

# Hospitals Remuneration System Fairness: How the Role of Organizational Citizenship Behaviour (OCB) and Subjective Well-being

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## Abstract:

The purpose of this study is to analyze the relationship of Organizational Citizenship Behaviour (OCB) on Hospitals Remuneration System Fairness and the relationship of Subjective Well-being on Hospitals Remuneration System Fairness. This study uses quantitative methods, data obtained by distributing online questionnaires through social media. The object of this research is the hospitals with a total of 210 respondents who were selected by simple random sampling method. The analysis technique used is analysis using Structural Equation Modeling with the SmartPLS 4.0 program tool with confirmatory factor analysis, hypothesis testing using the Maximum Likelihood Estimation (MLE) estimation technique with a significance level of 5% and using the Goodness Fit of Index to test the feasibility of developing a model that developed. The results of this study indicate that Organizational Citizenship Behaviour (OCB) has a positive and significant effect on hospitals remuneration system fairness and Subjective Well-being has a positive and significant effect on hospitals remuneration system fairness.

**Keywords:** Hospitals, Organizational Citizenship Behaviour, OCB, Subjective Well-being, Remuneration System Fairness

## 1. INTRODUCTION

Employees are assets so the hospital must pay attention to rewards for the resulting performance. With the appreciation given, employee performance can increase and become more loyal to the hospital. Organizations and employees within the company must be properly nurtured so that employees are not able to carry out their work with a sense of joy and excitement, then the company will not be able to achieve the desired results. There are several criteria for employee behavior that can make an organization more effective, namely having social sensitivity which is manifested in helping each other in work activities, the desire to participate in work groups or teams, having work spirit and awareness to achieve individuals and companies. goals without doing things that

are detrimental to employees. Employee behavior and criteria are known as Organizational Citizenship Behavior (OCB), namely employees who give more assessment of the work that is their duty as well as provide added value to the company. OCB is also referred to as extrarole behavior because the behavior given by employees exceeds their main task.

The remuneration system serves to attract, retain, and stimulate employees to achieve organizational goals. According to Abun et al. (2021) Regardless of how well the remuneration system is planned, this system will not achieve its goals unless employees have distributive justice in the remuneration system. Employees' perception of fairness is one of the

important factors in the successful implementation of the merit system regulations. According to Nadeak et al. (2021) organizations should consider fairness during the implementation process. According to Kim and oh (2020); Mishra et al. (2022) Perceptions of injustice in distributive remuneration will have a negative effect on individual conditions and outputs. Studies According to Dinka (2018); Kim and oh (2020) that perceptions of injustice reduce employee welfare both physically and mentally. Kim and oh (2020) depletion of employee welfare will have a negative effect on the business they do. Individuals who face an inequity between their performance and their rewards will experience negative emotions.

Extra-role behavior such as OCB is very significant for a hospital. The existence and progress of an organization depends on the behavior of its members. According to Belleville et al. (2020); Choi (2021); Dinka (2018) to increase its effectiveness, it is necessary to develop relevant studies on how distributional justice is seen from the remuneration system in OCB through the well-being mechanism. First, research related to this mechanism still requires generalization to different samples. Therefore, this study decided to take samples from different countries (Indonesia) in different sectors. Second, there is a need to review possible mediators in linking fairness to employee work outcomes, as OCB This study revisits welfare as a mediator. Third, it is necessary to analyze the possibility of moderating factors. Previous research Pelealu (2022); Purwanto (2022); Rossouw and Rothmann. (2020); Sa'adah and Rijanti (2022); Yakovleva and Kriachko (2019) have not discussed the moderating factor. This study, therefore, reviews the equity sensitivity factor as a novelty. According to Abun et al. (2021); Mishra et al. (2022) an individual evaluates fairness in the workplace by comparing the individual's outcome ratio

with that of coworkers. Individuals with high equity sensitivity tend to contribute more to the organization, so it is believed that equity sensitivity can moderate the effect of remuneration equity on individual welfare.

