The Effect Of Compensation And Employee Engagement On Organizational Commitments And Its Implementation Toward Employee’s Performance Of Pt Xyz Jakarta

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Abstract- The purpose of this study is to understand and describe the impact of compensation and employee engagement to organizational commitment and the implementation for employee performance at PT XYZ Jakarta's offices. There were 84 respondents. Data collection is done by using a questionnaire. Path analysis (using smartPLS3.0) and matrix correlation among variable dimension were applied (using SPSS24).

This study found that: (1) compensation and employee engagement have a significant impact on organizational commitment; (2) compensation and employee engagement have a significant impact on employee performance; (3) organizational commitment does not have a significant impact on employee performance; (4) It is not proven that organizational commitment is as mediator variable from the impact of compensation and employee engagement for employee performance. Based on matrix correlation among variable dimension were applied, to improve employee performance, it is recommended to maintain and improve the following variable dimensions, such as; (1) financial compensation for the work quality; (2) Dedication to employee attendance. In addition, to improve employee performance: (1) management is advised to keep compensation attention, (2) management is advised to maintain employee loyalty. This is needed to ensure a comfortable working environment at work place.

Index Terms- Compensation, Employee Engagement, Employee Performance, Organizational Commitment.

I. INTRODUCTION

In this globalization era, Science and Technology is rapidly growing. The rapid development is creating the global structure which is a structure that will lead to all the nations of the world, including Indonesia, will inevitably be involved in an equal global order. To face the global competition, the quality of human resources must be the one to concern. Especially for every company they are required to have a good quality of human resources.

In other words, human resources are the most important asset that should be owned by the organization and should be considered in the management associated with vision / mission / company strategy. Responding to the importance of human resources in a company, it is proper that for the employee performance to gain more attention in order to carry out their duties and responsibilities properly and correctly. So the company can continue to grow and to achieve the organizational goals. Afterwards, in order to achieve the organizational goal, it needs a strong commitment to the organization as well. Commitment is not always about the employee's willingness to be loyal to the company, but rather, a commitment is an attitude that is reflecting the loyalty of employees to the organization and its sustainable process in which employees express their concern for the organization in success and prosperity for the organization. One of the effort to increase the commitment is to put more concern on employee welfare. Empirical evidence shows that many companies that compensate well, so that employees become loyal and prefer to remain in their place. Therefore, good compensation and the company's ability to develop a sense of engagement can increase employee commitment to the organization and is expected to improve employee’s performance as well.

PT XYZ Jakarta is a company engaged in retailing fuel oil (BBM) and non-fuel oil (Non-BBM). Based on KPI data for 2015-2017 the percentage of employee performance that has not achieved the goal has increased. In 2015 it was 16%, 2016 was 23%, and 2017 was 34%.

Then, based on the pre survey result which conducted on 25 respondents, it was proven that the decline in performance was caused by a low commitment factor. Where as many as 40% of respondents choose organizational commitment as the factor that most influences their performance. In addition, there are two main factors that lead to low employee commitment, specifically 30% of respondents choose compensation and 23.3% choose employee engagement. Based on empirical data and facts, the title of this study is the effect of compensation and employee engagement on organizational commitment and its implementation toward employee’s performance of PT XYZ Jakarta.
The purpose of this study is to understand and explain: (1) The effect of compensation on organizational commitment; (2) The effect of compensation on employee performance; (3) The effect of employee engagement on organizational commitment; (4) The effect of employee engagement on employee performance; (5) The effect of organizational commitment on employee performance; (6) The effect of compensation and employee engagement together on organizational commitment; (7) The effect of compensation, employee engagement and organizational commitment together on employee performance. In addition, also tested the validity (8) Variables of organizational commitment as mediator variables of compensation variables and (9) Variables of organizational commitment as mediator variables of employee engagement variables.

II. LITERATURE REVIEW

Theoretical Review

Theoretical study is a summary or resume and theory found from reading sources (literature) that have a connection within the topic in this research.

Compensation

Compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to companies (Hasibuan, 2014: 118). This is in line with the opinion of Mondy (2008: 4) which defines compensation as the total of all benefits received by employees in lieu of the services they have provided. According to Mondy (2008: 5) compensation is divided into two types, namely: (1) financial compensation based on (a) Direct compensation and (b) indirect compensation. (2) Non-Financial Compensation.

