

Effect of Compensation and Career Development on Turnover Intention: Job Satisfaction as a Mediation Variable

Aulia Rahman¹, Syahrizal²

¹Universitas Negeri Padang, Padang, Indonesia, ✉ aularahmann.0393@gmail.com

²Universitas Negeri Padang, Padang, Indonesia, ✉ syahrizal@fe.unp.ac.id

Abstract

Although considerable research report has been devoted to understanding work attitudes, behaviors and outcomes regarding turnover intentions, little has been done to explore it across deferent professions. This study takes a step in this direction and examines the effect of compensation and career development on employee turnover intention: work satisfaction as a mediation variable. Some previous research shows that compensation and career development have a positive and significant influence on job satisfaction. Furthermore, compensation, career development and job satisfaction all together have a significant and negative influence on turnover intention.

Keywords: turnover intention, job satisfaction, compensation, career development

Introduction

Theory of Reasoned Action (TRA) describes behavior that changes based on the results of behavioral intentions, and behavioral intentions are influenced by social norms and individual attitudes toward behavior (Eagle, 2013: 123). In line with the Theory of Planned Behavior (Atzen 1991), the central factor of individual behavior is that behavior is influenced by individual intentions (behavioral intention) towards certain behaviors, the intention to behave can lead to behaviors displayed by individuals.

Defined as a deliberate and conscious willfulness to leave an organization for good within a foreseeable future (Ertureten et al., 2013), turnover intention is often a neglected but important issue for business practitioners (Jones et al., 2007). It is essential for management to learn why employees develop an intention to quit their job, because a high turnover rate can substantially harm organizational morale and keep employees from developing an identification toward their firm (e.g. Van Knippenberg and Schie, 2000; Lee and Shin, 2005).

Human resources are the key to determining the weather achieved by organizational goals or not, therefore the organization must have thoughts, feelings, and desires to influence the will of employees to remain within the organization, and an organization can be said to be unsuccessful in terms of resource management humans if the organization cannot retain its employees.

Turnover Intention

Intention is a desire that arises in an individual to do something. Leaving is the cessation of an employee from his place of voluntary work. Turnover Intention is expressed as an employee's awareness or thinking about quitting work (Çelik and Çir, 2013). Akgunduz (2018) determines that turnover intention is said to be the intention of conscious and intentional employees to leave the organization where they work. This can be measured by the desire of employees to leave work and find new work on purpose (Avcı and Kucukusta, 2009). Turnover intention can be interpreted as the desire of someone to leave the company and try to find another job that is better than before (Waspodo, Handayani, & Paramita, 2013). Turnover intention refers to the results of an individual's evaluation of the continuity of relationships with an organization that has not been realized in a definite action to leave the organization (Putra & Wibawa, 2015). Joe (2018) defines turnover intention "as a deliberate and conscious desire to leave an organization for good in the future". The desire to move is often overlooked but is an important problem for business practitioners. It is important for

management to learn why employees develop the intention to quit their jobs, because high turnover rates can damage organizational morale and make employees not develop identification of their company. Sumarto (2009) suggested that turnover intention is a picture of thoughts to get out looking for work in another place, the tendency or intention of employees to stop working from their work voluntarily according to their own choice and the desire to leave the organization.

The intention to leave the organization does not appear by itself but many factors cause it. Akgunduz (2018) classifies the factors that influence the desire to move based on factors related to work, namely: First; Job satisfaction, where employees will tend to think of going out if they are dissatisfied with their boss, co-workers and with the work itself. Second; Wage satisfaction (compensation), the organization must pay attention to how employees contribute to the organization with the benefits that employees receive and the goal is to retain employees. Third; career development, employees will feel at home and stay in the organization if their career will improve their abilities in the organization.

Compensation

Compensation is all income in the form of money or goods directly or indirectly received by employees in return for services provided to the company (Hasibuan, 2009). The combination of all cash incentives and the mix of additional benefits that employees receive from the company is total individual compensation (Murphy, 2004). Compensation is all income in the form of money or goods directly or indirectly received by employees in return for services provided to the company (Priyono and Marnis, 2008). Compensation is a form of payment or rewards given to employees as a result of the person's work (Dessler, 2009).

Compensation payment is a human resource strategic function that gives a significant impact on other human resource functions. Dessler (2009) types of compensations: first direct money payment in form of salary, wage incentives, commission and bonus: second, indirect payment in the form of allowances like insurance, entertainment on company cost: third, nonfinancial reward that are not easily quantified like challenging working environment, flexible working hours and prestigious office. Direct compensation types are: wage or salary, incentives and allowances.

