



Analysis of Compensation Effect on Job Satisfaction under Foreign Capital Companies in the Manufacturing Sector

Diar Fachmi Rachmat Chaidar

Universitas Logistik Bisnis Internasional, Indonesia | diar.fachmi@gmail.com

Received: 10-12-2023

Reviewed: 15-12-2023

Accepted: 30-12-2023

Abstract

Because the level of employee satisfaction with the facilities provided by the company greatly influences the stability of the company, companies must be able to understand the needs of their employees. This study will investigate whether compensation also influences job satisfaction of foreign capital companies in the manufacturing industry in Karawang. This research uses the concept of descriptive and verification research, and the aim of descriptive research is to get an overview of the characteristics of the variable application of compensation and job satisfaction. The research results show that the compensation variables measured indicate that most middle line managers believe that employees receive compensation for all the work they do, whether in the form of money or not. So, research finds that compensation influences job satisfaction in a small way.

Keywords: Compensation, Job Satisfaction, Manufacturing Sector, Foreign Capital Companies

Introduction

Human resources remain the most strategic and important of all resources, and managing human resources is now very important, requiring companies to optimize every resource they have to maintain and improve the survival of their business. As a result, it is clear and obvious that human assets are the most important organizational assets, and management must own, manage and pay great attention to them. Human resources are responsible for setting goals, creating innovation, and achieving organizational goals. Human resources have an impact on organizational efficiency and effectiveness because employees are responsible for planning and producing goods and services, monitoring product quality, marketing products, allocating financial resources, and determining organizational goals, direction and strategy (Siahaan et al., 2022) .

It is very important for employees to receive compensation to meet their daily needs. However, not only is it important for employees to be compensated, but companies must also find qualified employees and reduce employee turnover rates, which can increase company costs.

What a business pays its employees can impact their job satisfaction, productivity, and performance, among other things. Increased compensation is usually positively correlated with performance, job satisfaction and productivity (Puspitawati & Atmaja, 2020; Ingtyas et al., 2021). This can be seen from the actions taken, such as turnover, discipline, work morale and work enthusiasm. If the compensation provided is not appropriate, discipline, work morale and work enthusiasm will be low and turnover will be high (Fitriani and Yusiana, 2020; Ade Galih et al., 2018; Machmud et al., 2020). Therefore, if companies want to produce products that benefit the company, they must consider how to provide compensation that makes employees satisfied with their work. Although job satisfaction is basically subjective, each individual has a different level of satisfaction. According to Melani (2012), higher job satisfaction can be achieved by physical, social, economic and psychological components.

Literature Review

Low job satisfaction is associated with reports of incomplete work, which is influenced by compensation (Agathanisa & Prasetyo, 2018; Akmal & Tamini, 2015; Amal et al., 2022). The workers felt that the compensation they received, consisting of salary and bonuses, did not meet their expectations. As a result, they are dissatisfied with their work. The company only provides pension benefits to its permanent employees. The company respects the rights and needs of its employees and provides salaries, incentives and various benefits. The awards given by the company to its employees must be in accordance with their expectations because they have tried wholeheartedly for the company.

Businesses may be more productive if they know employee conditions and provide compensation rights. If employees receive compensation and know how the business works, the company will run stably and even improve (Hidayat, 2021; Purba et al., 2018; Fatimah & Ratnasari, 2021), this can encourage them to stay with the company. Thus, the researcher set the research objective to investigate the relationship between compensation and job satisfaction in foreign capital companies in the manufacturing sector in Karawang.

Research Method

The concepts of descriptive and verification research are used in this research. The aim of this descriptive research is to provide an explanation of the characteristics of job satisfaction variables and the application of compensation. Verificative research involves collecting field data to test the validity of hypotheses. This study will investigate how the implementation of compensation impacts job satisfaction in a multinational company operating in the manufacturing sector in Karawang.

Analysis of Compensation Effect on Job Satisfaction under Foreign Capital Companies in the Manufacturing Sector

Descriptive and explanatory surveys are the research methods used. This research uses the causality method. In this research, the unit of analysis is a multinational company engaged in the manufacturing industry, and the unit of observation is the middle-level employees of a company engaged in the manufacturing industry in Karawang. This study is included in the cross-sectional category because information was collected empirically from part of the population (respondent sample) directly at the location. The aim of this research is to find out the opinions of some of the population regarding the subject under study, namely the application of compensation for job satisfaction.