Employee Engagement

Robbins & Judge (2017: 48) argues that employee engagement is an individual's involvement, satisfaction, and enthusiasm for the work they do. Then, Dessler (2016: 377) defines involvement, which refers to psychological involvement that is connected to commitment to complete the work. Employees involved experience a high level of connectivity with their work assignments, therefore will work hard to complete the duties. Then, According to Schaufeli and Bakker 2004 (in Akbar 2013: 13), there are three characteristics in employee engagement, namely: (1) Vigor; (2) Dedication; (3) Absorption.

Organizational Commitment

Baldwin et.al. (2013: 243) Defines organizational commitment as an attitude that reflects the extent to which an employee identifies with the organization and has the desire to remain a member of the organization where he works. Whereas Robbins and Judge (2017: 47) define organizational commitment as the level at which a worker identifies an organization, its goals and expectations is to remain a member. Meyer and Allen (in Luthans, 2011: 148) state that there are three dimensions of organizational commitment, namely: (1) Affective Commitment; (2) Continuance Commitment; (3) Normative Commitment.

Employee Performance

Employee performance is a work performance or work result of both quality and quantity achieved in carrying out its work duties in accordance with the responsibilities given. (Mangkunegara, 2013: 67). Whereas according to Abdullah (2014: 3) performance is work performance which is the result of the implementation of work plans made by an institution held by leaders and employees (HR) who work in the institution both government and companies (businesses) to achieve the organizational goals. According to Dessler (2015: 329) performance can be measured through the following dimensions and indicators: (1) Quality of Work; (2) Productivity; (3) Job knowledge; (4) Reliable; (5) Attendance; (6) Independence.

Framework

Some studies reveal that compensation has a significant positive influence on the form of organizational commitment (Nawab & Bhatti, 2011). Shoko & Zinyemba, (2014) stated that there was a significant positive relationship between employee engagement and organizational commitment. Therefore, it can be found that compensation and employee engagement have a positive and significant influence on organizational commitment. Then previous research also revealed that there was a positive and significant influence between compensation for employee performance (Odunlami & Matthew, 2014). Dajani (2015) revealed that employee engagement has a significant influence on employee performance. Then, Khan et al. (2010) also revealed the existence of a positive and significant relationship between organizational commitment and employee performance. Therefore, it can be found that compensation, employee engagement and organizational commitment have a positive and significant influence on employee performance. Based on previous research, the theoretical framework of this research will be presented in Figure 1.
Figure 1. Research Framework

**Hypothesis**
H1: Compensation has an effect on organizational commitment.
H2: Employee Engagement affects organizational commitment.
H3: Compensation and Employee Engagement affect organizational commitment.
H4: Compensation affects employee performance.
H5: Employee Engagement affects employee performance.
H6: Organizational Commitment influences Employee Performance.
H7: Compensation, Employee Engagement, Organizational Commitment affect Employees performance.

### III. RESEARCH METHODS

The type of research used is quantitative research by using primary data in the form of surveys. To get the complete, relevant and complementary data, in addition to the primary data in the form of surveys, researcher used secondary data in the form of employee Key Performance Indicators (KPI) in 2015 - 2017 issued by the Human Resources Department of PT XYZ Jakarta. This study was designed with the aim to be able to understand, explain and analyze the correlation between independent variables on the dependent variable.

According to Sugiyono (2013: 64), independent variable is referred as stimulus variable, predictor, antecedent. In Indonesian it is often called as variabel bebas. The independent variable is a variable that influences, causes the change, and the emergence of the dependent variable. The independent variable in this study is a compensation and employee engagement. Then, According to Sugiyono (2013: 64), Bound / Dependent Variable is often referred to as output variables, criteria, consequently. In Indonesian it is often referred to as the dependent variable. Dependent variable is a variable that is influenced or which becomes a result, because of the existence of independent variables. The dependent variable in this study is organizational commitment and employee performance.

**Population and Samples**

The population in this study were employees of the head office of PT. XYZ Jakarta at JL. K.H Wahid Hasyim No 100-102, Menteng, Central Jakarta, Indonesia. A sample of 84 respondents from 106 permanent employees at PT. XYZ Jakarta.

