

The Influence of Compensation on Life Insurance Agents' Work Performance in Surabaya

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ABSTRACT

Keywords:

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This research aims to determine the influence of financial and non-financial compensation variables on the work performance of insurance agents in Surabaya. This research uses a quantitative method using a descriptive approach that focuses on hypothesis testing, with statistical analysis and produces conclusions that can be generalized. The sampling technique in this research was random sampling technique, using the Slovin formula to determine the sample size from the total population. The research results show that there is a positive influence between the independent variable and the dependent variable, Financial Compensation and Non-Financial Compensation partially and simultaneously have an effect significant impact on Insurance Agent Work Performance in Surabaya.

SARI PATI

Penelitian ini merupakan penelitian kuantitatif deskripsi yang ditujukan untuk mengetahui pengaruh kompensasi finansial dan non finansial pada prestasi kerja agen asuransi jiwa di Surabaya. Penelitian ini menggunakan pendekatan kualitatif dengan menggunakan analisis regresi linier berganda dan pengujian hipotesis. Teknik pengambilan sampel dalam penelitian ini adalah teknik random sampling, dengan menggunakan rumus Slovin untuk menentukan besarnya sampel dari keseluruhan populasi. Penelitian ini sendiri dilakukan pada agen asuransi yang ada di Surabaya. Berdasarkan hasil penelitian, kompensasi finansial dan finansial mempunyai pengaruh positif terhadap prestasi kerja Agen Asuransi di Surabaya.

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INTRODUCTION

Insurance is a non-bank financial institution that has a role that is not much different from banks, namely operating in the field of services provided by the community in overcoming risks that will occur in the future (Djaelani, 2011). One of the factors that influences insurance companies and consumers is the service provided by agents as part of human resources who offer products directly to the public or consumers. In insurance companies, agents apart from being salespeople, also provide direct education about the benefits of insurance to consumers (Santoso, Marisa Reni, Jatmika, 2017).

The potential of the Indonesian insurance market is very large and is one of the most prospective insurance markets in Southeast Asia. With its largest population (240 million people), Indonesia is the most attractive market among other ASEAN countries. This is supported by at least two things, namely: (1) 85% of Indonesian people have not been 'touched' by insurance, (2) the very rapid growth of the middle class from 25% (1999) to 42.7% (2009). (Setiawan, 2018). Therefore, to be able to encourage continuous penetration, and as a means of educating financial services, the role of insurance agents is very important in the insurance industry. This is because until now people still have to be pursued by insurance industry players, whose role in the field is agents (Hana, 2015), (Reni et al., 2017). In accordance with Kotler & Armstrong, (2018) that the key element of services marketing is the interaction between employees and consumers, the success of services marketing is closely related to activities such as selection, training, motivation and human resource management. According to M. Wahyu Prihartono in a book entitled marketing management and insurance administration (Yogyakarta Karnisius, 2001), agents are the spearhead of a company's successful achievements. Insurance agents provide explanations

to prospective customers to remember that having insurance is a form of guarantee for a more decent life (Magliocca & Walls, 2018). In this case, the insurance agent has the task of carrying out the sustainability of the insurance company and ensuring that customers remain loyal to the insurance company.

In the Indonesian Insurance Roadmap 2023 – 2027, it is also stated that insurance marketers are the spearhead of insurance product marketing, which has a big impact on company performance and consumer protection. Therefore, it is necessary to increase the number and competence of marketers in order to realize sustainable industrial growth. The marketer's workforce is expected to grow, especially to support even penetration in Indonesia's geographical area, in addition, organic growth is encouraged so that churning practices which have the potential to have a negative impact on customers can be reduced. This can be done, among other things, by promoting the profession of insurance marketers as a good profession.

Insurance companies have a vision and mission, one of which is to be able to provide attention and improve the welfare of all their employees, namely by paying attention to the principles of adequate and fair compensation so that it can have a good impact in achieving optimal work performance for all employees. In accordance with Hasibuan (2017:119) compensation is all income in the form of goods or money directly or indirectly obtained by an employee for providing remuneration from the company. The provision of compensation must be managed well so that it can have an impact on achieving maximum employee work results, and can encourage the company to achieve its goals.