## 2. METHOD

This study uses quantitative methods, data obtained by distributing online questionnaires through social media. The object of this research is the hospital with a total of 210 respondents who were selected by simple random sampling method. The analysis technique used is analysis using Structural Equation Modeling with the SmartPLS 4.0 program tool with confirmatory factor analysis, hypothesis testing using the Maximum Likelihood Estimation (MLE) estimation technique with a significance level of 5% and using the Goodness Fit of Index to test the feasibility of developing a model that developed. The following are the three calculation functions that are often used (Purwanto et al. 2020), namely PLS Algorithm, Bootstrapping and Hypotheses testing:

1. Bootstrapping is a process to assess the level of significance or probability of direct effects, indirect effects and total effects. In addition, bootstrapping can also assess the level of significance of other values, including:  $r$  square and adjusted  $r$  square,  $f$  square, outer loading and outer weight. By clicking on Bootstrapping, the following analysis results will be obtained:
2. The  $t$  statistic value, which we compare with the  $t$  table value to test whether or not the exogenous variable has a significant effect on the endogenous  $P$  value, to compare whether the value is below the significance level, for example below 0.05 or above 0.05 to state whether the null hypothesis or alternative hypothesis is accepted or rejected Original sample, used as the value of the regression coefficient, to complete the regression equation. Blindfolding is an analysis used

to assess the level of relevance of predictions from a construct model. The analysis process uses the value of Q Square. If Q Square > 0.05, it can be concluded that a construct model is relevant. That is, the exogenous variables used to predict endogenous variables are correct.

The hypotheses in this study is:

H1: Organizational Citizenship Behaviour (OCB) has a positive effect on hospitals remuneration system fairness

H2: Subjective Well-being has a positive effect on hospitals remuneration system fairness

H3: Organizational Citizenship Behaviour (OCB) has a positive effect on Subjective Well-being

