THE EFFECTS OF COMPENSATION, WORK ENVIRONMENT AND JOB SATISFACTION ON EMPLOYEE RETENTION
A CASE STUDY: BANKING INDUSTRY

A THESIS

Presented as Partial Fulfillment of the Requirements to Obtain the Bachelor Degree in Management Department

By:

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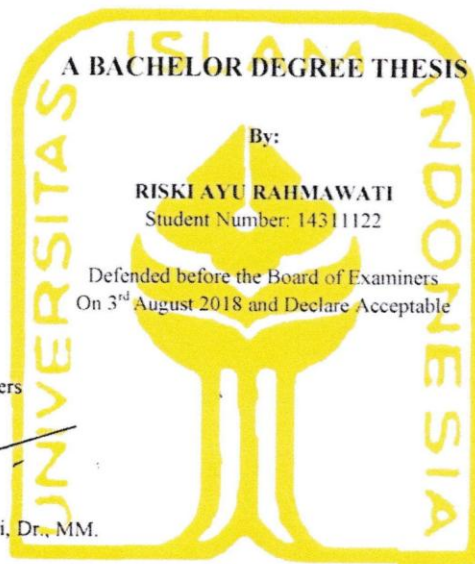
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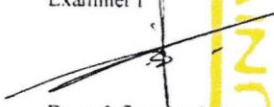
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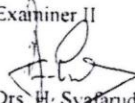**RISKI AYU RAHMAWATI**
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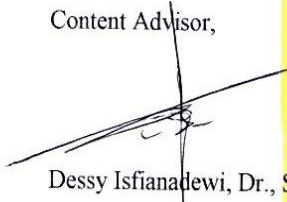
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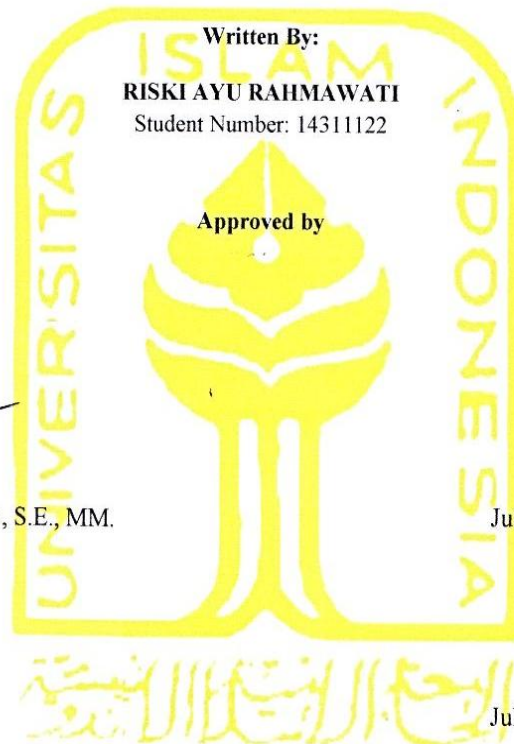
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DECLARATION OF AUTHENTICITY

Herein, I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas, or expression without acknowledgement. All quotations are cited and listed in the bibliography of the thesis.

If in the future this statement is proven false, I am willing to accept any sanction complying with the determined regulation or its consequence.

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Yogyakarta, July 11th , 2018

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A CASE STUDY: BANKING INDUSTRY

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ABSTRACT

One of the most challenging problems of service providers is to retain the employee. The employee as an important asset which determines the performance of an organization leads to success since the human resource is the main mover of all organization activities. The way to retain employee is to be recognized through several influential factors, some of them are compensation, work environment, and job satisfaction. The aim of the study is to identify the effects of compensation, work environment, and job satisfaction on the retention of employees in the Banking Industry. The samples of this research were management staffs of the three companies in Bank Jateng Magelang, Bank Mega Magelang, and Bank Mandiri Temanggung. The questionnaires were distributed to 128 respondents and 125 questionnaires were properly filled by the employees. The analytical tool used in this research is multiple linear regression using SPSS version 22.0. The results of this research showed there were positive influence of compensation, work environment, and job satisfaction on employee retention.

Keywords: *Compensation, Work Environment, Job Satisfaction, Employee Retention, Banking.*

PENGARUH KOMPENSASI, LINGKUNGAN KERJA, DAN KEPUASAN KERJA PADA RETENSI KARYAWAN
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ABSTRAK

Salah satu tantangan yang paling menantang penyedia adalah retensi karyawan. Karyawan sebagai aset terpenting penentu performa sebuah organisasi yang mengarah pada keberhasilan sumber daya manusia sebagai penggerak utama semua kegiatan organisasi. Cara mempertahankan karyawan sangat penting untuk diketahui melalui beberapa faktor. Diantaranya adalah kompensasi, lingkungan kerja, dan kepuasan kerja. Penelitian ini dilakukan dengan tujuan untuk mengidentifikasi dampak kompensasi, lingkungan kerja, dan kepuasan kerja pada retensi karyawan di Industri Perbankan. Sampel penelitian ini adalah staf manajemen dari tiga perusahaan di Bank Jateng Magelang, Bank Mega Magelang, dan Bank Mandiri Temanggung. Kuesioner didistribusikan ke 128 responden dan 125 kuesioner diisi dengan benar oleh karyawan. Alat analisis yang digunakan dalam penelitian ini adalah regresi linier berganda menggunakan SPSS versi 22.0. Hasil penelitian ini menunjukkan bahwa ada pengaruh positif antara kompensasi, lingkungan kerja, dan kepuasan kerja terhadap retensi karyawan.