At the end of the period (annual, for example), you can see the agent's performance regarding

their achievements, where there are agents who perform very well and there are also agents who have very poor performance, which can even result in high agent turnover at Insurance Companies. Mangkunegara (2016:67) defines that work performance is the result of work that is in accordance with the quantity and quality that has been achieved for an employee after carrying out assigned tasks and existing responsibilities. Work performance can be driven by existing factors in the company, namely compensation, which will have a big impact on an agent's performance regarding their professionalism.

Regarding this compensation, it is important for insurance companies to pay attention. This is because to attract potential customers, agents need quite a lot of motivation and effort in making sales and providing good education to their customers. This will have an impact on prospective customers being able to make decisions in choosing products and insurance companies as risk bearers for themselves. However, in practice, many agents cannot achieve the targets set by the Company. The results of achieving the target were not optimal due to a lack of persistence on the part of the agents in carrying out their approach or the agents' lack of accuracy in providing education to potential customers. Agents who have a work system that gives up quickly are one of the causes of failure.

An insurance agent is said to be an active agent if the agent closes at least one active policy in one current period. An agent who has good performance can be seen from his productivity and ability to achieve the targets set by his team and company. The problem in insurance companies is that the work performance of insurance agents is still low. This can be seen from the inability of insurance agents to achieve sales of insurance products. Therefore, one thing that insurance companies must

pay close attention to is paying attention to compensation, which functions as an incentive for agents to achieve optimal results for the Company. With good compensation, it is hoped that agents can improve their performance and work performance, so that they can help the company continue to improve its performance and company income. The company's efforts to provide compensation to agents are with two types of compensation, namely non-financial and financial compensation. Musyafi et al., (2016) non-financial compensation is an employee's receipt of compensation for their services in forms other than money, such as facilities to support work and the work environment, while financial compensation is compensation given to employees to be used to fulfill the employee's life in general. This is in the form of money or bonuses in return for hard work in achieving targets.

Based on the phenomena described above, the problem in this research can be formulated as follows:

1. Does financial compensation affect the work performance of Life Insurance Agents in Surabaya?
2. Does non-financial compensation affect the work performance of Life Insurance Agents in Surabaya?
3. Do non-financial compensation and financial compensation simultaneously influence the work performance of Life Insurance Agents in Surabaya?

Much research has been conducted relating to employee work performance, but little has focused on the work performance of sales employees, especially life insurance agents. Several researchers state that there is a positive influence of financial and non-financial compensation on employee work performance (Reo Familo Salam, 2019), (Rizal Fensi Handayani, 2021), (Qurrotu, 2017), employee performance (Safira & Dody, 2021)

compensation and the environment non-physical work at a life insurance agent (Elvina Chintya, 2018), compensation that is linked to organizational commitment (Enno Samudra, 2018).

Based on the results of previous research, we can draw the following hypothesis in this research;

1. Financial compensation influences the work performance of life insurance agents in Surabaya.
2. Non-financial compensation influences the work performance of PT Prudential Life Assurance life insurance agents in Surabaya.
3. Financial Compensation and Non-financial Compensation influence the work performance of life insurance agents in Surabaya.

RESEARCH METHODS

The type of research used in this research uses associative quantitative research, because the data used is expressed in numbers and analyzed using statistical techniques, as well as analyzing the relationship between two or more variables, where there are three forms of relationship, namely: symmetrical relationship, causal relationship, and interactive / reciprocal / reciprocal (Sugiyono, 2017:63).

The data sources used by the author are primary and secondary data with the following description:

1. Primary data obtained using a questionnaire given to insurance agents in Surabaya.
2. Secondary data is supporting data obtained from documents, articles and scientific works that are appropriate and relevant to the researcher’s implementation to help provide information in the research.

