

## **The Role of Compensation and Loyalty to Employee Turnover Intention**

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### **ABSTRACT**

*High turnover intention can indicate an ineffective organization because the company loses experienced employees and needs to retrain new employees. In addition, the high level of turnover intention will create instability and uncertainty about labor conditions and increase the cost of human resources. The purpose of this study was to determine the effect of compensation and loyalty on employee turnover intention by using a saturated sampling technique in sampling. Data processing was carried out by analyzing correlation coefficients, coefficients of determination, and hypothesis testing. The results of this study indicate that compensation has a strong relationship with turnover intention and has a significant negative effect on the turnover intention variable, which means that if compensation is increased, turnover intention will decrease. Another result is that loyalty has a strong relationship with turnover intention and has a significant negative effect on turnover intention, which means that if employee loyalty increases, turnover intention will decrease. Compensation and loyalty have a very strong relationship with turnover intention, the higher the compensation and loyalty, the lower the turnover intention.*

**Keywords: Compensation, Loyalty, Employee Turnover Intention**

**INTRODUCTION**

Human resources in a company are assets and have a very important role and function for the success of a company. Human resources play an important role, especially in companies engaged in services as the spearhead of the company. Turnover intention (the desire to move) is one of the causes of turnover and can lead directly to real turnover, people leave their jobs even though they do not have other alternative jobs for reasons of reward, equity, and a sense of security from conflicts that occur within the company. organization (Yuliani, 2005). Turnover intention is the level or intensity of the desire to

leave the company, many reasons that cause turnover intention include the desire to get a better job (Harnoto, 2002).

The occurrence of turnover intention is something that is not desired by the company. The high level of turnover intention will have a negative impact on the organization such as creating instability and uncertainty on labor conditions and increasing human resource costs. High turnover intention indicates an ineffective organization because the company loses experienced employees and needs to retrain new employees.

Table 1. Employee Turnover at PT. M

Year	Initial Number of Employees	Number of Employees Resigned	Number of New Employees	Total Employees
2014	35	1	2	36
2015	36	2	2	36
2016	36	2	2	36

Source: Company Data (2016)

From the company data above, employee turnover at PT. M occurs because of several possibilities. One of the reasons is the lack of compensation provided by the company. Inappropriate compensation will lead to a decrease in employee performance and even lead to employee turnover. Good compensation is a compensation system that is responsive to situations and a system that can motivate employees. In addition to compensation, other important factors that can lead to high or low turnover intention at PT. M is employee loyalty. Loyalty is loyalty reflected by the willingness of employees to maintain and defend the organization inside and outside of work from the ravages of irresponsible people (Hasibuan, 2012). The absence of

loyalty results in strikes, absenteeism, sabotage, high absenteeism and turnovers.

**LITERATURE REVIEW**

**1. Compensation**

Compensation is a service fee or remuneration provided by the company to workers because these workers have contributed energy and thoughts for the progress of the company in order to achieve the goals set (Sastrohadiwiryono, 2011). Compensation is all income in the form of money, goods directly or indirectly received by employees as compensation or services provided to the company (Oktari and Suhardi, 2021).

The purpose of providing compensation (retribution) is,

among others, as a bond of cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline, as well as the influence of labor unions and the government. Factors that affect compensation are work productivity, ability to pay, supply and demand for labor, employee organization, various laws and regulations (Oktari and Suhardi, 2021).

## **2. Loyalitas**

Loyalty is the determination and ability to obey, implement, and practice something that is obeyed with full awareness and responsibility, determination and daily behavior in carrying out tasks (Saydam, 2011). only physical loyalty, but more on non-physical loyalty such as thoughts and attention (Tommy et al, 2010). The loyalty of employees in an organization is absolutely necessary for the success of the organization itself. The higher the loyalty of employees in an organization, the easier it is for the organization. It is to achieve organizational goals that have been previously set by the owner of the organization. Likewise, for organizations with low employee loyalty, it is increasingly difficult for the organization to achieve organizational goals that have been previously set by the owners of the organization.

The description of loyalty to the company includes honesty, having a sense of belonging to the company, understanding the company's difficulties, working more than what the company requires, creating a pleasant

atmosphere in the company, keeping company secret meetings, maintaining and improving the company's image, being frugal, not demonstrating , not a priori to change (Poerwospito, 2010). The emergence of work loyalty is influenced by factors including personal characteristics, job characteristics, company or organization design characteristics, experience gained in the company or organization (Saydam, 2011).

## **3. Turnover Intention**

Turnover intention is the tendency or level at which employees have the possibility to leave the company (Chen & Francesco, 2000). Turnover intention is the level or intensity of the desire to leave the company, many reasons that cause turnover intention include the desire to get a better job (Harnoto, 2002). Turnover intention is characterized by various things related to employee behavior, including increased absenteeism, starting to be lazy to work, increased courage to violate work rules, courage to oppose or protest to superiors, as well as seriousness to complete all employee responsibilities which are very different from usual. Harnoto, 2002).

