



# The Influence of Employee Compensation and Status on Employee Turnover at PT. XYZ

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**Abstract.** Turnover is one of the issues with human resources that organizations frequently encounter. PT. XYZ has many contract employees compared to permanent employees, and has 2 different payroll systems between permanent and contract employees which always have an impact on turnover intention. This study aims to determine the effect of compensation and employment status on turnover at PT. XYZ. The selection of the sample in this study was carried out using a purposive sampling method and using the slovin formula. Analysis on using data analysis method using SmartPLS software.

**Keywords:** *Compensation* · Employment Status · Turnover

## 1 Introduction

Human resources are in the limelight and are crucial to the operation of any organization or business. Organizational and corporate operations will need to be supported adequately by human resources. Therefore, a crucial factor that must be taken into account for all of their demands is human resources. Human resources determine the effective execution of business and organizational operations. Therefore, sufficient human resource pay is required to achieve corporate goals. The distribution of inappropriate pay will have a substantial negative impact on employees' performance at work, making compensation one of the issues that have captured workers' attention up to this point. Employees may be unsatisfied with the outcomes of their salary and wish to leave or look for another employer.

One of the most common problems with a company's human resources is employee turnover. Employee turnover intention refers to their propensity or desire to quit their existing employers or to stop working there. (Anggara et al., 2020)

Employee status poses a particular problem or topic of discussion in the workplace because there are specific situations that set contract and permanent employees apart, such as when it comes to completing work that is a leadership- imposed obligation, particularly when it comes to the status of contract employees. They will feel overwhelmed or may experience humiliation at the hands of employees with permanent employment status if they cannot finish their duties. This might be detrimental to contract workers and a stressor for the workplace. (Nainggolan, 2020)

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**Table 1.** PT.XYZ salary data

Position	Salary
Permanent Admin Staff	Rp. 3.125.000
Contract Admin Staff	Rp. 2.550.000
Permanent Account officer	Rp. 3.125.000
Contract Account officer	Rp. 3.125.000

Source: Hr PT.XYZ, 2022

PT XYZ is a business that solely provides services for micro-productivity and does business as a financial institution. The OJK oversees this business, which has been operating since 2013. This 2013-founded firm has to supplement employee compensation with other incentives because paying salary alone does not reflect the obligations or workload these workers are given, which deters people from wanting to work. The organization has two different types of payroll systems:

One for non-permanent workers and one for permanent employees. In both cases, the compensation paid to contract employees is significantly less than that paid to permanent employees (Table 1).

The desire to turnover is constantly impacted by the fact that PT. XYZ employs more contract workers than permanent ones. The corporation has its reasons for using contract workers, one of which is that if a contract worker wants to go, the company will not provide them with a bonus or severance compensation.

This may result in a drop in the number of contract or temporary employees at the organization and increased employee turnover (Table 2).

According to the statistics above, there are monthly swings in the number of contract workers who consistently leave the firm; thus, if this trend continues, it will be challenging for the company to grow. The corporation should thus offer enough remuneration in order to reduce staff turnover. In proportion to their work, the corporation should promote contract workers who have served the company for a long time to permanent positions.

## 2 Literature Review

### 2.1 Compensation

(Jufrizen, 2018) Claims that compensation is reimbursement for services or other benefits an employer offers in exchange for their efforts or ideas in advancing the company's achievement of its objectives. "Everything an employee receives in exchange for their labour constitutes compensation." anything that the business delivers to its employees in exchange for work done to advance the industry. The pay is commensurate with the status, knowledge, and satisfaction of needs that employees and their families get. The concept of compensation or remuneration in the study above indicates that wages earned by employees or workers are an income that ensures a good existence. This definition clarifies that payment is made following the parties' mutual agreement and is valued in terms of money and other additions.

**Table 2.** Employee Turnover Data of PT. XYZ 2021–2022

Month	Number of Employees	Employee Resign Permanent	Turn Contract	Over
Agu-21	207	1	11	5,8 0%
Sep-21	207	1	10	5,3 1%
Okt-21	207	2	11	6,2 8%
Nov-21	207	3	13	7,7 3%
Des-21	207	1	15	7,7 3%
Jan-22	207	4	14	8,7 0%
Feb-22	207	2	12	6,7 6%

Source: processed secondary data 2022

(Lauren, 2017) All money or items received directly or indirectly by employees as payment for services rendered to the firm are referred to as compensation. Reduced work satisfaction and higher turnover result from employees who see their pay poorly. High employee turnover may be a sign of low commitment on the part of the workforce. Employees with negative impressions of the remuneration they get are unhappy with it. Employees frequently hold the ideas, assumptions, and beliefs that the income offered by the organization does not reflect the performance contribution. It affects the likelihood of switching to another organization, the frequency of absences from work, and bad customer service.

