

# Does Financial Compensation Will Influence To Employees' Loyalty?

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**Abstract-** A company can survive if in all their activities are supported by a high loyalty from his employees. The existence of the compensation received by employees, a comfortable working environment, as well as the burden of work in accordance with the capabilities of the factors that could cause employees last longer in the organization and creates a feeling of satisfaction in doing any work. The purpose of this study is to analyze the influence of compensation on employees' loyalty. Data collection using interviews with the help of a questionnaire instrument which the employees of PT.XYZ were taken as target respondents. Both primary and secondary data were gathered. Secondary data were gathered from various sources such as journals, books and other related publications. Primary data were collected using questionnaire which were distributed to the target respondents. Using a purposive sampling technique, a total of 30 respondents were gathered. Various statistical tests such as validity, reliability and classical assumptions tests were employed. Using a regression analysis, it was found that compensation had a positive and significant effect on employees' loyalty, both partially and simultaneously. It is suggested that PT.XYZ should increase its compensation both financial and non-financial so it will increase the employees' loyalty as well. Further research on other variables such as motivation, organizational structure, and supervisor's quality will provide a better picture about factors that affect customer satisfaction.

**Index Terms-** financial compensation, loyalty

## I. INTRODUCTION

It is common knowledge that the employee and the company is an integral part. Employees who are healthy will increase the company's productivity. There are three main resources used by the company in achieving its objectives, capital, people and machines. If all of these resources can be managed properly, it will be easier for companies to achieve their goals. The resources are the most important role of human resources. Human resources affects the efficiency and effectiveness of the organization, human resources designing and producing goods and services, oversee the quality, market products, financial allocate resources, and determine the whole purpose and strategy of the organization (Rachmawati, 2008:82).

PT.XYZ is a company engaged in the field of online service, as the restaurant reservation platform. As a partner of the company, employees are always given the opportunity to discuss and express ideas to the management. Kompas Cyber Media (2007:2) released the results of a survey 2007/2008 Global

Strategic Rewards conducted Watson Wyatt found that employee turnover has been a problem firms in Indonesia, because what often happens is performing employees who easily move higher the company.

Jewell (1998:55) in Rivai (2008:24) argues turnover intention is divided into two types. First, involuntary employee turnover which is an involuntary discharge and a second, voluntary employee turnover is a voluntary discharge.

**Table 1. Turn Over Employee of PT.XYZ**

Year	2012		2013		2014		2015	
	In	Out	In	Out	In	Out	In	Out
Q1			3	1	5	0	2	8
Q2			4	2	10	1		
Q3	7	0	3	0	17	3		
Q4	1	0	0	0	12	5		

(Source: PT.XYZ)

Quoted from the formula in Payscale.com, were calculated from Table 1 and get the turnover rate in 2013 amounted to 26.08% and in 2014 by 40%. These values are above the average turnover rate in Indonesia amounting to 15% according to a survey of Pricewaterhouse Cooper (PwC) in 2014. Turnover Intention high attention of companies as intrusive surgery, childbirth moral problems on employees who live, and also inflate costs in recruitment, interviewing, testing, reference checking, the administrative costs of processing new hire, benefits, orientation, and the cost of lost opportunity for new employees must learn new skills (Simamora, 2006:83).

PT.XYZ experienced turnover intention of magnitude above the average compared to other companies in Indonesia. This is one of the characteristics of the low employee loyalty. Employee loyalty is influenced by several factors, one of which is the compensation system in PT.XYZ. Therefore, the purpose of this study is to determine the impact of financial compensation to employees loyalty at PT.XYZ.

## II. LITERATURE

### Compensation

According Hasibuan (2007:121) compensation is all the income in the form of money, goods, directly or indirectly received by employees as a reward for services rendered to the company. When appropriate compensation policy formulation,

both in terms of fairness and feasibility, then the employees will feel satisfied and motivated to carry out various activities related to the achievement of the company. Conversely, when a sense of fairness and feasibility are not met will make employees complain and job dissatisfaction arises which affects the deterioration of morale which in turn causes the employee's performance will decline as well.

### Compensation System

Hasibuan (2008:118), states that the compensation system is often applied as follows:

#### 1. System Time

In this system set based on a standard time such as hours, weeks, or months. The system time can be easily applied to permanent employees or employees daily.

#### 2. System Outcomes (output)

In the system's results or output, compensation is set on the unity of workers of units produced, such as the per-piece, meter, liter and kilogram. The system is only suitable for employees at the production of goods.