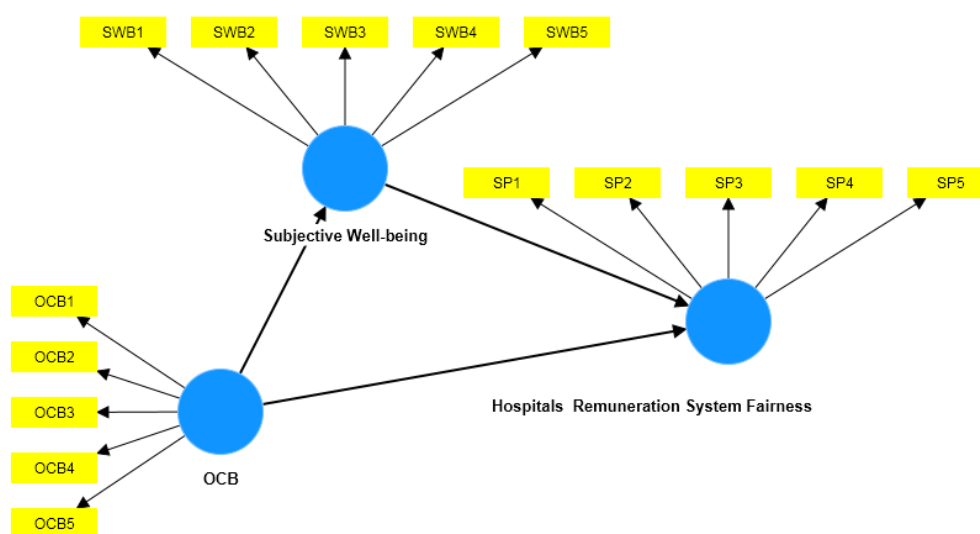


Fig 1. Research Model

### 3. DISCUSSION AND OPINION

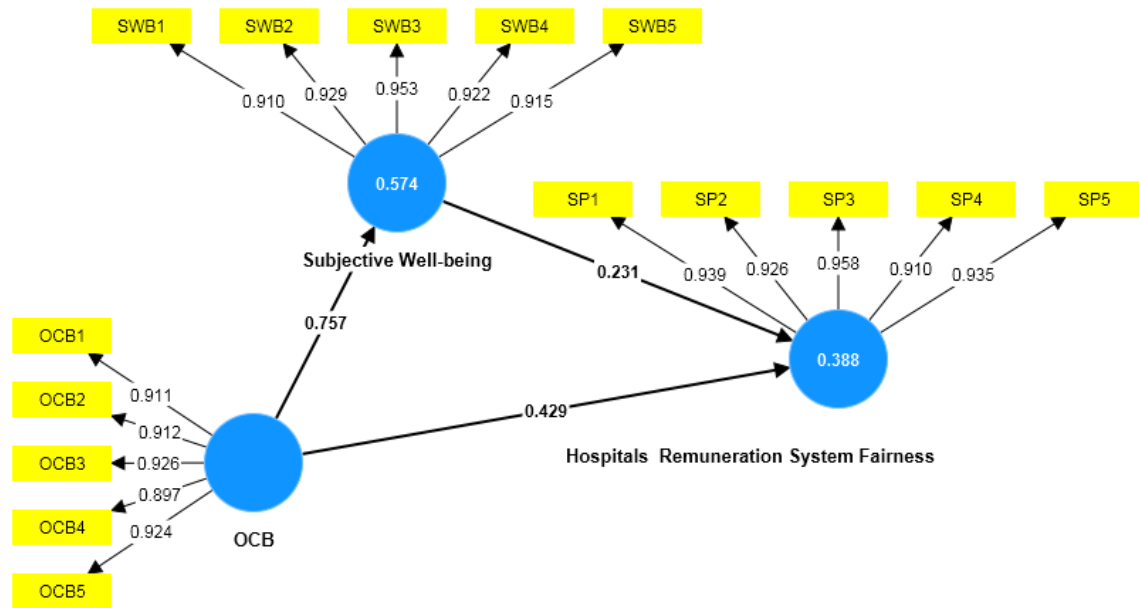
The analytical technique used in this research is Path Analysis with the help of the SmartPLS 3.0 software. The use of the PLS method is used because it does not require a large sample and prediction purposes where using the PLS approach it is assumed that all variance measures are useful to explain. Data analysis using the SmartPLS software was carried out in two stages, namely the Measurement Model and the Structural Model.

#### Validity and Reliability Test

The validity of the research was obtained through several stages, namely:

Convergent Validity in the form of Outer Loadings (Loading Factor) and Average Variance Extranted (AVE) as well as Discriminant Validity in the form of Fornell-Larker Criterion and Cross Loading. In the results of the Convergent Validity test, there are several Outer Loading and AVE values that meet the standards above 0.5. The initial AVE value is as follows

Fig 2.



### Validity and Reliability testing

In the results of the Convergent Validity test, all Outer Loading and AVE values of

all independent and dependent variables meet the standard above 0.5.

**Table 1. Validity and Reliability testing**

	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Organizational Citizenship Behaviour (OCB)	0.912	0.964	0.876
Subjective Well-being	0.954	0.954	0.765
Hospitals Remuneration System Fairness	0.942	0.943	0.876

### Hypothesis testing

Hypothesis testing is done by bootstrapping technique. Data that used for bootstrapping is data that has been carried out in the Measurement stage. Hypothesis testing is included in the Structural Model and shows the relationship that has been hypothesized with simulation practice. This bootstrapping test also aims to

determine the direction of the relationship and the significance of the relationship of each latent variable. Hypothesis testing is done by comparing the t-statistic or t-count that has been determined. The t-count generated in the bootstrapping test must be greater than the one-tail t-table, namely 1.65 for a standard error of 5% or p value below 0.05.