The factors that affect compensation are as follows:

1. Labor Supply and Demand
2. Company Capability and Willingness
3. Labor Union or Employee Organization
4. Employee Productivity
5. Government with Laws and Presidential Decrees
6. Cost of Living
7. Employee Position
8. Education and Work Experience
9. National Economic Conditions
10. Type and Nature of Work

(Satedjo & Kempa, 2017) employee compensation indicators:

1. Salary is a regular financial payment made to employees, such as yearly, quarterly, monthly, or weekly.

2. Wages are cash payments made directly to employees under the number of goods or services produced, hours worked, or both.
3. Direct payments made to employees due to their performance exceeding specific benchmarks are known as incentives.

## 2.2 Employment Status

Permanent employees, contract workers, and outsourcing are the 3 (three) different employment situations. The legal status is the primary distinction between contract employee status and permanent employee status. Have a conversation with contract workers if permanent staff do not. Contract employees will get a Specific Time Work Agreement (PKWT), which signifies that the employment connection has ended, and this is also indicated in the employee work agreement. In contrast, an Unspecified Time Work Agreement covers permanent personnel (PKWTT). Contract employees have a working connection with the employer based on a Specific Time Work Agreement, following Law 13/2003 addressing employment (PKWT). Then, Kepmenakertrans No. 100/2004 regulates PKWT arrangements more precisely about clauses for carrying out work agreements for a particular period. Assigning a portion of the job to another company is known as outsourcing. Law 13/2003 regulates outsourcing. An outsourcing company may employ permanent or contract staff. The nature of the task (and whether it meets contract requirements) and the outsourced manager's rules will determine this. Employees that routinely work full-time hours are referred to as permanent groupings. And take part in running corporate operations. Non- permanent employees (seasonal employees) are workers who get daily pay and are not required to have specialized skills (Hendrajana et al., 2017).

(Nainggolan, 2020) The following are some factors that influence employee status:

1. Loyalty refers to the willingness of workers to contribute in every way possible to the achievement of organizational goals, the confidentiality of company information, and the avoidance of activities that might harm the company while they are still employees.
2. Teamwork is essential to achieving the company's objectives, and collaboration with the team is critical.
3. Personal characteristics include personality, leadership, hospitality, and morality.
4. Responsibility, taking ownership of the task completed.

(Nugraha et al., 2017) Both contract employee positions and permanent employee status have benefits and drawbacks.

- a) Benefits of Being a Contract Employee
  1. the chance to learn more and become more knowledgeable
  2. Wide-ranging connections and networks.
  3. Adaptability.
- b) Advantages of permanent employment
  1. Social Security must be transparent.
  2. Be able to keep their financial situation stable.
  3. A high career path inside the organization and loyalty.
- c) Loss of position as a contract employee

1. Uncertain social security and professional possibilities.
  2. Are unable to sustain their financial stability.
- d) Loss of status as a permanent employee
1. Insufficient job experience
  2. I Will spend a lot of time in the same setting.

### 2.3 Turnover

(Putri et al., 2020) The frequency of employees leaving a position or firm is referred to as turnover. In more precise terms, forced separation is something a company does (PHK). When employees leave their jobs voluntarily—by quitting, relocating, etc.—companies prefer that they stay put.

(Ida Bagus Dwihana Parta Yuda, 2017) Workers that intentionally hunt for employment elsewhere in a different company are doing so of their own volition. The route an employee intends to take regarding leaving his job willingly and following his preferences is a significant issue for the business.

Some elements that affect turnover include:

- a. External Factors. External influences can be perceived to have two sides:
  1. Environmental factor: In this aspect, other employment opportunities may influence the potential of leaving.
  2. Individual element: In this aspect, leaving is more likely for those who are younger, female, and have worked fewer hours.
- b. Five sides of this internal component can be seen:
  1. Institutional Culture Turnover can be influenced by employee satisfaction with working circumstances and relations with coworkers.
  2. Management Approach. Turnover is influenced by a leader's leadership style, their level of satisfaction, and additional factors like centralization.
  3. Reimbursement Payroll and payment satisfaction are two aspects that might affect turnover.
  4. Job Contentment One element that might affect turnover is employee satisfaction with the work and specific tasks.
  5. Career Satisfaction with promotion is one of the factors that can determine turnover.

(Prajab, 2018) The indications used to gauge turnover intention were created using the research findings:

1. leaving thoughts, The idea of going to the organization and withdrawing from it crosses employees' minds on various occasions. Employees will often compare results gained in the firm to those acquired by friends in other companies.
2. To identify alternative employment openings, employees browse job listings on various informational websites or inquire about spaces outside their current employer.
3. In the upcoming months, a desire exists to quit the organization. Employees start exhibiting specific behaviours that reveal their interest in joining the organization. For instance, beginning to be able to assure that he will quit the firm after declaring his desire to resign.

## 2.4 Previous Research

(Wiguna & Surya, 2017) According to the findings of hypothesis testing, pay has a negative and substantial impact on the desire to turnover. According to this study, giving employees adequate, fair, and proper compensation can reduce their willingness to quit the firm, whether it be in the form of awards or other forms of money. (Lauren, 2017) Turnover Intention is significantly influenced by compensation. This is evident from the 2,587 statistical value (greater than 1.96). The second premise, "Compensation influences Turnover Intention PT. X can be proclaimed acceptable and confirmed authentic and follows accordingly. This demonstrates a strong negative relationship between remuneration and turnover intention. (Dhananjaya & Dewi, 2018) Claims that the Asadana Semesta Cooperative Denpasar's desire to reduce staff turnover is harmed by cash remuneration. The first hypothesis is approved since the analysis of the hypothesis testing indicates that receiving money hurts the intention to turn over. This suggests a correlation between employee turnover intention and financial remuneration received by employees.