Kata kunci: Kompensasi, Lingkungan Kerja, Kepuasan Kerja, Retensi Karyawan, Perbankan

Table of Content

CHAPTER I

INTRODUCTION

1.1   Background of Study

In today's competitive business environment, the most important resource for any organization is still people. People are an organization's most critical asset because outstanding people give an organization a competitive advantage (Kaye & Jordan, 2005). The contribution of people in providing their skills and capabilities are necessary to make an organization work. Indeed, human resources are highly important to an organization's success or failure. It is undeniable that the existence of human resource is the main driver in running all aspect of organization success. Like many other sectors, banking industry is services mainly based which also certainly requires a good human resource. Conclusively, to remain competitive in the business it is vital for any organization as well as bank to understand and pay attention to making them stay in the organization to remain competitive in the business environment due to the importance of people as asset.

Talk about banking industry, the Indonesian banking industry is still facing turnover problems. Recent data from PricewaterhouseCoopers (PwC) Indonesia 2014 about banking industry in Indonesia showed that employee turnover has been reached 15%. The employee turnover which said to be normal is between 5-10 percent per year, and it is high if it is more than 10 percent per year (Gillis, 1994). Day by day the scramble war of human resource in the banking industry is getting tighter. The survey conducted by PwC Indonesia 2014 showed that human

resources in the banking industry are often moving companies, 54% of respondents moved for better benefits while 37% of respondents stated looking for another workplace for career improvement. The results also showed as many as 4% of respondents switched banks because they wanted to challenge. The other 4% moved because they were not satisfied with the leadership style of their superiors (Bisnis.com, 2014). Similarly, banking industry in region as Bank Jateng experienced turnover problems in 2012. In reporting period, employee turnover reached 14,1 % (Bank Jateng Sustainability Report, 2012, p. 67).

Employees' retention has always been one of the major challenges being faced by almost every organization across the globe (Sinha & Sinha, 2012). An organization such as bank will not perform well to achieve the goals if it is oftenly deal with the employee leaving. Since high turnover among employees has bad consequences for the organizations (Huang et al., 2006), no matter the size or stage of organization currently at. Kodwani and Kumar (2004) pointed out that the costs incurred due to employee turnover are not only monetary, but also non-monetary, i.e. loss of knowledge and skills, loss of productivity, reduced productivity, and new competitive pressures.

Dysfunctional turnover (i.e. good performers leave, bad performers stay) damages the organization through decreased innovation, delayed services, lethargic implementation of new programmers and degenerated productivity (Abbasi and Hollman, 2000). Therefore, voluntary turnover should be reduced or avoided, in fact that it is just a bad sign for the long-term health and success of organization including banking industry. Top management & HR department put

in an extensive time, financial resources and effort in order to find out the way to retain their employees and gain competitive advantage (Bartlett & Ghoshal, 2013).

High level of employees turnover are caused by various factors that influence them when they decided to leave the organization. Williams and Livingstone (1994) in their studies have found that to retain the employees for a longer period of time in the organization there are some factors which affect them. Hence, this study will examine some employee retention factors through compensation, work environment, and job satisfaction in banking industry.

1.2   Problem Identifications

The intention and purposes of this research are namely to:

1)   to determine if there is any positive influence of compensation toward employee retention,

2)   to determine if there is any positive influence of work environment toward employee retention, and

3)   to determine if there is any positive influence of job satisfaction toward employee retention.

1.3 Problem Formulations

Based on the background of the problems described above, the problem can be formulated as follows:

1) is there any positive influence of compensation toward employee retention?

2) is there any positive influence of work environment toward employee retention?

3) is there any positive influence of job satisfaction toward employee retention?

1.4 Problem Limitation

The result of this study and the generalization of those results may be limited by the following factors or conditions:

1) the population was limited to employee in the company,

2) the result of the study depends on the willingness and ability of the respondents to accurately complete and return the survey to the researcher, and

3) the conclusion of this research study would be limited and constrained to the unique factors within the company. Therefore, the conclusion may not be the same as other companies.

1.5   Research Objectives

In accordance with the problem formulations, the aims of this research are:

1)   to identify the positive influence of compensation toward employee retention,

2)   to identify the positive influence of work environment toward employee retention, and

3)   to identify the positive influence of job satisfaction toward employee retention.

1.6   Research Contribution

1)   Company

The result of this study can be used by organization management to understand the effects of compensation, work environment, and job satisfaction toward employee retention in order to make evaluation and policy for current condition of company and the future.

2)   Employee

Hopefully the result of research study can provide an overview and important information to employees about the last situation of the company regarding employee retention.

**3)	Further Researchers**

This research is expected to be a reference which contain informations for further researchers who are interested to examine the same variables.

**1.7	Systematical Writing**

The thesis is divided into five chapters in order to provide clarity and elaboration on the discussion of the relationship between independent variables and dependent variable.

Chapter I: Introduction

This chapter contains the problem uncovered by the researcher and provide sample background on the topic. The chapter constitutes an introduction to the whole thesis, the hypotheses, and the statement of the problem in order to present the basis of the study. Moreover, the chapter has a discussion on the scope of its study as well as the significance of the study to society in general and specific effects on the management of firms.

Chapter II: Literature Review

This chapter discusses the relevance of the study in the previous literature. It provides studies of compensation, work environment, and job satisfaction on employee retention.

Chapter III: Research Method

This chapter describes the methods and procedures used in the study. This chapter comprises of the presentation of the utilized techniques for data collection and research methodology. Similarly, it also contains a discussion on the used techniques in data analysis as well as the tools used to acquire the required data.

Chapter IV: Data Analysis and Discussion

This chapter describes an analysis on the tabulated data. After the tabulation has done, the data were statistically treated in order to uncover the relationship of the variables involved in the study. In this chapter, the data were calculated to obtain results for answering the problem statements stated in the first chapter.

Chapter V: Conclusions and Recommendations

This chapter contain of the conclusion of the research and research recommendation for future research. With those two portions, this chapter is able to address the verification of the hypothesis stated in the chapter II of this research.

