength and fall back of their current compensation strategies and non compensation strategies towards employees' turnover intention especially in the group of support staff such as the nurses, medical assistant and pharmacy assistant. From here, the management level particularly Human Resources Department could look into ways to strengthen their compensation and non compensation strategy thus to compete against losing out skillful employees' and as a tools to motivates full performance of their employee which would indirectly increases customer satisfaction towards their services provided.

Another application of this study could be adapted into the retention of public healthcare which information could be used to explain the overall brain-drained situation and retention issue in the Sabah Healthcare Sector. If Benefits is such an important HR Practice, it could be a way to explain brain-drained situation in Sabah which deemed to be amongst the poorest paid state in Malaysia. Besides, it could be the HR strategies that play a role in retention over the blend of varsities of ethnic in Sabah. These were some important factors that the government such as Ministry of Health could consider for their usage to improve retention in the government hospital as well as primary healthcare clinics to combat the hassles of staffing for the state of Sabah.

As there was no study done on this particular arrear, this study could be a good referral for further study into the retention issue in public healthcare in Sabah, thus creating more complete reference to combat the brain-drained situation here.

## **1.6 Scope of Study**

This study involves questionnaire to be distributed to the target group whom are the employee from private Healthcare sectors such as the doctors, the pharmacist and the support group. Support group further refers to nurses, medical assistant, and pharmacy assistant. Private healthcare sector refers to the three main multidisciplinary Private Hospitals located in Kota Kinabalu, Sabah; who wish to stay anonymous as per request. As per Social Exchange Theory (SET), what you do is what you get or in religion defines as karma (Cropanzano and Mitchell, 2005); thus when compensation and non compensation strategy is proportionate to the employees' daily work, they would not have the turnover intention.

## **1.7 Definition of Variable**

This cross-sectional study involves identifying the quantitative aspect from the three variables. The Independent variables look into compensation Strategy and Non Compensation Strategy. Meanwhile the dependant variable is Turnover Intention. Alkandari and Armani (2009) had found a strong relationship between 'benefits' and 'HR Strategies' towards turnover intention. Scrutinize deeper, it was observed that the more appropriate term for 'benefits' and 'HR strategies' as per define by Alkandari and Amani (2009) was actually compensation strategy and non compensation strategy respectively.

Turnover intention refers to the individual choice behavior (Campion, 1991) towards the real turnover of the employee.

In compensation, it is defined as the total payout to an employee by their respective employer which is inclusive of salary and benefits (Milkovich and Newman, 2008). Further to that; Memon, Panhwar, and Lohra (2010) found a significant relationship between compensation to turnover intention. In this study, it will



concentrate on the perception of employee towards compensation and not on true compensation as per se.

In Non compensation, it refers to the strategy other than those described in compensation above. As per Alkandari and Armani (2009); the most important aspect of this variable are recognition rewards, annual performance appraisal and training opportunities; which would reduce turnover intention.

The existence of demographic factor would moderate HR Practice towards employee retention which is measure by Turnover Intention. Demographic factors refer to ethnic group, age, gender and year of service, and workers profession level/job title.

## **1.8 Organization of Dissertation**

There were five chapters in this study where in the first chapter, it will give the introduction on the problems faced by the three major multidiscipline private healthcare sectors in Sabah; whom will be the subjects for this study, and the variables such as compensation and non compensation strategy which would influence the turnover intention amongst them.

The second chapter would describe how compensation and non compensation strategy influence turnover intention by social exchange theory (SET) before venturing into the conceptualization and operationalization of compensation strategy and non compensation strategy from the former name sake of benefits and human resource strategy respectively. This followed by explanation of demographic factors as the moderator and the relationship amongst these variables were defined to conclude chapter two.

Chapter three would look into Research Methodology, defining the framework, hypothesis generation, research design, sampling design and mechanism of the

operation for each variables describe in chapter two, before going into explanation of data analysis method and data collection procedure.

Chapter four present all formatted data using SPSS software and amongst data to be presented in this chapter would be reliability test, factor analysis as well as regression analysis. Chapter five would discuss and conclude this study as well stating the limitations.



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