Research design

The field of this research is HR management, especially considering employee performance. This research uses an explanatory survey method, which tries to determine the relationship between variables and tests these variables. To apply survey research methods in operations, the research design must be adjusted to the depth of the research to be conducted.

Data Collection Sources and Techniques

Data source

For initial data, middle managers in manufacturing companies in the Karawang area were used. Secondary data, on the other hand, comes from the Ministry of Manpower regarding Indonesian worker wage regulations. Information about the standard structure of salaries and benefits was obtained from several parts of the company's human resources department who were willing to provide this information.

Data collected by researchers through discussions, research documents, and references and literature, as well as information from company resource departments and professional human resource consultants is known as secondary data. Secondary data obtained from the PMA company regarding employee discipline, work performance and work productivity.

Research Sample

All middle managers in foreign manufacturing companies are the research sample, according to Arikunto (in Riduwan, 2011). Because the population is heterogeneous (not similar), a proportional stratified random sampling method was chosen. Isaac and Michael created the following empirical formula to calculate the number of samples from a certain population (in Sukardi, 2004 in Riduwan, 2011) :

$$S = \frac{\chi^2 \cdot N \cdot P \cdot Q}{d^2 (N - 1) + \chi^2 \cdot P \cdot Q}$$

Information :

S = sample size sought

N = Number of population

P = Population proportion as the basic assumption for making the table. This price is taken P=0.5

d = degree of precision reflected by the tolerable error in the fluctuation of the sample proportion (P), d is generally taken to be 0.1

X₂ = Table Chi-Square Value for the Degree of Freedom (DK) Relatively the desired confident = 2,706 level of trust $\alpha = 0.1$

Based on the formula and assumptions above, a sample was obtained with the following calculations:

$$S = \frac{2,706 \times 1483 \times 0,5 \cdot (1 - 0,5)}{0,1 \times 0,1 \cdot (1483 - 1) + 2,706 \cdot 0,5 \cdot (1 - 0,5)}$$

$$S = 64,74 \approx 65$$

Stratified proportional random sampling uses the Isaac and Michael formula (in Riduwan, 2011) to increase the sample population :

$$n_i = \frac{N_i}{N} \cdot S$$

Where :

n_i = number of samples by stratum

N_i = total population by stratum

S = number of samples

N = total population

To conduct this research, samples were taken from the entire population. The research respondents were Middle Managers in manufacturing companies in Karawang.

Results and Discussion

Result

According to Irawan Soehartono (2000), the Cronbach's Alpha technique is used to evaluate reliability. An item is considered reliable or reliable if the reliability coefficient or alpha is 0.7 or more. Because the Cronbach's Alpha value for each variable exceeds 0.7, this reliability test shows that compensation is a dependent variable which is all declared reliable. The Cronbach Alpha values of the independent and dependent variables are shown in the following table:

Table 1. Instrument Reliability Test Results

Question	Alpha Cronbach	R critical	Information
----------	----------------	------------	-------------

Analysis of Compensation Effect on Job Satisfaction under Foreign Capital Companies in the Manufacturing Sector

Compensation Variables (X_1)	0.785	0.7	Reliabel
Job Satisfaction Variables (Y)	0.709	0.7	Reliabel

Source: data processed 2022

Analisis Variabel Kompensasi

The range of data values for the compensation variable, which consists of twenty-four question items for each manager, was obtained based on the results of questionnaire data collection. The maximum value range ($R_{\max} = 48000$) and minimum value range ($R_{\min} = 9600$) are obtained by multiplying the number of managers by twenty-four question items and then multiplying by the maximum and minimum number of alternative answers.

According to research calculations, the compensation variable produces a value of 38810, which is a score that meets the high criteria. The range of values in the results of this research is based on the difference between the minimum and maximum scores from the manager's calculated answers, which produces a total score value of 38810. This value is depicted in the following continuum:

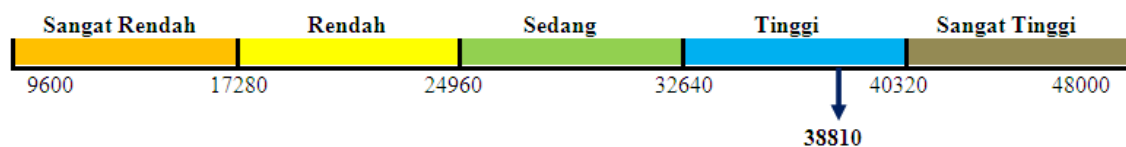


Figure 1. Difference between minimum score and maximum score

As shown by the discussion of each question item, compensation assessment shows very good results with a score of 38810. This is also indicated by the fact that the majority of question items assessing compensation variables—which consists of twenty-four question items covering direct financial variables, indirect financial, career non-financial, and social non-financial—had answers that were either agree or strongly agree. This shows that most or most midline managers say that they receive compensation for everything they do, whether in the form of money or not as remuneration for their efforts or roles, as well as from the managers themselves who work for the organization.