CHAPTER II

LITERATURE REVIEW

2.1   Theoretical Review

2.1.1   Grand Theory of Compensation

Compensation is a fundamental component of human resource management. It covers economic reward in the form of wages and salaries as well as benefits, indirect compensation or supplementary pay (Ojo, 1998). Besides, Yale and Donald (2002) stated that compensation rewards performance relative to others and progressive improvement in year-to-year results and providing regular measures of success or progress. It also balances rewards with risk and providing capital accumulation opportunity. Therefore, compensation has very crucial to not only the employees but also the employers. Compensation emanates basically from the fact that it provides income to workers and constitutes an important cost item to the employer (Martocchio, 2011). According to Cascio (2003), the objective of the design of compensation program is divided into two; direct and indirect forms of compensation. Direct compensation has to do with wage or salary aspect while indirect compensation is the fringe benefits that worker enjoys as a result of working in an organization. Integrating the two into a package that will encourage the achievement of an organizations goal is what

compensation is all about (Odunlade, 2012). Employees' compensation is divided into two categories:

a. Intrinsic rewards relate to a psychological mindset that is experienced by workers at work.

b. Extrinsic reward covers employees' pay and benefits, which workers enjoy as a result of their contribution to the organisation (Armstrong, 2002).

2.1.2 Grand Theory of Work Environment

Work environment was defined as the individual employee's perceptions of and experiences in the immediate work setting (Reichers & Schneider, 1990). According to Opperman (2002), work environment is devided into three major of sub-environments;

1) Technical environment refers to tools, equipment, technological infrastructure and other physical or technical elements.

2) The human environment refers to peers, others with whom employees relates, team and work groups, interactional issues, the leadership and management.

3) The organizational environment include systems, procedures, practices, values and philosophies.

Brenner (2004) demonstrated that work environment should be designed to fulfill employees' satisfaction and ensure the free flow of ideas exchange, and this leads to motivating employees towards

achieving higher productivity. One of the most crucial element of any organizations total reward strategy is having a positive work environment (Heneman, 2007). According to Nakpodia (2011), a good working environment exists when all the essential needs and facilities that could help employees do their works are provided. Such facilities and needs include decent furniture, air conditioned offices, teaching facilities and materials, pleasant communications and network of information technology, good working atmosphere, and exposed organizational climate. Vischer (2007) also expressed that work environment according to the integration of psychosocial dimensions includes employer relationship, motivation and progression, career demands, and social support.

2.1.3 Grand Theory of Job Satisfaction

As job satisfaction is a major concern for the organizational research. On the other hand organizational performance and employee satisfaction are also the key components which are affected by this (Willem et al., 2007). Job satisfaction is an important target in human resource management because it can affect the performance and productivity of labor. Job satisfaction can be seen from how employees react to changes in the characteristics of his work. A picture of employee satisfaction is the weight of ideas generated by employees in his mind of all aspects of their work (Hamermesh, 2001). Job satisfaction is the extent to which the employee is satisfied with his present work due to

how many his needs and wants satisfied (Finn, 2001). What employee feels and perceived about its job and what are their experiences on work, do they feel positive or negative about job, this all relates to job satisfaction (Kim et al., 2005; Willem et al., 2007). Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important. Luthan (1998) as cited in Tella (2007) defined that there are three important dimensions to job satisfaction:

1. Job satisfaction is an emotional response to a job situation, because it cannot be seen, only can be inferred.

2. Job satisfaction is often determined by how well the results meet or exceed expectations. For example, if organizational participants feel that they work harder than others in the department but receive fewer awards, they may have a negative attitude toward work, employers, and or co-workers. On the other hand, if they feel well treated and paid fairly, they tend to have a positive attitude towards work.

3. Job satisfaction is some interrelated attitude that is the most important characteristic of a job about people who have effective response.

Luthan (1998) also revealed that job satisfaction is affected five specific dimensions of work as follows:

a.   Salary

Amount of wages received and the degree to which this can be considered as the proper thing compared with others in the organization. Employees view salary as a reflection of how the management views their contribution to the company.

b.   Promotion

Promotion is a factor related to the presence or absence of the opportunity to gain career advancement during the work. This opportunity has a different effect on job satisfaction.

c.   Supervision

Supervision is the ability of an employer to provide technical assistance and supportive behavior to subordinates who experience problems at work.

d.   The Work Itself

Employees tend to more satisfied with the work that give them an opportunity to do the job with their skills and ability, freedom to do the job, and feedback about their job.

e.   Co-workers

Partners are reminder where co-workers who are good, and its social support is a factor related to the relationship between employees either leader or colleagues with the same or different job responsibilities.

2.1.4 Grand Theory of Employee Retention

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period or until the completion of the project (Bidisha and Baruah, 2013). According to Panoch (2001), forwarded the view that organizations today take great care in retaining its valuable employees and good employees as they are increasingly becoming more difficult to find. Charles et al. (1994) in their studies have found that to retain the employees for a longer period of time in the organization there are some factors which affect them. The factors like culture of the organization, pay compensation, growth in the organization are the factors contributing to reduce the turnover (Fitz-enz, 1997). Retaining is an ability and administrative technique which start from creating, holding and using asset for present and future use (Hausknecht et al. 2008). Schuler and Jackson (2006) define retention as everything an employer does to encourage qualified and productive employees to continue working for the organization. According to Lawler (1998), employee retention is influenced by the type and level of such reward.