#### 3. Wholesale System

Wholesale system is a way of determining the amount of remuneration which the services are based on the volume of work and long to do, and a lot of the necessary tools to solve them.

### Loyalty

According Oetomo (2006:15), loyalty is a sense of responsibility, not only the responsibility but also feeling more than a sense of responsibility that has a sense of belonging. If an employee execute the orders of superiors, it does not mean merely following orders, but also can provide meaningful input and the best for the company. Loyalty according Hasibuan (2008; 94) is reflected by the willingness of employees to maintain and defend the organization inside and outside of work. The category loyalty of employees to jobs, positions, and the company is one of the elements considered in the assessment of achievement.

### Compensation Relationship Loyalty

According to Handoko (2010:84), "the importance of complementary or indirect compensation payment will benefit the company, one of which is to improve employee morale and loyalty to the company". This is reinforced by the opinions Rival (2009: 211) states that compensation will help the company to achieve its objectives and obtaining, maintaining, and keeping employees well if properly managed. Based on that, then the compensation will affect employee satisfaction and even passion in their work. This will affect the level of employee's loyalty at the company or organization. If compensation is given properly by the company, it will increase employee satisfaction and employee loyalty is also high. And conversely, if the compensation awarded is not feasible, the employee's performance will decline even decreased drastically, it will affect employee loyalty to the company or organization. Thus, the compensation given by the company to employees can influence employee loyalty (Robbins, 2008: 241)

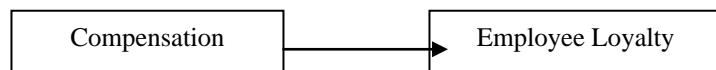


Figure 1. Relationship between Variables

### III. FRAMEWORK RESEARCH

Compensation consists of financial and nonfinancial compensation (Riva, 2008:20). According to Robbins (2009:55), if compensation is given properly by the company, will increase employee satisfaction and employee loyalty is also high. And conversely, if the compensation awarded is not feasible, the employee's performance will decline even decreased drastically, it will affect employee loyalty to the company or organization. Therefore, the compensation given by the company to employees can influence employee loyalty. In this research, financial compensation, either directly or indirectly, be used as independent variables and employee loyalty as the dependent variable.

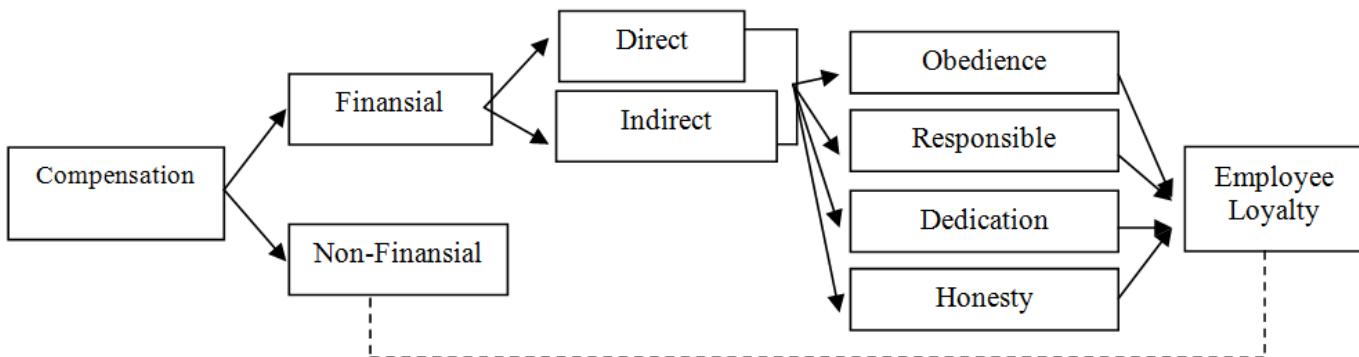


Figure 2. Framework Research

#### IV. HYPOTHESIS

Conceptual hypothesis in this study is among the influences of financial compensation, financial compensation either direct or indirect financial compensation, to the loyalty of employees, which include obedience, honesty, responsibility and devotion.

#### OPERATIONAL VARIABLE

The variable is anything that becomes the object of observation in the study which contains a concept that has a variation value. The variables used in the study should be defined operationally. The variables that will be used in this research are:

- a. The independent variables (independent) is the variable that the cause of the occurrence or its impact on the dependent variable (Umar, 2010:36). In this case, the independent variable used is the company's compensation on the employee.
- b. The dependent variable (dependent) is a variable whose value is affected by the independent variable (Umar, 2010:36). In this case, the dependent variable used is employee loyalty to the company.