**Data analysis method**

This study uses data analysis techniques using SmartPLS software version 3.2.7, while the correlation matrix between dimensions uses SPSS version 24 software.
IV. FINDINGS AND DISCUSSION

Research Results and Discussion

The test which used in the study is the indicator test (outer model) and hypothesis test (inner model).

Outer Model Test

Outer models are often also called (outer relations or measurement models) that define the characteristics of latent variable with indicator or manifest variable (Wiyono, 2011: 398). To find out whether the indicator used is valid or not, it can be seen through the value of the loading factor. Hair, et. al. (2010) revealed that the KMO range and factor loading that meet the requirements are those that have values above 0.50. However, the factor loading value can be tolerated up to 0.50, while the lower value of 0.50 can be excluded from the analysis (Ghozali, 2014). For the factor loading value in this study can be seen in Figures 2, 3, 4 and 5.

Figure 2. Outer Model Compensation

Figure 3. Outer Model Employee Engagement
The picture above state that the results of data processing with version 3.0 SmartPLS, produce indicators of all variables having a value of loading factor > 0.50. This shows that all indicators are valid and still used in the model.

Hypothesis Test (Inner Model)

The next step after evaluating the construct or variable measurement model is evaluating the structural model or inner model or testing the hypothesis. Hypothesis testing can be done by evaluating the path coefficient.

Based on the results of calculations using calculating SmartPLS 3.0 bootstrapping, this is generated from the path coefficients and t-statistic values that describe the impact between constructs / variables as shown in figures 6 and 7.

Based on Figure 6. The structural equation of this study can be formulated as follows:

Organizational Commitment (Y1) = 0.395 x1 + 0.491 x2
Employee Performance (Y2) = 0.483 x3 + 0.360 x4 + 0.070 β
The dimensions of the parameter coefficient for the Compensation variable (X1) on the Organizational Commitment variable (Y1) is 0.395, which means that there is a positive influence between compensation for organizational commitment. Value of t - Statistics of 3.147> from t-table 1.66, which means significant.

The dimensions of the parameter coefficient for the Compensation variable (X1) for the employee performance variable (Y2) is 0.483, which means that there is a positive influence between compensation for employee performance. Value of t - Statistics of 3.800> from t-table 1.66, which means significant.

The dimensions of the parameter coefficient for the Employee Engagement variable (X2) on the Organizational Commitment variable (Y1) is 0.491, which means that there is a positive influence between Employee Engagement on organizational commitment. Value of t - Statistics of 4.210> from t-table 1.66, which means significant.

The dimensions of the parameter coefficient for the Employee Engagement variable (X2) on the Employee Performance variable (Y2) is 0.360, which means that there is a positive influence between employee engagement on employee performance. Value of t - Statistics of 4.507> from t-table 1.66, which means significant.

The dimensions of the parameter coefficient for the Organizational Commitment variable (Y1) on the Employee Performance variable (Y2) is 0.070 which means there is no influence between organizational commitment to employee performance. Value of t - Statistics of 0.777 <from t-table 1.66, which means not significant.

The dimensions of parameter coefficient for the Compensation variable (X1) through the Organizational Commitment variable (Y1) on Employee Performance (Y2) is 0.028 <from direct effect 0.483 which means that Y1 does not mediate the effect of X1 on Y2.

The dimensions of parameter coefficient for the Employee Engagement variable (X2) through the Organizational Commitment variable (Y1) on Employee Performance (Y2) is 0.034 <from direct effect 0.360 which means Y1 does not mediate the effect of X2 on Y2.

**Interdimensional Matrix Correlation**

Correlation analysis aims to measure the level of relationship between dimension in variable X with dimension in variables Y1 and Y2 and dimension in variable Y1 with dimensions in variable Y2. In this study compensation variables consist of 2 dimensions, employee engagement variables consist of 3 dimensions, organizational commitment variable consist of 3 dimensions and employee performance variable consist of 6 dimensions.