Method of collecting data

In this research, the data collection technique

that the researcher will use is that the researcher will distribute questionnaires to respondents to answer. This method is expected to help researchers find out how agents’ financial and non-financial compensation factors influence their work performance. The questionnaire category that will be given to respondents uses closed questions, namely that the respondent will choose the most appropriate answer and there will be a question column and answer options have been provided for the respondent to choose.

Sampling technique

The sampling technique that researchers will use is a non-probability sampling technique, namely by targeting every agent who sells insurance policies and is active as a life insurance agent, proven by ownership of a valid AAJI member card without considering background and other factors. Meanwhile, for the type of sampling, purpose sampling is used which is aimed at insurance agents who achieve targets every year, are registered with a life insurance company in Surabaya and receive awards from their respective companies.

RESULTS AND DISCUSSION

Hypothesis test

Partial Test (t Test)

The partial t test is a test used to determine the individual influence of each independent variable on the dependent variable through a truth level of 95% where the predicted significance level is 5% which can be seen in the table 1.

Table 1. Coefficient t test results

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	5.898	2.146		2.749	.007
KOM_FINANSIAL_X1	.234	.068	.264	3.446	.001
KOM_NON_FINANSIAL_X2	.552	.069	.612	7.989	.000

a. Dependent Variable: PRESTASI_KRJ_Y

Source: SPSS 2.5 output

Table 1 explains the partial influence of financial and non-financial compensation on agent work performance. And the results of the t test show that the t calculated Financial Compensation (X1) is 3,446, which is greater than the t table value of 1.9876, and the significance value is 0.001, which is smaller than 0.05. This shows that financial compensation (X1) has a partial and significant influence on the work performance of life insurance agents. Meanwhile, the calculated t for the Non-Financial Compensation variable (X2) shows a result of 7,989 which is higher than the t table value of 1.9876. The significance result of 0.000 is smaller than 0.05. These results indicate that Non-Financial Compensation (X2) has a significant effect on Life Insurance Agent Work Performance.

Simultaneous Test (F Test)

The F or simultaneous test shows that there is a simultaneous or simultaneous influence of variable X on variable Y. The results of the F test carried out in this research can be seen in table 2.

Table 2. ANOVA F Test Results a

Model	ANOVA ^a					
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	414.389	2	207.195	50.423	.000 ^b
	Residual	353.386	86	4.109		
	Total	767.775	88			

a. Dependent Variable: PRESTASI_KRJ_Y
 b. Predictors: (Constant), KOM_NON_FINANSIAL_X2, KOM_FINANSIAL_X1

Source: SPSS 2.5 output

Table 2 shows the calculated F value 50.423 > table F value 3.1038, Sig value. 0.000 < 0.05, which means that financial and non-financial compensation together have a significant effect on the work performance of life insurance agents in Surabaya.

Coefficient of Determination Test Results (Adjusted R Square)

Table 3. Determination Coefficient Test Results (Adjusted R Square)

Model	ANOVA ^a					
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	414.389	2	207.195	50.423	.000 ^b
	Residual	353.386	86	4.109		
	Total	767.775	88			

a. Dependent Variable: PRESTASI_KRJ_Y
 b. Predictors: (Constant), KOM_NON_FINANSIAL_X2, KOM_FINANSIAL_X1

Source: SPSS 2.5 output

The results of the coefficient of determination (R square), in table 3, appear to be 0.540 or 54%, meaning that the contribution of financial and non-financial compensation is large, namely 54% to the agent's work performance, then the remaining 46% can be contributed to other variables that were not studied.

The Effect of Financial Compensation on Job Performance

Work performance can be influenced by attractive compensation, higher compensation and motivation from the company will cause an increase in employee work performance and vice versa. Suggestions that can be used so that employee work performance can increase so that the company always pays attention to financial compensation which is implemented both in the form of indirect and direct compensation which in the end will have an impact on increasing the work performance of the employees themselves in addition to the compensation given to these employees is very important and has a role in employee work performance because the size of compensation will be a benchmark in measuring the success of employee work performance. In addition, compensation is very important for employees, because the size of compensation is a measure of employee work performance. If the company provides fair compensation for employees, these employees

will be encouraged to carry out their work more responsibly and better. Compensation within the company can have a positive impact on the organization, one of which is financial compensation in the form of remuneration and rewards in the form of bonus incentives and salaries. If employees feel they have received financial compensation that is in line with employee expectations, employees will tend to be satisfied with the remuneration. services provided to the company so that employees will tend to carry out and complete the work better because it will encourage employees in their work because they have received appropriate and fair compensation, but if the company feels unable to provide appropriate compensation for employees for the contributions they have made charged and carried out by employees, employees will tend to carry out their work and complete it less than optimally so that this will have an impact on work performance.