2.2   Theoretical Framework

This study consists of X1, X2, X3 and Y. The independent variable (X1) is compensation, (X2) is work environment, and (X3) job satisfaction while the employee retention as the dependent variable (Y). As for the relationship between variables can be seen as follows:
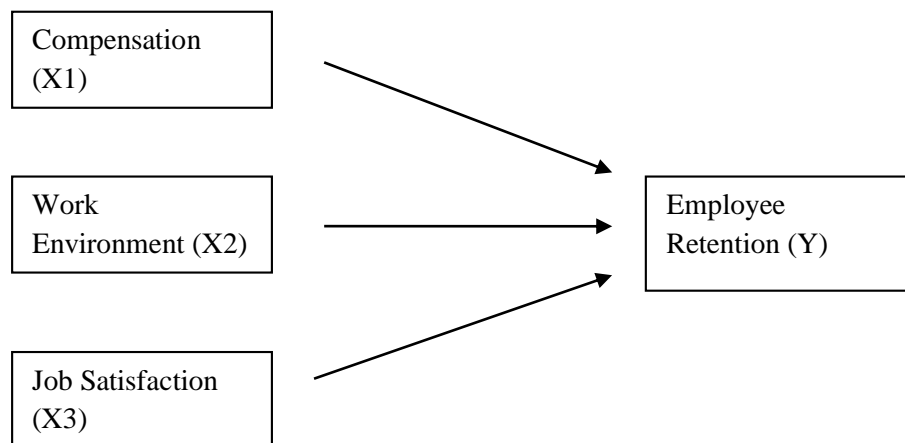
2.3   The Relationship among Variables and Hypothesis

2.3.1   Compensation toward Employee Retention

Sarmad et al. (2016) found that there is a positive relationship between compensation and employees retention. This research study showed that employees need to be financially comfortable to remain committed with the organization that pays them well. Another study by Tangthong et al. (2014) identified compensation as a significant factor affecting employees' intention to stay. From employer's perspective, the employee retention is viewed as the length of his/her stay in the company, that may indirectly be termed as employee attitude towards the

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company. Walker (2001) identified seven factors which can encourage retention: compensation and appreciation of the work performed; challenging work; opportunities to learn; positive relationships with colleagues; recognition of capabilities and performance contributions; good work-life balance; and good communication. Jiang et al. (2009) stated that compensation provides competitive base salary levels necessary to attract and retain talent and compensates for day-to-day responsibilities performed at fully acceptable level and above.

A study conducted by Syahreza et al. (2017) found that compensation has a significant positive effect on retention. Further, findings of the study conducted by Teru and John (2017) showed that compensation/pay has positive effect on the retention of commercial bank staff in Adamawa state, Nigeria.

H1: Compensation has positive influence toward employee retention.

2.3.2 Work Environment toward Employee Retention

Kwenin (2013) found that the work environment has a statistically significant relationship with employee retention. Another study conducted by Msengeti and Obwogi (2015) revealed a statistically significant positive influence between work environment and employee retention. According to Ramlall (2003) people strive to work and to stay in those corporation that provide good and positive work environment,

where employee feel that they are valued mostly and making difference. How well they feel involved with their organization, particularly with their close environment, affects to a large extent their levels of innovation, relationships with other employees, absenteeism, and willingness to stay in the organization (Sehgal, 2012).

Horwitz et al. (2003) also argued that a work place should be a "fun" place to work if key workers are retained. Consequently the key features of a conducive environment would appear to be the availability of sufficient resources to perform the job, flexibility and a pleasant or fun place to work. The key to retaining employees is to create an environment employees choose to work in and will stay given the availability of other job opportunities (Winterton, 2011).

H2: Work environment has positive influence toward employee retention.

2.3.3   Job Satisfaction toward Employee Retention

A study conducted and concluded that employees enjoy flexible working hours, which leads to job satisfaction and enhances retention (Parasuraman S. & Simmers C.A., 2001). Memon et al. (2010) have established that when employees are satisfied with their organizations, they tend to stay. Personal satisfaction, individual sense of attainment and long term personal goals realization are the factors of satisfaction

which enhances employee retention (Mccrensky, 1964). Employee satisfaction derives employee retention in service profit chain (Heskett et. al., 1994). Job satisfaction is not all about money, or even benefits. Respect, recognition, and organizational commitment are what employees want in their jobs and that satisfaction leads to retention (Mcguire, 2003). Ngirande and Terera (2014), in their research found that a positive relationship between job satisfaction and employee retention. Another study conducted by Iqbal et al. (2017) have confirmed that job satisfaction has positive and significant impact on employee retention.

H3: Job satisfaction has positive influence toward employee retention.

2.3   Previous Study

Msengeti and Obwogi (2015) in their study are investigate the effects of the pay and work environment on the retention of employees in the hotel industry in Mombasa County. Finding revealed that pay as a financial component of reward has a weak influence on employee retention in hotels in Mombasa County tourism area as compared to the non-financial element of work environment. It was also observed that there are significant pay discrepancies between the players in the industry which fuelling the low employee retention scenarios experienced.

The next is field research that was conducted by Biason (2014) attempts to explore the relationship between job satisfaction and employee retention. The sample comprise of 100 employees from different organizations in Baguio City, Philippines. In conclusion, the findings of the study suggest that there was a positive correlation between job satisfaction and employee retention.

A research conducted by Kwenin (2013) investigate the relationship between work environment, career development opportunities and employee retention in Vodafone Ghana Limited. The study used 142 employees, representing 10% of the target population of 1,420. Data was collected primarily through semi-structured questionnaire. The paper adopted descriptive research survey, specifically cross sectional. Data was analyzed with Descriptive Statistics. Pearson Correlation Coefficient was employed to establish the relationship among the variables. The study found that work environment and career development opportunities significantly affect employee retention in Vodafone Ghana Limited. Therefore, it is recommended that management of Vodafone Ghana Limited should as much as possible provide attractive work environment for employees to boast their decisions to stay with the organisation.

Teru and John (2017) in their study assessed compensation/pay and staff retention in selected commercial banks in Adamawa state. The bed rock of this study was that inability to retain staff is bedevilling the Nigeria's banking institutions. Therefore, the question of whether compensation/pay significantly affect retention of commercial bank staff is the arena of the study. Data were collected from 197 bank staff from Yola north, Yola south, Mubi north and

Numan local government areas using both close and open ended questionnaires. The data was analyzed using regression analysis, while Likert scale technique was used as measurement instrument for the study. Cronbach's Alpha test was used to measure the reliability of the measurement instrument, which showed a result of 77.4% reliability. The result shows that, a 1% increase in payment of monetary benefits, increased staff retention by 0,688, a 1% increase in the thirteenth month salaries, increased staff retention by 0,484, a 1% increase in timely payment of salaries, led to an increased staff retention by 1,866, but a 1% increase in the use of money as an incentive, triggered a 0,155 decrease in staff retention. Findings of the study therefore revealed that compensation/ pay has positive effect on the retention of commercial bank staff, except when used as an incentive. The study therefore recommended that while using compensation/pay as motivational strategies, commercial banks' management should avoid the use of compensation/pay as incentives.