#### RESEARCH METHODOLOGY

Methods of data collection by the author in this study are:

- a. *Mechanical Research Library (Library Research)*. Author secondary data from the theoretical literature journals, books basic theory of human resources, magazines, articles, *journals*, and internet.
- b. *Mechanical Field Research (Field Research)*. In this technique the author conducted field research in two ways: Interview Techniques: authors came and direct interviews with parties interested in the company. The

result is data such as company profile, organizational structure, and information on the compensation given by the company. Techniques Questionnaire: writer distributing questionnaires containing questions about the compensation given by the company and employee loyalty to the respondents were selected randomly (random).

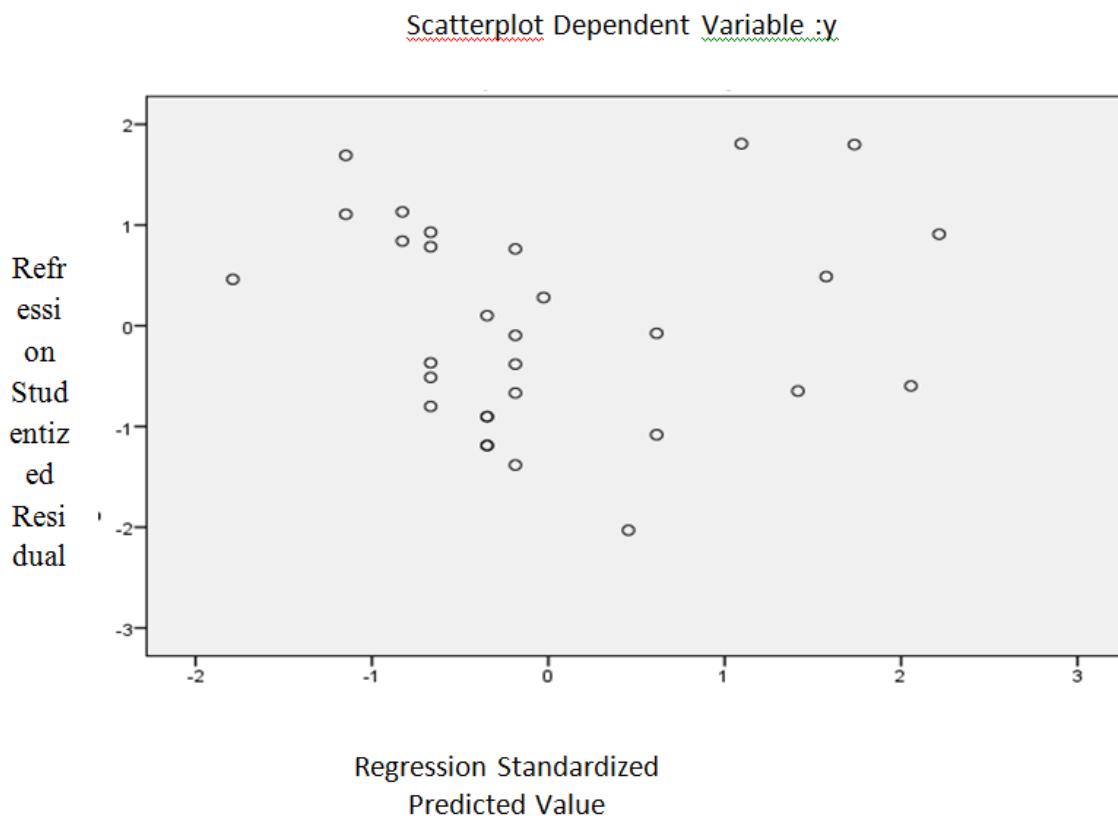
#### PUPOLATION AND SAMPLE

The number of employees of PT.XYZ totaling 44 people, but the population in this study were employees in the branch office, Jakarta. Therefore, population consisted of 40 people. In this study, used *purposive sampling* that is part of the non-probability sampling. It's based on certain characteristics, which have nothing to do with the characteristics of the population that is already known in advance (Umar, 2011:18). Based on the formula slovin, then the calculation results obtained amounted to 28.57. Thus, the minimum number of samples to be examined in this study amounted to 30 employees.

#### V. DISCUSSION

##### HETEROSKEDASITAS TEST

Heteroskedastisitas test is intended to test whether the regression model occurred inequality variance of the observation by other observations. If the variance of residuals in one observation to observation the other remains then called heteroskedastisitas. While if the variance of residuals in one other observation to different observation then called heteroskedastisitas. A good regression model is when there heteroskedastisitas or not happen heteroskedastisitas.