Career Development

According to Rivai and Sagala (2009), suggests that career development is a process of increasing individual work abilities achieved in order to achieve the desired career. Career development is a different concept that refers to the process by which individuals and leaders, they manage various tasks, behaviors, and experiences within and throughout work and organization over time, with implications for identity related to employee work (Zacher: 2018) and according Priyono (2008) which reveals that career development is a planned effort and consists of structured activities or processes that result in joint planning efforts between employees and organizations. Understanding career development according to Andre J. Fubrin quoted by Mangkunegara (2011) that, career development from an organizational point of view is a personnel activity that helps individuals plan their future careers within the company, to help employees achieve maximum self-development. So, from some of the above understandings it can be explained that career development is the process of increasing individual work skills that help individuals plan their future careers within the company, whether in the form of achieving personal goals or real rewards such as promotions in various fields of work.

Career development focuses on how individual and contextual factors influence changes in people's careers over time. Some literature reviews focus on the topic of career development and subjective and objective career successes (i.e. achieving personal goals or real rewards such as promotions) in various occupations (Wang & Wanberg, 2017).

Job Satisfaction

Job satisfaction is an assessment, feeling or attitude of a person or employee towards his work and relationship with the work environment, type of work, compensation, relationships between colleagues, social relations at work and so forth. Job satisfaction is the fulfillment of several desires and needs through work or work activities. Each employee will have a different measure of job satisfaction between employees with each other. Job satisfaction varies due to differences in social

status in society (Priyono, 2010). The definition given by Eyupoglu (2017) is "a pleasant or positive emotional state resulting from an assessment of one's work experience", perhaps one of the most widely used definitions in the literature on job satisfaction. However, geographically, it can be said that job satisfaction is an affective reaction to work that results from the comparison of the actual results of a person with the desired results. Job satisfaction is a pleasant or positive emotional state that results from a job assessment or work experience. In other words, job satisfaction is an employee's positive or negative emotional evaluation of the extent to which he is satisfied with his job (Bayarçelik, 2016).

In general, while the employees with a high level of sense of job satisfaction behave in a positive and constructive manner towards their work and their organization, those with a low level of sense of job satisfaction bear negative feelings for work (Greenberg and Baron, 2000). Employee job satisfaction is often regarded as a strong determinant of employee turnover. However, employee perceptions of dissatisfaction treatment become a stronger predictor than job satisfaction. If employees feel dissatisfied with the organization, there will be pressure. Perceptions of dissatisfaction cause an unpleasant emotional atmosphere that can reduce employees to work as optimally as possible which in turn has an impact on efforts to leave the organization (Priyono and Marnis, 2008).

Compensation on Turnover Intention

This is evident from the research conducted by Silaban (2018) which states that the higher compensation received by employees, the lower the intention to leave employees, and conversely, the lower the compensation received by employees, the higher the intention to leave employees.

Turnover intention from current company can be caused by unsatisfactory salary, high demand by other company, work hour shift and uncertain work status. Satisfactory or unsatisfactory salary is cause by incompatibility between what someone received compared to other. Satisfaction on compensation will lower absence rate and employees' turnover intention.

Weldeyohannes (2016) also stated that unsatisfactory salary has impact on turnover intention. From the explanations above, we can conclude that satisfactory salary can retain an employee to stay loyal to the company or organization. Compensation for employee is a form of appreciation given to employee for their contribution to achieve company goal. Compensation is also a motivation for employees to work as best as they can. Proper compensation suitable with responsibility will also increase the sense of responsible on the task given to the employees.

Proposition 1 : Suitable compensation will lower employees' turnover intention

Career Development on Turnover Intention

Chang, Chou and Cheng (2007) examined the relationship between career development and turnover intention, they stated that if hospital's administrators can provide career development programs to satisfy career needs of nurses at different career stages, then nurses' commitment to the hospital may increase and nurses turnover intention may decrease.

Dawwaz and Zahare (2014) have carried out research on the relationship between human resource management practices (job characteristics, training, performance appraisal, compensation and career development with the intention to leave. The results they found were that these practices had a negative influence on the intention to leave employees.

Proposition 2: Compensation negatively influences Turnover Intention.

Compensation on Job Satisfaction

According to Salisu et.al (2015) in his research there is a conclusion that research findings indicate that compensation has a positive impact on job satisfaction of workers. In line with the research of Supatmi, Nimran and Utami (2012) which concluded that the relationship between compensation and job satisfaction was positive where the higher compensation received by employees, the higher the job satisfaction felt by employees.