The results of this research are in line with Sirait's (1993) explanation that management faces the problem of creating a work environment that encourages employees to develop, and compensation is an important element. One way to get members to act in accordance with the organization is by providing compensation. The compensation system encourages qualified individuals to join and do what the company needs.

As a result, organizations have determined the most appropriate compensation to help achieve organizational goals more efficiently and effectively. How much compensation is given must be enough to bind the manager. This is very important because managers can move to other companies if the facilities provided to them are too small (Purba et al., 2019). According to the data, compensation has four dimensions: direct financial, indirect financial, career non-financial, and social non-financial. This dimension is formed by 17 indicators. In the financial dimension, 2 indicators are directly formed, namely basic salary and incentives, which

have an average value of 4.053 with a standard deviation of 0.716, resulting in a coefficient of variance (CV) of 0.177. This means that in the direct financial dimension, managers are basically satisfied with their basic salary and incentives because the average value is high with small deviations. With a small CV, it can be said that the data obtained is homogeneous.

If we look at the indicators, it can be seen that basic salary is a better indicator compared to incentives because it has a high average value with a small standard deviation and the coefficient of variation is also small so that the data obtained is homogeneous. In the indirect financial dimension, 5 indicators were formed, namely THR, pension allowance, accident insurance, old age insurance, health care insurance, which had an average value of 4.062 with a standard deviation of 0.744, resulting in a coefficient of variance (CV) of 0.183. This means that in the indirect financial dimension, managers are basically satisfied with this indicator, because the average value is high with small deviations. With a small CV, it can be said that the data obtained is homogeneous.

Because it has a high average value with a small standard deviation and a small coefficient of variation, health care security is a better indicator compared to other indicators. For the non-financial career dimension, five indicators were established: career path clarity, promotion policies and procedures, education and training, and responsibility. The average value is 4.028 with a standard deviation of 0.699 resulting in a coefficient of variance (CV) of 0.174. This shows that the manager has basically met the requirements for the indicator, with a high average value and little deviation. With a smaller CV, the data can be considered the same.

Because career path clarity has a high average value with a small standard deviation and a low coefficient of variation, career path clarity is a better indicator compared to other indicators. For the non-financial social dimension, five indicators were formed: recognition, awards, sports facilities, work relations, and health facilities. The mean value was 4.022 with a standard deviation of 0.747, indicating a coefficient of variance (CV) of 0.86. This shows that the manager has basically met the requirements for the indicator, with a high average value and little deviation. With a smaller CV, the data can be considered the same.

Because it has a high average value, a small standard deviation, and a low coefficient of variation, the awards received by managers are a better indicator when compared to other indicators. Based on the table above, compared with other factors, it can be concluded that managers think that non-financial careers carried out by foreign companies are good. This is because, based on indicators, the clarity of career paths in foreign companies is clearer because they have a large average value with the smallest standard deviation and CV. Therefore, it is indi

THR, pension benefits, and recognition are the indicators with the highest coefficient of variance (CV). This shows that, based on THR, there are still managers who are dissatisfied with the directors' decisions. This is because the THR given is relatively the same for employees who have just served as managers and employees who have worked for quite a long time. The manager wants there to be a material difference in the distribution of THR according to the length of service while serving as manager. This is due to the fact that the company's THR distribution rules are not yet clear, and pension benefits are still equalized according to length of service and class. The third indicator that is still not approved by employees in this case is recognition. This is considered not to be in line with employees' wishes because many

Analysis of Compensation Effect on Job Satisfaction under Foreign Capital Companies in the Manufacturing Sector

managers have not received recognition for their positions, which has an impact on the compensation they still use when they are not yet managers.

Analysis of Job Satisfaction Variables

The range of data values for the satisfaction variable, which consists of fifteen question items for four hundred managers, was obtained based on the results of questionnaire data collection. The value range is obtained by multiplying the number of managers by fifteen question items, then multiplying by the maximum and minimum alternative answer values, to obtain the maximum answer value range ($R_{\max} = 30000$) and the minimum answer value range ($R_{\min} = 6000$).