Further, Tangthong (2014) et al investigate the effects of HRM practices on employee retention in Thailand. Input consists of 400 top management, human resources managers/leaders and line managers of Thailand FDI's key industrial zone in Rayong province. Their studies have shown the significance of both HRM practices and the effect that they can have on employee retention, both directly and indirectly. Both compensation & benefits management and reward system, and training & development have a direct and indirect effect on employee retention, even if training & development do not have a complete role in determining employee retention for direct effect.

Another study conducted by Syahreza et al. (2017) examined the effect of compensation on employee performance. The study was conducted in the hospitality industry in Medan City, North Sumatra, Indonesia. A total of 200 employees from 5 hotels in Medan City were taken as sample. Data were analyzed by using SMART PLS program. The results show that compensation has a significant positive effect on performance; compensation has a significant positive effect on retention; retention has a significant positive effect on performance; retention mediates the effect of compensation on performance. The result of the research is expected to give different perspective and novelty to the improvement of hotel employee performance in Medan City, North Sumatera.

Ngirande and Terera (2014) in their study that were conducted to explore the impact of training on job satisfaction and retention of employees at a selected tertiary institution. A quantitative research methodology was used and 120 randomly selected respondents participated in this study. Self-administered questionnaires were administered to respondents drawn from academic administrators. The data collected was analysed using SPSS version 22.0. The results revealed that there is a significant positive relationship between employee job satisfaction and retention.

A research conducted by Sehgal (2012) discussesed the quality of the employee's workplace environment that most impacts on the level of employee's performance. The main objective

is to find out the relationship between office design and productivity. about 86% of productivity problems reside in the work environment of organizations. Investigation revealed that factors in both the external and internal work environment are responsible for the enhancement of labors productivity. The results showed that nine out of ten believed that a workspace quality affects the attitude of employees and increases their productivity.

Gagandeep Kaur (2014) evaluated the job satisfaction level of universal bank employees in India. It focused on identifying the factors of job satisfaction and their influence on the overall job satisfaction of universal bank employees. The results of multiple regression analysis showed that supervision, cooperation from peers, work allocation and employee acceptance (independent variables) influenced the level of job satisfaction (dependent variable) of bank employees. Additional value of the study to further improve the satisfaction level of bank employees, bank management should provide regular feedback to the employees about their performance. In the absence of feedback, employees will be discouraged because they do not know how they are doing or may believe their contribution is unacknowledged. The most important factor effecting employee satisfaction with their job is their immediate supervisor. Many employees dislike their supervisor though they like the work they do. To make employees happier in their position, stay longer and the most important to ensure that customers receive better services, banks must start improve the management skills of supervisors.

The next is field research that was conducted by Odunlade (2012) with 51 participants of the library personnel in three academic libraries in Nigeria. He examined the relationship of employee compensation and benefits for job satisfaction. The findings of this study revealed that there was a relationship between employee compensation and job satisfaction as 66.75% of the participants affirmed that they were satisfied with the salary they receive. Even at that, 68.6% of the participants would like to be paid overtime/shifting allowance in addition to their salary while 83.3% suggested hazard allowance. However, 29.4% of the participant who probably were sectional heads suggested responsibility allowance.

Iqbal et al. (2017) developed between job satisfaction, organization culture, benefits and salary to check their influence on employee retention with 152 questionnaires were received completely filled. The respondents include the top management, middle management, lower management, lecturers, professors, principles and other administrative staff. They found that there is a significant relationship between rewards offered by a firm and employee satisfaction for the employees to work for the organizations for longer time duration. High level of pay and benefits as compare to other companies in the market, attract and retain high quality employees. Thus, these elements are directly related to employee retention at any organization.

Onukwube (2012), the aim of his study was ascertained the levels of job satisfaction amongst quantity surveyors in consulting firms in Lagos, Nigeria. Biographical and job descriptive index questionnaires (JDI) were administered

to gather the data. The JDI measures job satisfaction on five facets, namely, pay, promotions, supervision, co-workers and the work itself. A total of 100 questionnaires were collected and used for the study. The survey covered quantity surveyors in consulting firms in Lagos and the respondents were selected using stratified random sampling technique. Data collected were analyzed using descriptive statistics, correlation matrix, t-test and one way anova. Findings of the study revealed that the respondents were satisfied with the relationship with co-workers, nature of work and the supervision they receive. Major sources of dissatisfaction are promotion and salaries of the respondents. This finding is a bold step and necessary benchmark for resolving major sources of dissatisfaction among quantity surveyors in consulting firms. The roles of other contextual factors on job satisfaction need to be contemplated for future research.

A research conducted by Natalie Govaerts and Eva Kyndt (2010) investigated some factors that influenced on employee retention. The results showed that when organization want to retain their employees it is important to pay attention to the learning of employees. Letting people do more and learn more of what they are good at will encourage them to stay with the organization. Results concerning the selected employee variables showed that only age has a significant relationship with retention. Regarding the intention to stay, there exists a positive relationship between age and retention.

The study of Parasuraman S. & Simmers C.A (2001) examined the impact of work and family role characteristics on work–family conflict, and

indicators of psychological well being among self-employed and organizationally employed women and men. Results showed that employment type and gender have independent main effects on several of the study variables. Self-employed people enjoy greater autonomy and schedule flexibility at work, and report higher levels of job involvement and job satisfaction than those employed in organization.