## **RESEARCH METHODS**

The technique used in analyzing the data that has been obtained is descriptive analysis and verification analysis. The sampling technique used is Purpose Sampling, by taking samples of the last 3 (three) years, namely 2014-2016.

The independent variables

studied were compensation and loyalty, while the dependent variable studied was employee turnover intention. The stages of analysis carried out are testing research instruments (testing validity and reliability), descriptive analysis (recapitulation of respondents' responses to the variables studied), multiple regression analysis, and hypothesis testing. Data collection techniques using questionnaires, observation and literature study.

## **RESULTS AND DISCUSSION**

The results of testing the validity of the questionnaire items on compensation, loyalty, and turnover intention variables indicate that all items are valid and can be used to measure the variables studied. All variables to be studied are declared reliable because the value of Cronbach's alpha is greater than 0.60.

### **A. Recapitulation of Respondents' Responses**

The compensation variable is in the high category with an average value of 3.93 because it is in the 3.40 - 4.19 category. A total of 15.77% of respondents stated strongly agree, 69.68% of respondents agreed, 14.55% of respondents stated quite agree. The statement "The compensation provided by the company to me is fair and proper" is in the better category with an average score of 4.11.

The loyalty variable is in the good category with an average value of 4.02 because it is in the 3.40 - 4.19 category. A total of 7.97% of respondents stated strongly agree, 88.68% of respondents agreed, and 3.35% of

respondents stated quite agree. The statement "I always obey the orders of an authorized superior, I complete tasks well and on time and I always report the results of my work to my superiors" occupies the better category with an average score of 4.08. While the statement "I am able to store and maintain goods (data and facilities) as well as possible" needs attention because it has the lowest average value.

The Turnover Intention variable is in the sufficient category with an average value of 3.01 because it is in the 2.60 - 3.39 category. A total of 1.92% of respondents stated strongly agree, 36.15% of respondents agreed, 4.62% of respondents stated quite agree, 70.77% of respondents said they disagreed, 11.54% of respondents stated strongly disagree.

### **B. Multiple Regression Analysis**

Compensation has a strong relationship with Turnover Intention which is indicated by the correlation coefficient (R) of 0.625. Loyalty has a strong relationship with Turnover Intention which is indicated by the correlation coefficient (R) of 0.686. Compensation and Loyalty have a strong relationship together with Turnover Intention marked by a correlation coefficient (R) of 0.829 and has a determination coefficient of 0.688. This shows that Compensation and Loyalty have an effect on Turnover Intention of 68.8% and 31.2% influenced by other factors.

### **C. Hypothesis test**

Based on the t-test conducted, it was found that compensation has a significant negative effect on Turnover Intention, meaning that if compensation is increased, Turnover Intention will decrease. Likewise, Loyalty has a significant negative effect on Turnover Intention, meaning that if employee Loyalty increases, Turnover Intention will decrease.

### **DISCUSSION**

The compensation provided by the company can be said to be good with the support of the employee's statement that the salary with the employee's living needs is appropriate. The salary provided by the company is in accordance with government regulations. The wages received are sufficient to meet their daily needs. Incentives given by the company cause employees to stay in the company. Seniority is the basis of the company in providing incentives. Job evaluation carried out by the company as the basis for providing employee compensation. The provision of annual leave, sabbatical leave and maternity leave is in accordance with government regulations and the company is always on time in providing salaries to employees.

Employee loyalty to the company can be said to be high. This is reflected in the employees always obeying company regulations. During work, employees always come to work and leave work on time, employees always obey orders from authorized superiors, employees complete tasks properly and on time.

Employees always prioritize the interests of the office above personal interests when working, employees do not abuse the authority given by the company and employees always report the results of their work to their superiors.

Turnover intention in the company can be said to be high as reflected by employees who will protest company policies if they are not in accordance with the wishes of employees. Employees will feel better at work when employees leave the company. Employees will have a higher sense of responsibility when they leave the company.

### **CONCLUSION AND SUGGESTION**

Based on the results of data processing and analysis that has been carried out, it can be concluded that several causes are as follows:

1. Employee responses regarding compensation and loyalty are quite varied but in general employees state that compensation and loyalty in the company are in the good category. Meanwhile, turnover intention in the company is in the sufficient category.
2. Compensation has a strong relationship with Turnover Intention. Compensation has a significant negative effect on Turnover Intention, meaning that if compensation is increased, Turnover Intention will decrease.
3. Loyalty has a strong relationship with Turnover Intention. Loyalty has a significant negative effect on Turnover Intention, meaning that if loyalty increases, Turnover Intention will decrease.

The company is expected to continue to pay attention to financial compensation and non-financial compensation which is an important factor in working. The working atmosphere such as the relationship between fellow employees, the relationship between the leader and a good employee will create harmony and a sense of kinship. The work environment such as cleanliness and tidiness, noise levels also affect turnover intention. To further increase employee loyalty, the company can add compensation such as personal protection in the form of pension funds, payments when not working such as during training and leave, as well as increasing salaries to increase employee loyalty to the company.

Measurement of compensation can be seen from employee performance. Companies can increase compensation so that employees can increase their loyalty and will not switch to other companies

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