A key component for a successful organizational intervention is the meaningfulness of the intervention to the employee. One intervention that may be meaningful to many employees is the amount of their compensation and benefits increase (Mayuri & Mark, 2005). Compensation is a

powerful communicator of organizational goals and priorities and institutions that expect to be successful must make employees become partners in their success (Pam, 2007).

According to the survey report conducted by the Society for Human Resource Management (2012), it was found that compensation and benefits are regularly among the top three factors affecting employee job satisfaction. Although money is not a motivator, employees crave for it because financial independence equates with personal freedom. Hence it is what one does with the money that motivates one to work better.

Proposition 3: Compensation and job satisfaction have a positive relationship.

Career Development on Job Satisfaction

Mondy (2010) identified several career development purposes, among which are: (a) increasing the satisfaction of workers specific development needs. Workers who see her/ his development needs will be met, tend to be more satisfied with the work and the organization, (b) improving performance, within the meaning of the work itself mostly influence on career development. Each type and work level can give a challenge and a different experience, (c) increasing workers loyalty and motivation. Individuals who believe that the company pays attention to career planning would prefer surviving within an organization, and (d) identifying training and development needs. If someone wants a definite career path and does not currently have the right qualifications, then it will be identified as training and development needs. This description reinforces previous opinion that career development has a very broad purpose, encompasses the needs and interests of organizations and workers.

Organizations that empower management of career are more likely to enlarge employee's satisfaction of job (Lee 2000). A number of analysts, who provided substitute opinions of satisfaction of job, have valued this idea. First of all, several authors explain satisfaction of job as a mind-set and provide different understanding. Career development has an influence on job satisfaction as evidenced in the research of Nugroho and Kunartinah (2012) who say that in addition to motivation and compensation, career development turns out to have a positive and significant influence on job satisfaction.

Proposition 4: Career development turns out to have a positive and significant influence on job satisfaction.

Job Satisfaction on turnover intention

Job satisfaction is in turn associated negatively with personnel turnover. Traditionally, research on turnover has considered job satisfaction as an important variable in understanding employees who voluntarily leave the organization. According to a meta-analysis, job satisfaction has been shown to have a correlation of with actual turnover (Chung, 2017).

Mudor and Tookson (2011) who examined the relationship between human resource management practices, job satisfaction and employee exit, finally concluded that human resource management practices, such as compensation and career development, positively and significantly correlated with job satisfaction. But on the other hand, the practice of human resource management and job satisfaction has a negative and significant correlation with leaving employees.

Proposition 5: Job satisfaction has a negative and significant correlation with turnover intention

Compensation on Turnover Intention through Job Satisfaction

Falkenburg and Schyns (2007) describe job satisfaction as a behavioral cycle with regard to the behavior reason which is the satisfaction of different aspects of job and job conditions and they believed that satisfaction is a degree which employees like their jobs. Job dissatisfaction related to income leads to turnover intention and then change into more serious reactions such as job turnover. Therefore this is expected to consistent with past research, job satisfaction plays a mediating role on the relationship between pay satisfaction and turnover intention.

Proposition 6: Compensation has an indirect negative effect (through organizational commitment) on turnover intention.

Career Development on Turnover Intention Trough Job Satisfaction

Career development is a multidimensional construct consisting of meeting career goals, developing one's professional abilities, and receiving promotions and compensation commensurate with those abilities (Weng, McElroy, Morrow, & Liu, 2010). Career development is reported to be one of the most important concerns rated by Chinese graduates facing job decisions (Hu et al., 2008), and the lack of career development experience in one organization might damage the exchange relations between employees and organizations therefore lead to turnover later on (Weng et al., 2010). This suggests that for Chinese new employees in the current volatile context, the importance of employees' career growth, as a kind of favorable organizational reinforcement in the new economy, is more salient than before. Therefore, career growth is hypothesized to predict job satisfaction and turnover intention.

Proposition 7: Career development would positively predict job satisfaction and negatively predict turnover intention

Conclusions and Recommendations

From the description of the results of several studies above, it can be concluded that: compensation and career development have a positive and significant influence on job satisfaction and negatively affect turnover intention, meaning that if the compensation provided by the company can meet the needs of the employee's desire, employee job satisfaction will increase and lower employee turnover rates. Likewise with career development where if the career development in the company goes well, a career for the future of employees is clear then employee job satisfaction is increased and the desire of employees to leave the organization is low. And conversely, if the compensation received by an employee cannot fulfill the employee's desires and his career development is unclear then the employee's job satisfaction will decrease and the employee's desire to leave the organization will increase and it is feared that he will leave the company.

To complete this study, research will be conducted on the effect of compensation and career development on turnover intention: job satisfaction as a mediating variable with the aim of obtaining the results of this study.

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