Research conducted by Abeysekera R. (2007), the study empirically evaluated six Human Resource (HR) practices (realistic job information, job analysis, work family balance, career development, compensation and supervisor support) and their likely impact on the Marketing Executive Intention to Leave (MEIL) in the Sri Lankan leasing companies. The sample consisted of hundred marketing executives working for 10 different leasing companies in Sri Lanka. The data were gathered by administering questionnaires. The results indicated job analysis, career development, compensation, realistic job information variables were negatively and significantly correlated with MEIL. The work family balance was not negatively correlated with MEIL. Results of regressing the HR practices on MEIL showed that compensation and job analysis are strong predictors of MEIL.

Huang et al (2006) in their study examine the effect of individual-based, firm-based, and market factors on job retention, basing its hypotheses on human capital theory and signaling models. By collecting secondary data on 180 employees who left their jobs at one firm and interviewing human resource managers and those who left for other jobs, factors determining the decision to

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stay with a firm for a certain period were investigated. Hierarchical regression analyses were performed to test hypothesized relationships. The finding showed that marriage, gender, honored employee status, relative pay (both inter-firm and intra-firm wages), speed of promotion, and economic cycles had a significant impact on how long the employees retained their jobs, but education level and individual performance did not. Firm-specific human capital, wages, and signaling effects were proved to affect job retention. Firm-based factors had a significantly more pronounced impact on the ultimate decision than individual-based factors.

A research conducted by Finn (2001) used quantitative pilot study ($n = 178$), conducted in a large Brisbane teaching hospital in Australia, found autonomy to be the most important job component for registered nurses' job satisfaction. The actual level of satisfaction with autonomy was 4.6, on a scale of 1 for very dissatisfied to 7 for very satisfied. The mean for job satisfaction was 4.3, with the job components professional status and interaction adding most substantially to the result. Demographic comparisons showed that nurses who were preceptors had significantly less job satisfaction than the other nurses at the hospital.

Research by Hausknecht et al (2008) explored the retention factor from 24,829 employees in the leisure and hospitality industry lends support to the identified framework and reveals that job satisfaction, extrinsic rewards, constituent attachments, organizational commitment, and organizational prestige were the most frequently mentioned reasons for staying. Advancement

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opportunities and organizational prestige were more common reasons for staying among high performers and non-hourly workers, and extrinsic rewards was more common among low performers and hourly employees, providing support for ease/desirability of movement and psychological contract rationales. The findings highlight the importance of differentiating human resource management practices when the goal is to retain those employees valued most by the organization.

CHAPTER III

RESEARCH METHODOLOGY

This chapter describes the methods that were used to gather the data relevant to the study. It contains the research design, population, sample size, sampling technique, explaining the method and procedures for data collection, analysis and interpretation of the research findings.

3.1 Research Design

Research design refers to a plan which shows the strategy of an inquiry thought appropriate to the research (Kothari, 2004). The study followed the quantitative research approach for data collection. Specifically, a survey questionnaire was designed to examine the effects of compensation, work environment, and job satisfaction on employee retention. Therefore, to fulfill the objectives of this study, the designed questionnaire was distributed on the respondents using print-based during different times of the day.

3.2 Population and Sample

The population for this study is the banker in Magelang and Temanggung City. The sampling frame for this study comprised of the management staff within the Bank Jateng Magelang at Jl. Alun-Alun Selatan Number 11, Bank Mega Magelang at Jl. Jenderal Sudirman Number 139, and Bank Mandiri Temanggung at Jl. MT Haryono Number 68 Ruko pandean Blok B5-B6. The sample werer 128 respondents. For the sampling, the author used

purposive sampling technique. According to Sekaran (2003), purposive sampling is confined to specific types of people who can provide the desired information.

3.3   Data Collection Method

The data collection process was started from February 2018 and completed on May 2018. The data collection from respondents was done by filling questionnaires distributed in the form of closed-ended question. The total 128 questionnaires were distributed by print-based. The study collected the primary data using a simple survey questionnaire in which the subjects were asked to respond to provided the items. The primary data refers to information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study (Sekaran, 2003). The instrument developed for this study consisted of two sections:

a)   Section A included a set of questions about the demographic characteristics of participants such as gender, age, work period, job position.

b)   Section B included the questions to measure about compensation, work environment, job satisfaction and employee retention.

The data were measured by using Likert Scale. The Likert scale is designed to examine how strong the subjects agree or disagree with statement on a 5-point scale (Sekaran, 2003). It assists the researcher to calculate the answer

based on the indicator. The indicators of variables that can be measured using Likert Scale:

1. Strongly disagree : 1

2. Agree : 2

3. Neutral : 3

4. Agree : 4

5. Strongly Agree : 5

3.4 Research Variables

Based on the literature review and the preparation of the hypotheses, the research variables in this study are:

3.4.1 Independent Variable

Independent variables are the either variables that affect the dependent variable, positively or negatively (Sekaran, 2003). In this research, the independent variables are compensation (X1), work environment (X2), and job satisfaction (X3).

3.4.1.1 Compensation

Compensation as independent variable referred to Abeyesekera (2007). study as measurement. There were 7 items of measurement ranged from scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree.

- The amount of pay I receive for my job is about equal to others doing similar work in other banks

- If I do good work, I can count on making more money (incentives for performance, yearly bonus, etc.)

- My salary is fair for my responsibilities

- Company gives enough recognition for well done work

- I am happy with company's assistance for housing (ex. Loans)

- Available benefits are appropriate for my needs and those of my family

- Amount of health care paid is sufficient

3.4.1.2 Work Environment

Work environment as independent variable used Gagandeep Kaur survey questuionnaires that was developed by Carlopio (1996) as study measurements. There were 7 items of measurement ranged from scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree.