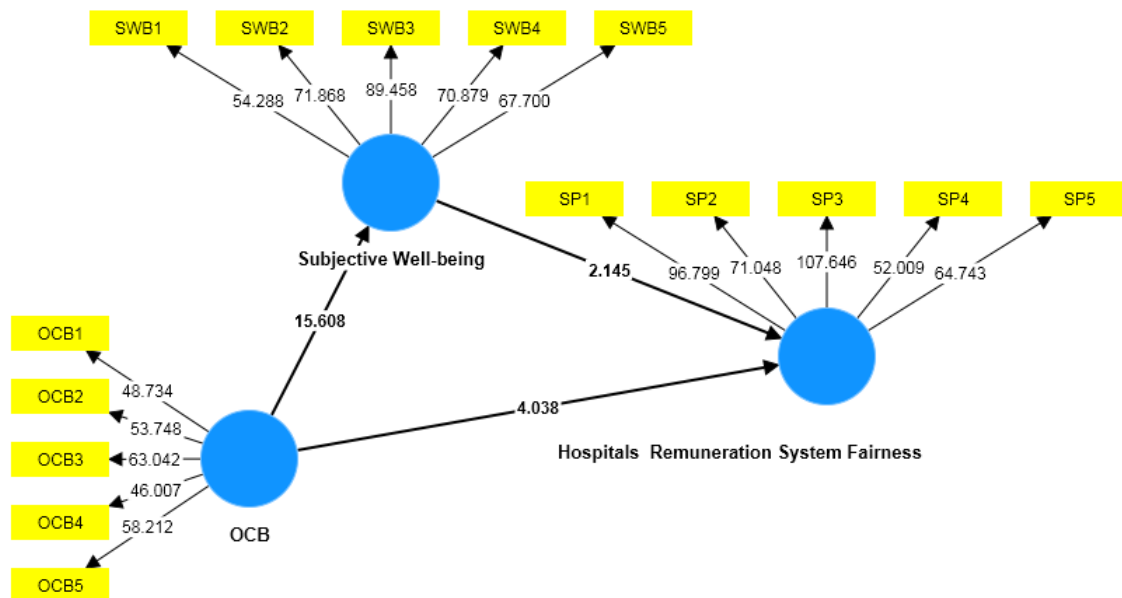


Fig 3. Hypothesis testing

Table 2. R Square

Dependent variabel	R-square	R-square adjusted
Hospitals Remuneration System Fairness	0.388	0.381
Subjective Well-being	0.574	0.572

The R-square value of the Hospitals Remuneration System Fairness variable is 0.388 or 38.8%, meaning that Subjective Well-being and OCB contributes to the company performance variable by 38.8% while the remaining 61.2% is caused by other variables not discussed in this study.

The R-square value of the Subjective Well-being variable is 0.574 or 57.4%, meaning that the independent variables of OCB contribute to the Subjective Well-being variable by 57.4% while the remaining 42.6% by other variables not discussed in this study

Table 3. Hypothesis testing

Correlation	T statistics	P values	Result
OCB -> Hospitals Remuneration System Fairness	2.312	0.000	Supported
Subjective Well-being ->Hospitals Remuneration System Fairness	2.865	0.000	Supported
OCB -> Subjective Well-being	2.676	0.000	Supported

The Influence of OCB on Hospitals Remuneration System Fairness Testing hypothesis 1 shows the calculation results obtained probability of 0.000 which

is smaller than 0.05, this indicates that the OCB has a positive influence on Hospitals Remuneration System Fairness thus H1 is accepted.

The Influence of Subjective Well-being on Hospitals Remuneration System Fairness Testing hypothesis 2 shows the calculation results obtained probability of 0.000 which is smaller than 0.05, this indicates that the Subjective Well-being has a positive influence on Hospitals Remuneration System Fairness thus H2 is accepted.

The Influence of OCB on Subjective Well-being

Testing hypothesis 3 shows the calculation results obtained probability of 0.000 which is smaller than 0.05, this indicates that the OCB has a positive influence on Subjective Well-being thus H3 is accepted.