(Setiyanto & Selvi, 2018) The conclusion is that organizational commitment has a considerable impact on employee turnover intention, i.e., organizational commitment has a pleasing effect on employee turnover intention. Companies must encourage employees to take on more responsibility, for example, by providing incentives and paying attention to contract workers who have put in a lot of effort to obtain a permanent position.

(Asih & Zamralita, 2018) Respondents with contract and permanent job status fall into the middle group with a sig. of 0.944 regarding the employment status factor, which is linked to turnover intention. This demonstrates that the desire to turnover is unaffected by employment status. A similar propensity toward intention to leave the job exists across respondents with contract and permanent employment status.

## Research Model

See Fig. 1.

## Hypothesis

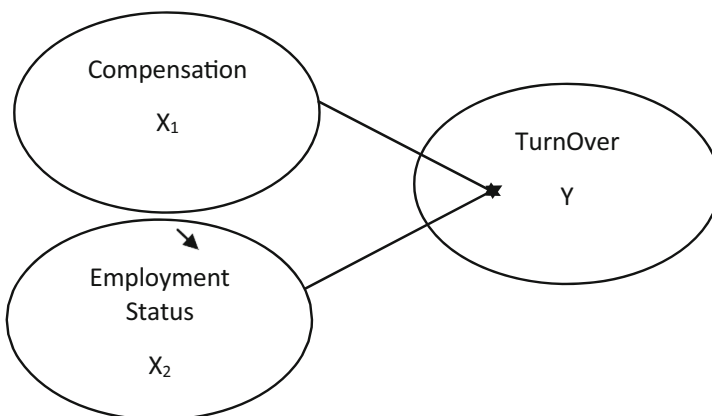


Fig. 1. Research Model Source: Previous Research

H1: There is a negative effect between the compensation variable on turnover

H2: There is a negative effect between the employment status variable on turnover

H3: There is a positive and significant influence between the compensation variable on the employment status of PT. XYZ

### **3 Methodology**

#### **3.1 Types of Research**

This study's methodology makes use of quantitative data and descriptive research techniques. An illustrative method is a research approach that tries to describe and explain current corporate circumstances based on facts and demographic characteristics based on data that has been gathered, methodically organized, and then examined to draw conclusions. A numerical scale or set of numbers is used to quantify quantitative information (Kuncoro, 2013). The analysis uses the data analysis method using SmartPLS software, which can explain that PLS is an analytical method that is soft modelling because it does not assume data must be of a specific scale of measurement, which means the number of samples can be small (under 100 models). This method is proposed to answer the formulation of the problem, namely, how does compensation and employment status influence the tenure at PT XYZ.

#### **3.2 Data and Acquisition Techniques**

For research purposes, data refers to all information utilized as a responder or gleaned from documents in statistical and other formats. The value of one or more variables in the sample or population is used to get data. Because the data were gathered in numbers from surveys and information gained directly from HRd PT XYZ, they were classified as primary data for this study.

#### **3.3 Population and Sample**

The population is the whole amount of data that the researcher wishes to look at, and it has particular properties and characteristics that allow for inferences to be made. All of the PT. XYZ personnel were the target group for the study. There were 207 populations in the research as a whole. Purposive sampling, or passing the model through the criteria previously used to generate a sample that complied with the research objectives, was used to pick the sample for this study. The slovin rule formula, a component of tolerance for inaccurate results owing to sampling mistakes, was used to limit the number of pieces in this study since the total population was 207 and the tolerance value was 10%.

#### **3.4 Data Analysis Techniques**

If a measuring scale performs and measures as it should, it is said to be legitimate (Kuncoro, 2013). The validity test in this study was determined by doing a Pearson correlation test with a 0.05 error tolerance level to determine the association between the scores of each statement item and the overall score. The significance test is conducted

by contrasting the value of the  $r$  count with the  $r$  table. The article, inquiry, or indication is deemed legitimate if the  $r$  count exceeds the  $r$  table and the value is positive (Ghozali, 2016). A questionnaire's reliability can be measured using it to indicate the variable. A questionnaire is considered dependable if a respondent's response to a statement is constant or steady throughout time.

SEM Evaluation Data analysis condenses information into a format that is simpler to understand and use. The Structural Equation Model has been used as the analytical method to evaluate the data and test the assumptions (SEM). A partial Least Square was utilized to assess the theory (PLS). The Smart Partial Least Square (PLS) tool is used for computations since it is multi-lane and the model is reflective, according to Ghozali (2016). Because the computation model in this study contains a multi-path connection and is reflected in shape, it is performed using the Smart PLS tool. Additionally, there were fewer than 100 responses in the sample. The reflecting model is a model that demonstrates how latent variables and indicators are related.

This research will be processed and will be continued until it is finished.

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