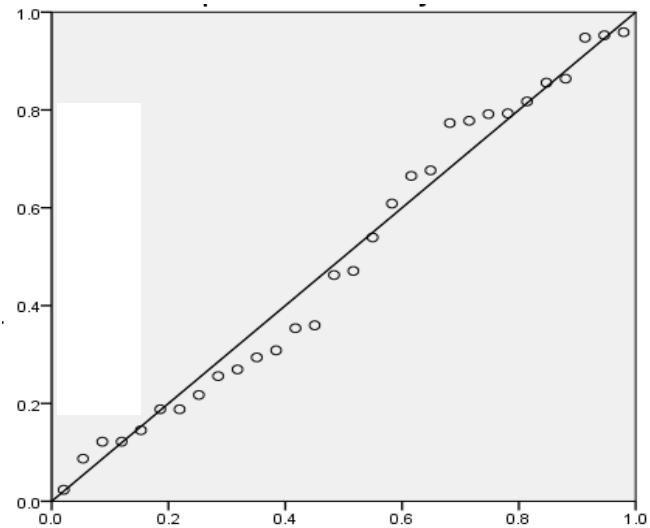
**Figure 2. Scatterplot Heteroskedastisitas Test**

In the scatterplot graph heteroskedastisitas test above, it can be seen that there is no clear pattern, which means there was no trouble heteroskedastisitas.

Normal P-P Plot of regression Standardized Residual  
Dependent Variable: y

#### NORMALITY TEST

The test is performed using graphical analysis of normal P-P plot. Analysis using normal graphs P-P plots by looking at normal probability plots comparing the cumulative distribution with a normal distribution. The normal distribution will form a straight diagonal line and residual plotting the data will be compared with diagonal lines. If the distribution of residual data is normal then the line that represents the actual data will follow a diagonal line. The test results using graphical analysis of normal P-P plot can be seen in the image below:



**Figure 3**

The test results using a normal P-P graph plots indicate that the data points are spread around the diagonal line, and it can be

concluded that the data is normally distributed and regression model to meet the assumption of normality.

## HYPOTHESIS TEST

Hypothesis test results can be seen in Table 2 below:

**Table 2. Result of hypothesis Test**

	Beta	t	Sig.	R Square
(Constant)	-5.403	-0.644	0.525	
Compensation	1.370	6.474	0.000	
Regression				0.599

## T STATISTIC TEST

T test was used to test how much influence (contribute) partially independent variables on the dependent variable. Table 2 shows that sig for compensation is of 0.00 which value is less than 0.05. This means that the compensation significant effect on employee loyalty.

## COEFFICIENT DETERMINATION ( $R^2$ )

The coefficient of determination used to indicate how large percentage of the influence of the independent variable on the dependent variable in a study. From table 2 it can be seen that the R2 value is 0599, or by 59.9%. That is, the variables affecting the loyalty variable compensation amounted to 59.9%, and the remaining 40.1% is influenced by other variables that are not mentioned in this study

Hypothesis test results showed that the variable compensation has a positive coefficient of 1.370 with a significance value of 0:00. The significance value is smaller than the set value is 0.05, meaning that compensation significant effect on employee loyalty, then H1 is accepted. Compensation has a positive coefficient beta value of 1.370 to the loyalty of employees, which indicates that if the compensation increased by one unit, then the level of loyalty of employees will rise by 1.37 units. This means that the higher the compensation given by the company it will have an impact on increasing employee loyalty, and vice versa.

## VI. CONCLUSION

From the above results it can be concluded that the compensation effect on employee loyalty. The high turnover of employees at PT.XYZ be an indication of lack of employee loyalty caused by the low level of compensation as well.

Based on the results of research on the impact of compensation on employee loyalty PT.XYZ, it can be concluded that compensation is positive and significant effect on loyitas employees. This is consistent with the stated Robbins (2009:98), if compensation was given properly by the company, it will increase employee satisfaction and employee loyalty is also high.

And conversely, if the compensation awarded is not feasible, the employee's performance will decline even decreased drastically, it will affect employee loyalty to the company or organization. Therefore, the compensation given by the company to employees can influence employee loyalty. Things can be done by PT.XYZ Company relating to financial compensation among which are salary increases, bonuses, improved health facilities, or additional vacation time. As for the related non-financial compensation, PT.XYZ can provide a healthy working environment, the office atmosphere is pleasant, and promotional opportunities for its employees.

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