- Furniture at workplace is flexible enough to adjust, rearrange, or reorganize

- Workplace layout supports the work activity, speed up task completion and encourages interaction between the employees

- I am able to maintain the social contact with others around me

- The quality of available equipment is appropriate for the work assigned

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- My colleagues accept me and value my opinion as part of a team work

- Colleagues at my workplace always share information

- My supervisor is fair in work allocation

3.4.1.3 Job Satisfaction

Job satisfaction as independent variable used Ricardo Biason study as measurement. There were 7 items of measurement ranged from scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree.

- I am satisfied with the salary that I receive from my work

- I am satisfied with the work that I am doing in my company

- I am satisfied of the number of hours that I work every month. I am satisfied with my work because there are opportunities for promotion

- I am satisfied because my supervisor does a good job sharing information

- I am satisfied at work because I and my colleagues get along with each other

- I am satisfied at work because everyone works together to solve problems and meet operational goals

3.4.2   Dependent Variable

Dependent variable is the variable which becomes a primary interest of the research. The researcher's goal is to understand and describe or

predict the dependent variable (Sekaran, 2003). In this research, the dependent variable is employee retention (Y).

3.4.2.1 Employee Retention

Employee retention as dependent variable used Natalie et al. study as measurement. There were 7 items of measurement ranged from scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree.

- If I received an attractive job offered from another company, I would take the job
- I have checked out a job in another company previously
- If I wanted to do another job or function, I would look first at the possibilities within this company
- If it were up to me, I would definitely be working for this company for the next five years
- I see a future for myself within this company
- The work that I am doing is very important to me
- I love working for this company

3.5   Data Analysis Method

3.5.1   Validity Test

According to Sekaran (2010) validity test is to ensure that the questions contained in the research instrument can measure the concept

to be measured or variable adequately. This study used questionnaires as the instrument. The variables measured by using questionnaires need to be tested for validity to ensure these variables are measured by using the right size. The validity test in this research used *confirmatory factor analysis* (CFA) by Kaiser-Meyer-Olkin. A variable which is said to be valid if it gives KMO and Bartlett's test value $\geq 0,5$.

3.5.2 Reliability Test

Reliability is an indication of the stability and consistency of an item used in measuring a concept (Sekaran and Bougie, 2010). The reliability coefficient of Cronbach Alpha Value which shows the number close to 1 is said to be good. That is, a collection can be said reliable if the coefficient of reliability shows a value which is close to 1. According to Sekaran (2003), the limit value of the coefficient is categorized as good if it's above 0,7.

3.5.3 Classical Assumption Test

The purpose of classical assumption test is to provide assurance that the obtained regression equation is precise in estimation, unbiased result and consistency.

3.5.3.1 Normality Data Test

The purpose of normality data test is to assess the distribution of data in a group of the data or variable whether it is normally distributed

or not. Normal distribution will form like a bell. The researcher used One-Sample Kolmogorov Smirnov with significant value of $\alpha = 0,05$ to conduct normality test.

Decisions about normality are as follows:

a.   If $\alpha < 0,05$, data distribution is not normal

b.   If $\alpha > 0,05$, data distribution is normal

3.5.3.2 Multicollinearity Test

The purpose of multicollinearity test is to test whether there is a correlation among independent variables or not. Conceptually, a multicollinearity is a situation where there are two correlated variables. A good regression model must not have any relation among independent variables. Multicollinearity will be detected by observing the value of Variance Inflation Factor (VIF) and tolerance. If VIF is greater than 10 or the tolerance value is less than 0,10, it means that there is a multicollinearity and vice versa.

3.5.3.3 Heteroscedasticity Test

The purpose of heteroscedasticity test is to determine whether there is any deviation on the heteroscedasticity classical assumption or not. The deviation is variant inequality of the residual among all observations on the regression models. A non-interference regression

model happens if the dots on the scatterplot charts spread evenly and do not form a particular pattern or gather at a certain point.

3.5.4 Multiple Regression Analysis

Multiple Regression Analysis is a linear relationship between two or more independent variables (X1, X2, ..., Xn) with the dependent variable (Y). This analysis is to know the direction of the relationship between the independent variable and the dependent variable whether each independent variable is positive or negative and to predict the value of the dependent variable whether the value of the independent variable increases or decreases (Dwi P., 2008). Regression equation in this research is to find out how big the influence of independent variables namely compensation (X1), work environment (X2), and job satisfaction (X3) to dependent variable which is employee retention (Y).

3.6 Hypothesis Testing

Hypothesis testing used in this study were using the F-Test, t-Test, and Determination Coefficient Test (R2) by SPSS software.

3.6.1 F-test

F-test is a statistical test that was used to determine whether two populations having normal distribution have the same variances or standard deviation. Using SPSS 22.0, F-test was done by comparing the F value of

significant with the output of ANOVA. If the significant value is < 0,05, the independent variable is influencing the dependent (Blackwell, 2008).

3.6.2 t-Test

According to Sekaran (2003) t-*Test* is used to figure out the meaning for each parameter estimator partially in which partial coefficient has influence or not with assumption that the assumption of independent variable is constant.

Using SPSS 22.0, t-*Test* was done by comparing p-value (Sig.) with the level of significant (α) where the value of α is 5% or 0,05. In order to make decision, there will be a measurement (Sekaran, 2003):

- Value of Sig $< \alpha$ so H0 rejected and H1 accepted
- Value of Sig $\geq \alpha$ so H0 accepted and H1 rejected

3.6.3 Determination Coefficient Test (R^2)

The coefficient of determination (R^2) was used to show how much the percentage of variation in the dependent variable could be explained by the variation in the independent variable. The value of R^2 is between 0 and 1. If the value of R^2 is close to 0, then the smaller the relation between the independent variable and the dependent variable. If the value of R^2 is close to 1, the stronger the relationship between the independent variable and the dependent variable (Lin, Marchal dan Wathen, 2010).