Based on calculations from the research results, the satisfaction variable produces a score of 24306, which is in the high criteria. The range of values in the results of this research is based on the difference between the minimum score and the maximum score from the calculated manager's answer, which produces a total score value = 24306 on the following continuum:

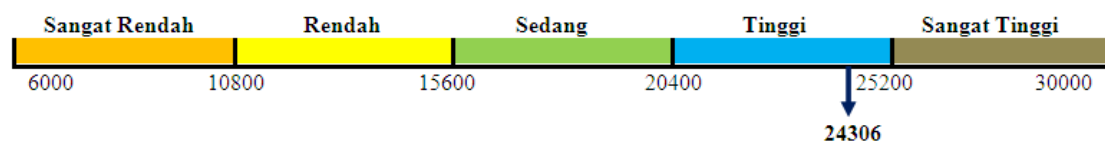


Figure 2. Difference between minimum score and maximum score

Based on the discussion of each question item, it appears that the job satisfaction assessment shows very good results. This is also shown by the results of data processing from the 15 question items to measure the job satisfaction variable, which consists of five dimensions: wages and benefits, leadership and recognition, personal, and the job itself. The results show that most or most managers view their work as a pleasurable emotional privilege. Manager job satisfaction is influenced by many factors. The factors in his role provide a fair share of job satisfaction, depending on the individual manager. Factors that can influence job satisfaction, such as job promotions, supervision, and coworkers, include salary payments, wages, and the job itself. Frederick Lufthans (Robbin, 2008). There are two reasons why people are absent: they may want to avoid an uncomfortable work environment (such as the job, peers, supervisors, and working conditions) or they may be dissatisfied with the way the organization provides rewards (such as salary, promotions, and manager recognition). As a result, absenteeism may be one way managers respond to inauthenticity that makes things better and more satisfying than they were. Therefore, work is a form of activity aimed at getting satisfaction from As'ad's work.

Hypothesis testing

We see that there are two substructures in data processing, so we must discuss the interpretation of the results in stages. These substructures are described here :

Testing the partial influence of compensation variables on job satisfaction

The partial influence of the compensation variable (X1) on job satisfaction (Y) requires statistical testing, so the statistical hypothesis is as follows:

$H_0 : (\rho X_{1y})^2 = 0$ There is no significant effect of compensation on job satisfaction.

$H_1 : (\rho X_{1y})^2 \neq 0$ There is a significant influence of compensation on job satisfaction.

Test criteria: Reject H_0 , if t_{count} is greater than t_{table} or $t_0 > t_{\text{table}}$, with degrees of freedom = $400 - 3 - 1$

Table 2. Partial Test Results for the compensation variable (X1) against job satisfaction (Y)

Structural	Path coefficient	t_{count}	t_{table}	Conclusion
ρX_{1y}	0,372	9,329	1,80	H_0 is rejected, there is a significant influence of compensation on job satisfaction

With path coefficient $X_1 = 0.372$, the calculated t_{value} is 9.329 with a significance level of α 5%. The value of t_{table} or $t_{0,025,400}$ is 1.80, so $t = 9,329$ is greater than $t_{\text{table}} = 1.80$. Therefore, H_0 is rejected, or compensation has an impact on satisfaction (Y) of 0.372. The verdict is that compensation affects job satisfaction to a small extent.

Discussion

Compensation received a score of 38.810, according to descriptive analysts. This suggests that most or most midfield managers consider that they receive compensation for everything they do. This may or may not be monetary as compensation for their work or their role for the organization (Hidayah & Aisyah, 2016; Saputra, 2016).

The results of this research are in line with Sirait's (1993) explanation that management faces the problem of providing a work environment that encourages employees to develop the company, and compensation is an important element. One way to get members to act in accordance with the organization is by providing compensation. The compensation system encourages qualified individuals to join and do what the company needs. Therefore, the most appropriate compensation has been determined by the organization so that it can help achieve organizational goals more efficiently and effectively (Hermingsih & Purwanti, 2020; Retnoningsih et al., 2016). This is very important because managers can move to other companies if the facilities provided are too small (Jufrizen, 2016; Pioh & Tawas, 2016).