### Table 1. Results of the Matrix Correlation Between Dimensions of Independent Variables and Dependent Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimension</th>
<th>Compensation (X1)</th>
<th>Employee Engagement (X2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Finanial</td>
<td>Non-Financial</td>
</tr>
<tr>
<td>Organizational</td>
<td>1. Affective</td>
<td>.793</td>
<td>.679</td>
</tr>
<tr>
<td>Commitment (Y1)</td>
<td>2. Continuance</td>
<td>.688</td>
<td>.568</td>
</tr>
<tr>
<td></td>
<td>3. Normative</td>
<td>.708</td>
<td>.648</td>
</tr>
<tr>
<td>Employees</td>
<td>1. Quality of Work</td>
<td>.722</td>
<td>.614</td>
</tr>
<tr>
<td>Performance (Y2)</td>
<td>2. Productivity</td>
<td>.679</td>
<td>.656</td>
</tr>
<tr>
<td></td>
<td>3. JobKnowledge</td>
<td>.683</td>
<td>.636</td>
</tr>
<tr>
<td></td>
<td>4. Reliable</td>
<td>.703</td>
<td>.633</td>
</tr>
<tr>
<td></td>
<td>5. Attendance</td>
<td>.696</td>
<td>.646</td>
</tr>
<tr>
<td></td>
<td>6. Independence</td>
<td>.650</td>
<td>.703</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimension</th>
<th>Employees Performance (Y2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quality of Work</td>
</tr>
<tr>
<td>Organization</td>
<td>1. Affective</td>
<td>.745</td>
</tr>
<tr>
<td>Commitment (Y1)</td>
<td>2. Continuance</td>
<td>.578</td>
</tr>
<tr>
<td></td>
<td>3. Normative</td>
<td>.599</td>
</tr>
</tbody>
</table>

Source: Data processed by researcher

In the compensation variable for organizational commitment variables, the highest dimension correlation is financial compensation for the dimension of affective commitment, amounting to 0.793. In other words, the dimensions of affective
commitment held by employees are strongly influenced by the dimensions of financial compensation such as salary, reward and benefit.

In the compensation variable for employee performance variables, the highest dimension correlation is financial compensation for work quality of 0.722. In other words, the quality of work of employees will be maximized when their financial compensation is fulfilled.

In employee engagement variable on organizational commitment variable, the highest dimension correlation is dedication to the dimensions of affective commitment, amounting to 0.819. Thus, employees' affective commitment is strongly influenced by employee dedication.

In employee engagement variables on employee performance variables, the highest dimension correlation is Dedication to attendance of 0.809. In other words, attendance is greatly influenced by employee dedication.

In the variable of organizational commitment to employee performance variables, the highest dimension correlation is an affective commitment to work knowledge of 0.780. In other words, work knowledge is greatly influenced by affective commitments.

Results and Discussion

The Effect of Compensation on Organizational Commitment (Hypothesis 1). From the results of the study it was reveal that compensation had an effect on organizational commitment. This result is in line with the results of the study (Nawab & Bhatti, 2011: 26), which states that if organizations that have a good compensation management system will have a very positive impact on their employees. This result is also in line with Ahmad, et al., (2016) research that there is a significant relationship between compensation and organizational commitment. That is, the higher the compensation given to employees, then the commitment of employees to the company will be high as well.

The Effect of Employee Engagement on Organizational Commitment (Hypothesis 2). From the results of this study, it can be indicated that there is a positive and significant relationship between employee engagement and organizational commitment. The results of this study are supported by previous research conducted by Phaik Lin & Lee Ping, (2016) which shows the results that there is a significant relationship between employee engagement and organizational commitment. Organizational commitment refers to the emotional attachment of employees to a particular organization, alignments with certain organizations, and involvement in certain organizations. That is, the better employees who feel bound to the organization or their responsibilities, the better the commitment shown by employees to the organization.

The Effects of Compensation and Employee Engagement on Organizational Commitment (Hypothesis 3). The finding of the study indicate that hypothesis 3 is proven which states that the compensation and employee engagement variables simultaneously have a positive influence on organizational commitment supported by data on employees of PT. XYZ. Compensation and employee engagement each influence organizational commitment if each stands alone as a variable. Then, if both are combined, simultaneous compensation and employee engagement also affect organizational commitment. It proves that in forming organizational commitment, compensation and employee engagement variables can be a shaping factor for these organizational commitments.