### **Correlation of Remuneration system fairness and OCB**

According to Abun et al. (2021); Mishra et al. (2022);Nadeak et al. (2021) Equity theory emphasizes the inequality between employee input ratio for the organization and the organization output to the employee Based on equity theory, the effect of disparity between employee input and the output they get from the organization will result in unwillingness to show higher performance. According to Sa'adah and Rijanti (2022);Yakovleva and Kriachko (2019) organization fairness is widely claimed by many researchers to be an important predictor of employee OCB Meanwhile, the approaching model of Effort-Reward Imbalance implied that the lack of mutual relation between effort and reward not only affected an individual's condition negatively, but also triggered harmful organization output. Thus model elaborated that the imbalance of mutual relation between effort and reward will decrease an individual's health and well-being To balance the situation where effort exceeds reward (under-reward), employees will tend to lower their effort (for example, reducing their OCB). Therefore, remuneration fairness is highly significant and worth considering so as the employees

perform extra-role behaviour such as OCB. Another study proved that when employees perceive fairness from an organization (for example, in the form of remuneration), they will tend to get involved in OCB .

### **Correlation of Remuneration System Fairness and Subjective Well-being**

Fairness is often considered the defining factor of employee psychological condition or behavior. Based on the equity theory, when employees perceive fairness for the reward they gain, they will tend to give a positive response. According to Pelealu (2022);Purwanto (2022);Rossouw and Rothmann. (2020) fairness can increase employee well-being. Some relevant studies can be used to support this logic. One previous study showed that distributive fairness in the remuneration system can boost a positive individual output [. Another study similarly found out that salary imbalance leads to the decrease of employee well-being thoroughly. Employee well-being will deplete once they realize the high ratio of salary imbalance . According to Kim and oh (2020) Perception of the unfair salary will decrease physical well-being. Based on the Effort-Reward Imbalance model (ERI), unfairness in the remuneration that the employees receive occur due to an imbalance between effort (performance) and the obtained reward (remuneration). This imbalance will eventually lead to many negative conditions for an individual. Studies in the context of higher conditions in some countries have highlighted the risk of imbalance between effort and reward in disturbing the satisfaction and well-being level of academic staff. Consequently, if a remuneration system is perceived fair by the employees, the employees will tend to gain well-being.

### Subjective Well-being , Remuneration System Fairness and OCB

OCB is not merely affected by remuneration system fairness. Well-being is also believed to be an antecedent factor of OCB. Literature claimed that individual well-being has a significant role in boosting continuous organization output. In addition, According to Abun et al. (2021); Belleville et al. (2020); Choi (2021) identified that well-being is an important factor in supporting positive output of an individual, for example, OCB. Hence, when employee well-being is assured, the employees tend to have more motivation to get involved in OCB. From ERI perspective, individuals that face an imbalance between effort and reward at the workplace will experience continuous negative emotions. This condition supports individuals to withdraw themselves from extra effort. The logic of ERI theory supports the assumption that employee negative response such as well-being emerges once the employees feel unfairness, which then leads to OCB decrease. Therefore, when employees feel a fair remuneration system, their reaction will tend to be positive, such as feeling welfare, which eventually supports employees to perform OCB. According to Abun et al. (2021); Mishra et al. (2022); Nadeak et al. (2021) indicated that well-being can serve as the mediator between performance and its antecedent.

### 4. CONCLUSION

The results of this study indicate that Organizational Citizenship Behaviour (OCB) has a positive and significant effect on hospitals remuneration system fairness and Subjective Well-being has a positive and significant effect on hospitals remuneration system fairness. This study aims to test whether the OCB of hospital employees can be improved through the fairness of the remuneration system either directly or by adding the subjective welfare of employees as a mediator. In addition, this study aims to examine the

moderating role of equity sensitivity in the effect of the fairness of the remuneration system on subjective welfare. The test results show that the OCB of employees is influenced by the fairness of the remuneration system and subjective welfare. This study also concludes that subjective well-being is a mediator between the two. On the other hand, the moderating role of equity sensitivity on fair remuneration and subjective well-being is not well proven. This research is expected to contribute to the practice of hospital organization. Institutions need to pay attention so that remuneration regulations are fairly fair. Thus, the welfare of employees and their extra-role behavior can improve. Future research needs to conduct research in different contexts to obtain generalizable results. Future research can also re-examine the moderating role of equity sensitivity which has not been well proven in this study. Other relevant variables also deserve to be considered in further research to get a more comprehensive framework. In short, further research could review the same topic with a larger sample.

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