Job satisfaction

Job satisfaction shows high results, according to descriptive analysis. To measure job satisfaction, four dimensions are used: compensation and benefits, recognition and leadership, personal satisfaction, and the job itself. This shows that most or the majority of managers consider their work to be emotionally enjoyable. Manager job satisfaction is influenced by many factors. The factors in his role provide a fair share of job satisfaction, depending on the individual manager. Factors that can influence job satisfaction, such as job promotions,

Analysis of Compensation Effect on Job Satisfaction under Foreign Capital Companies in the Manufacturing Sector

supervision, and coworkers, include salary payments, wages, and the job itself. Frederick Lufthans (Robbin, 2008; Nugraha et al., 2016).

There are two reasons why people are absent: they may want to avoid an uncomfortable work environment (such as the job, peers, supervisors, and working conditions) or they may be dissatisfied with the way the organization provides rewards (such as salary, promotions, and manager recognition). As a result, absenteeism may be one way managers respond to inauthenticity that makes things better and more satisfying than they were. So, work is an activity that aims to make As'ad satisfied with his work (Husein, 2003; Nabawi, 2019).

The Effect of Compensation on Job Satisfaction

Hypothesis testing regarding the effect of compensation on job satisfaction produces a statistical conclusion that compensation has a positive and significant effect on job satisfaction with a path value of 0.372. Therefore, it can be concluded that the higher the compensation received by managers, the higher their job satisfaction. Testing the compensation hypothesis on job satisfaction shows that compensation influences job satisfaction significantly. With a direct effect of 13.84%, an indirect effect of compensation on work climate of 4.44%, and a transformational leadership effect of 7.098 percent, this shows that the direct effect of compensation on job satisfaction is greater than the indirect effect.

According to Mangkunegara in Soematri (2009), research results show that compensation has an impact on satisfaction. This is in accordance with the theory that the compensation given to employees has an impact on their level of job satisfaction and motivation to work, as well as their work results. One way management can improve work performance, motivation and employee satisfaction is by providing compensation (Khair, 2019; Almigo, 2004).

Conclusion

Based on the average respondents' answers to the measured compensation variables, this research shows that most midline managers believe that employees receive compensation for their work, either in the form of money or as a reward for their efforts or roles for the organization. The average answer results were around agree and strongly agree with a high score, which shows this. Therefore, compensation has a big influence on employee satisfaction.

References

- Ade Galih, N., Wahidah, A., Purba, A. S., Nurbayani, S., Abdullah, A. G., & Danuwijaya, A. A. (2018). Women and Achievement.
- Agathanisa, C., & Prasetio, A. P. (2018). Pengaruh Kompensasi Terhadap Kepuasan Kerja Karyawan Indogrosir Samarinda. *Jurnal Mitra Manajemen*, 2(4), 308-319.
- Akmal, A., & Tamini, I. (2015). Pengaruh Kompensasi Terhadap Kepuasan Kerja Karyawan Gayamakmur Mobil Medan. *Jurnal Bis-A: Jurnal Bisnis Administrasi*, 4(2), 59-68.