The Effect of Compensation on Employee Performance (Hypothesis 4). From the results of this study it can be indicated that there is a positive and significant relationship between compensation and employee performance. This is in line with the research conducted by Odunlami & Matthew, (2014) which shows the results that there is a significant relationship between compensation and employee performance. That is, the better the compensation given to employees, the better the employee's performance.

The Effect of Employee Engagement on Employee Performance (Hypothesis 5). From the results of the study it is known that employee engagement has a significant positive effect on employee performance. This result is in line with the results of Dajani's research (2015) which states that state employee engagement has a significant impact on employee performance. According to Harter et al., (2002) in (Ahmed et al., 2017) Organizations that have employees with high levels of involvement will get maximum organizational results through the performance of their employees. That is, high employee engagement will improve employee performance.

The Effect of Organizational Commitment on Employee Performance (Hypothesis 6). From the results of the study, it has discovered that organizational commitment does not affect employee performance. The results of this study are supported by previous research conducted by Renyut, et al., (2017) which states that organizational commitment does not have a significant effect on employee performance. According to Mangkunegara (2010: 13) there are factors that can influence performance, namely the ability and motivation factors. This theory is supported by research by Aima, et al., (2017) which says that competence and motivation have a positive and significant influence on employee performance. Then, based on the results of interviews with employees, it was found that the factors that most affected their performance were "huge workload". So it can be concluded, even though the employees have a high commitment, if the workload they carry is beyond the ability, then their performance will still not be achieved. Thus, a decrease in the performance of employees at PT XYZ Jakarta is not influenced by organizational commitment, but is more influenced by other factors, namely workload.

The Effects of Compensation, Employee Engagement, and Organizational Commitment on Employee Performance (Hypothesis 7). The findings of the study indicate that hypothesis 7 is proven which states that the compensation variable, employee engagement and organizational commitment simultaneously have a positive and significant influence on employee performance supported by data from employees of PT. XYZ. The results of this study are supported by the results of the previous research conducted by Odunlami & Matthew, (2014) which shows the results that there is a significant positive relationship between compensation and employee performance. Then, the results of Dajani's research (2015) which states that employee attachments have a
significant impact on employee performance. In addition, these results also support the research conducted by Hafiz, (2017) which shows that there is a positive and significant relationship between organizational commitment and employee performance.

V. CONCLUSION AND SUGGESTION

Conclusion

Based on the results of the research and discussion in the previous chapters, several conclusions can be stated as follows: (1) The compensation variable has a positive and significant effect on organizational commitment; (2) Employee engagement variables has a positive and significant effect on organizational commitment; (3) Compensation and employee engagement variables have a simultaneous and significant positive effect on organizational commitment; (4) Compensation variable has a positive and significant effect on the performance of employees of PT. XYZ; (5) Employee engagement variable has a positive and significant effect on employee performance at PT. XYZ; (6) Variable organizational commitment as a mediator in this study does not affect the performance of employees of PT. XYZ; (7) The compensation variable, employee engagement and organizational commitment simultaneously have a positive and significant influence on employee performance.

Suggestion

The results showed that the dimension of dedication from employee engagement is the strongest dimension influencing organizational commitment. Dedication is characterized by enthusiasm, inspiration, and pride. Based on the results of the research, companies can consider being able to make the sense of enthusiasm and pride of the employees keep maintaining well. This can be done by concerning to employee welfare, providing a comfortable working atmosphere or giving employees the freedom to innovate so that employees can be more committed to the company.

Dedication is also the most powerful dimension in influencing employee performance. Employees who give full dedication or in other words have a high level of involvement for the company, the organization will get maximum results through the performance of its employees. Considering that this dimension is very strong in influencing commitment and performance, the company can consider continuing to maintain employee dedication in several ways such as improving employee welfare, providing a comfortable work atmosphere, or providing training to employees to be able to motivate employees at work.

The role of compensation can affect the employee performance as well. Due to the compensation is a sign of remuneration received by employees for their contribution, then providing good compensation will motivate employees to complete their tasks properly. Direct compensation is the most powerful dimension affecting employee performance. Based on the results of the research, companies can consider providing good compensation to employees such as providing salaries and benefits in accordance with the position and employment of employees, then fulfilling the needs and work facilities of employees.

The writer expects that for further research would discover more into the variables that affect organizational commitment and employee performance.

REFERENCES