The results in this research support previous research from Elvina Chintya (2018) Faculty of Business Management, Petra Christian University, Surabaya, where the research results are that compensation has an influence on employee work performance.

The Influence of Non-Financial Compensation on Work Performance

This research proves that non-financial compensation partially has a significant effect on work performance. Remuneration given to employees in forms other than money, for example the work itself and the work environment, which as non-financial compensation will also have an impact on employee work performance. Within the company, the contribution given by the company to employees in the form of compensation is not only financial compensation but can also be given non-financial compensation, where this compensation is compensation that is not always in the form of money, which is

in the form of services, work environment, health and security for employees because if employees feel that they are given non-financial compensation then employees will not worry about their condition because they feel comfortable and safe in completing their work so this will affect their performance and have an impact on employee work performance.

The results in this research support previous research from Reo Familo Salam (2019) Faculty of Economics and Business, Muhammadiyah University of Makassar, the research results are that Non-Financial Compensation has a positive effect on Employee Work Performance.

The Simultaneous Effect of Financial Compensation and Non-Financial Compensation on Work Performance

This research proves the results are that financial and non-financial compensation have a significant effect on work performance with test results of a calculated F value of 50.423 > F table value of 3.1038, Sig value. < 0.05 means that all variables X have a significant effect on Y. This shows that the company has implemented appropriate financial compensation so that employees tend to feel that they have good work enthusiasm in completing the work, but if the compensation is not in accordance with the employee's implementation in contributing to the company then the employee's performance tends to be less than optimal. The compensation given is in the form of financial and non-financial compensation, in addition to providing compensation in the form of money or goods, the implementation of non-financial compensation itself is also important to be given to employees as compensation for services and rewards include services for employees, work environment and health if non-financial compensation is given to employees. If this is fulfilled then employees will tend to work

safely and comfortably so this will have an impact on employees so that employees will not worry about working in a company so that it will affect work performance.

The results in this research support previous research from Reo Familo Salam (2019) Faculty of Economics and Business, Muhammadiyah University of Makassar, research results show that work performance is influenced by financial and non-financial compensation.

CONCLUSIONS, IMPLICATIONS AND LIMITATIONS

Conclusions

1. The financial compensation variable used in this research partially has a significant effect on the work performance of life insurance agents in Surabaya.
2. The non-financial compensation variables used in this research partially have a significant effect on the work performance of life insurance agents in Surabaya.
3. The variables Financial Compensation and Non-Financial Compensation simultaneously have a significant effect on the Job Performance of Life Insurance Agents in Surabaya.

Implications

Financial compensation is a very important thing for insurance companies to pay attention to as motivation for their agents to survive

and improve and even maintain their work performance. The biggest contribution is financial compensation, so it is considered necessary to take action to increase the provision of financial compensation to life insurance agents, by increasing the nominal or percentage of commission or giving bonuses to them, so that they are more motivated in carrying out education and sales approaches to prospective customers, it can even be provide good service to its customers.

Limitations

1. Non-financial compensation also needs to be maintained and even increased. Things that need to be considered include promotion opportunities and placement of employee abilities according to experience background because it is proven from the results of the questionnaire that they have the lowest ratings.
2. It is hoped that companies will be able to look at other factors that influence employee work performance. For example, the role of leadership in encouraging agents to feel cared for so that they are motivated to improve employee work performance.
3. Future research can examine and talk about similar problems by including other variables which are not the variables found in this research. ▴

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