- Amal, B. K., Pasaribu, F., & Purba, A. S. (2022). The Analysis Of The Benefits Of Expo Bank Sumatera Utara To Reduce Poverty. *Webology*, 19(1), 6900-6920.
- Almigo, N. (2004). Hubungan antara kepuasan kerja dengan produktivitas kerja karyawan. *Jurnal Psyche*, 1(1), 50-60.
- Fatimah, N., & Ratnasari, Y. (2018). Pengaruh Kompensasi Terhadap Kepuasan Kerja dan Dampaknya Pada Kinerja Karyawan Bagian Marketing di PT. Diparanu Rucitra Property Surabaya. *J-MKLI (Jurnal Manajemen dan Kearifan Lokal Indonesia)*, 2(1), 12-22.
- Fitriani, L. K., & Yusiana, N. (2020). Analisis Pengaruh Kompensasi dan Beban Kerja terhadap Kepuasan Kerja dan Turnover Intention pada Karyawan Inti Pangan, Kuningan. *Indonesian Journal of Strategic Management*, 3(2).
- Hidayah, N., & Aisyah, M. N. (2016). Pengaruh Kompensasi terhadap kinerja karyawan dengan kepuasan kerja sebagai variabel intervening (Studi kasus pada karyawan bagian keuangan dan akuntansi UNY). *Jurnal Profita: Kajian Ilmu Akuntansi*, 4(4).
- Hidayat, A. (2021). Pengaruh kompensasi dan motivasi terhadap kinerja karyawan dengan kepuasan kerja sebagai variabel intervening. *Jurnal Ilmu Manajemen (JIMMU)*, 6(2), 165-177.
- Hermingsih, A., & Purwanti, D. (2020). Pengaruh Kompensasi Dan Beban Kerja Terhadap Kepuasan Kerja Dengan Motivasi Kerja Sebagai Variabel Pemoderasi. *Jurnal Dimensi*, 9(3), 574-597.
- Ingtyas, F. T. (2021). Development of" Product Design" Learning Based On Kkni through Creative Industry Students. *Review Of International Geographical Education*, 11(3), 998-1007.
- Jufrizen, J. (2016). Efek mediasi kepuasan kerja pada pengaruh kompensasi terhadap kinerja karyawan. *Jurnal Ilmiah Manajemen Dan Bisnis*, 17(1).
- Khair, H. (2019). Pengaruh Kepemimpinan dan kompensasi terhadap kepuasan kerja melalui motivasi kerja. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 2(1), 69-88.
- Melani, T. (2012). Faktor–Faktor yang Mempengaruhi Kepuasan Kerja (Studi pada Karyawan Sekolah Tinggi Ilmu Farmasi” YAYASAN PHARMASI” Semarang). *Jurnal Kajian Akuntansi dan Bisnis*, 1(1).
- Machmud, M., Musa, A. E. Z., Purba, A. S., & Tang, M. (2020). Function Analysis Of South Sulawesi Traditional Media In Conveying Messages To The Public. *International Journal of Advanced Science and Technology*, 29(7s), 5708-5713.
- Nabawi, R. (2019). Pengaruh lingkungan kerja, kepuasan kerja dan beban kerja terhadap kinerja pegawai. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 2(2), 170-183.
- Nugraha, I., Bayu, M., & Surya, I. B. K. (2016). *Pengaruh kompensasi, lingkungan kerja dan promosi jabatan terhadap kepuasan kerja* (Doctoral dissertation, Udayana University).
- Puspitawati, N. M. D., & Atmaja, N. P. C. D. (2020). Pengaruh Kompensasi terhadap Stres kerja dan Kepuasan Kerja Karyawan. *Jurnal Bakti Saraswati (JBS): Media Publikasi Penelitian Dan Penerapan Ipteks*, 9(2).

Analysis of Compensation Effect on Job Satisfaction under Foreign Capital Companies in the Manufacturing Sector

- Purba, A. S., Hufad, A., & Sutarni, N. (2019). Women's entrepreneurial literacy and their business competitiveness. In *Research for Social Justice* (pp. 163-168). Routledge.
- Pioh, N. L., & Tawas, H. N. (2016). Pengaruh kompensasi dan lingkungan kerja terhadap kepuasan kerja dan kinerja pegawai. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 4(2).
- Purba, A. S., Hufad, A., Negara, C. P., Nasrawati, N., & Ramdani, A. M. (2018, November). The implication of Baduy Dalam tribe's closure on Indonesia's rank in the World Economic Forum. In *Annual Civic Education Conference (ACEC 2018)* (pp. 426-428). Atlantis Press.
- Retnoningsih, T., Sunuharjo, B. S., & Ruhana, I. (2016). Pengaruh kompensasi terhadap kepuasan kerja dan kinerja karyawan (Studi pada karyawan PT. PLN (Persero) Distribusi Jawa Timur Area Malang). *Jurnal Administrasi Bisnis*, 32(2).
- Riduwan. 2011. Rumus dan Data dalam Aplikasi Statistika. Bandung: Alfabeta.
- Robbins, Stephen P., 2008, Perilaku Organisasi (alih bahasa Drs. Benjamin. Molan), Edisi Bahasa Indonesia, PT Intan Sejati, Klaten.
- Saputra, A. A. (2022). Pengaruh Kompensasi, Lingkungan Kerja Dan Beban Kerja Terhadap Kepuasan Kerja Karyawan. *Technomedia Journal*, 7(1 Juni), 68-77.
- Siahaan, M., Anantadjaya, S. P., Kurniawan, I. M. G. A., & Purba, A. S. (2022). Syariah Technology Financial Potential to Reach Non-bank Financing. *Webology*, 19(1), 77-91.
- Sukardi. 2011. Metodologi Penelitian Pendidikan Kompetensi dan Praktiknya. Yogyakarta: Bumi Aksara.
- Somantri, H. (2009). Peningkatan Prestasi Belajar Siswa Melalui Pendekatan Pakem. *Jurnal Administrasi Pendidikan*, 10(2).