CHAPTER IV

DATA ANAYSIS AND DISCUSSION

This chapter elaborates and discussed the result of data that the writer has analyzed regarding "The Effects of Compensation, Work Environment, and Job Satisfaction on Employee Retention: A Study of Banking Industry". The discussion starts by showing the result of quantitative data that have already been collected through questionnaire and proceed by several statistic software. In general, this study distributed 128 questionnaires to the targeted respondents and only 125 were willing to participate in the survey. All received data were attached in the appendix and data recapitulation chapter.

4.1   Descriptive Statistic

In the descriptive statistic, it provides descriptive or description of data seen from the mean, standard deviation, maximum, and minimum. The results of the analysis of research data for each research variable were described by descriptive statistics. The results of descriptive analysis of research variables were presented in the table 4.1.

Table 4.1 Statistic Descriptive Results

Variable	Minimum	Maximum	Mean	Std. Deviation
Compensation	1,86	5,00	3,7703	0,63186
Work Environment	2,00	5,00	3,9150	0,51919
Job Satisfaction	1,71	5,00	3,8983	0,58391
Employee Retention	1,67	5,00	3,7240	0,66905

Source: Primary Data Processed in 2018

Based on Table 4.1 it is known that the responses of respondents to research variables are considered to be good result. This is shown from the mean of compensation variable is 3,7703. The work environment variable which is 3,9150. Then the job satisfaction variable is 3,8983 and for the employee retention variable is 3,7240.

4.2 Respondents Characteristic

The description of respondents characteristic describes the employee profile of Bank Jateng, Bank Mega, and Bank Mandiri consisting of gender, age, working period, and job position.

4.2.1 Gender

The respondents in this research were classified by gender. It can be seen on the table 4.2.

Table 4.2 Classification of Respondents by Gender

Gender	Number of Respondents	Percentage
Female	33	26%
Male	95	74%
Total	128	100%

Source: Primary Data Processed in 2018

Referring to table 4.2, the table describes that the majority of respondents are male, which is 95 (74%) respondents. Meanwhile, female respondents are 33 (26%).

4.2.2   Age

The respondents in this research were classified by age. It can be seen on the table 4.3 below.

Table 4.3 Classification of Respondents by Age

Age	Number of Respondents	Percentage
21-27 years old	31	24%
28-34 years old	46	36%
35-41 years old	27	21%
42-54 years old	14	11%
48-54 years old	10	8%
Total	128	100%

Source: Primary Data Processed in 2018

As described in table 4.3, the majority of respondents were 28-34 years old with the total of 46 (36%). Then, there are 31 (24%) respondents within 21-27 years old. Then 27 (21%) respondents aged 35-41 years old and the rests are 14 (11%) respondents who were 42-54 years old, also 10 (8%) respondents were 48-54 years old.

4.2.3 Working Period

The respondents in this research were classified by working period. It can be seen on the table 4.4 below.

Table 4.4 Classification of Respondents by Working Period

Working Period	Number of Respondents	Percentage
0-5 years	57	45%
6-10 years	39	30%
11-20 years	27	21%
21-30 years	5	4%
Total	128	100%

Source: Primary Data Processed in 2018

As shown in table 4.4, the majority of respondents have been working for 0-5 years which is represented by 57 (45%). The second classification of respondents based on working period is within 6-10 years which is represented by 39 (30%) respondents. Then, there are 27 (21%) respondents that have been

working on the company for 11-20 years and 5 (4%) respondents have been working for 21-30 years.

4.2.4 Job Position

The respondents in this research were classified by job position. It can be seen on the table 4.5.

Table 4.5 Classification of Respondents by Position

Job Position	Number of Respondents	Percentage
Manager	1	1%
Supervisor	11	9%
Staff	116	90%
Total	128	100%

Source: Primary Data Processed in 2018

As described in table 4.5, it shows that the majority of respondents have been working as staff which is about 116 (90%). Then there are 11 (9%) respondents as supervisor and only 1 (1%) respondent as manager.

4.3   Reliability and Validity Test

4.3.1   Validity Test Results

The validity testing used the KMO and Bartlett's test. The result was processed by using SPSS 22.0 software. The results are shown in table 4.6 below.

Table 4.6 Validity Test Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0,866
Bartlett's Test of Sphericity (Sig.)	0,000

Source: Primary Data Processed in 2018

Based on table 4.6, the value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0,866 which is greater than 0,5. As for the value Bartlett's Test with significance level ($\alpha = 0,05$) then $0,000 < 0,05$. It can be concluded that all the questionnaire is valid and can be further analyzed.

4.3.2   Reliability Test Results

An instrument is reported to be reliable if it is consistent and free from bias. The reliability test was conducted to measure the consistency of the instruments. This test was based on Cronbach Alpha Value. The limit value of the coefficient is categorized reliable if it's above 0,7 (Sekaran, 2003). The reliability test from the research variables can be seen in table 4.7.

Table 4.7 Reliability Test Results

Variable	Cornbach's Alpha	Requirement	Status
Compensation	0,871	0,70	Reliable
Work Environment	0,898	0,70	Reliable
Job Satisfaction	0,909	0,70	Reliable
Employee Retention	0,881	0,70	Reliable

Source: Primary Data Proceeded in 2018

As described in table 4.7 that all of Cronbach's Alpha are above 0,7 so it can be said that all measurement concepts of each variable in the questionnaire were reliable.

4.3.3 Classical Assumption

4.3.3.1 Normality Test

Before conducting the research the normality test were processed in order to assure if the distribution of data or variable is normally distributed. The researcher used Kolmogorov-Smirnov with significant value of $\alpha = 0,05$ to conduct normality test. The result of the normality test using One-Sample Kolmogorov-Smirnov is shown in table 4.8.

Table 4.8 Normality Test Results

Significances	Explanation
0,087	Valid

Source: Primary Data Processed in 2018

Table 4.8 shows the result of normality test using Kolmogorov-Smirnov. By comparing the significant value of α = 0,05, it can be concluded that the significant result is 0,087 and it is greater than significant value. Therefore, it is categorized as normal.

4.3.3.2 Multicollinearity Test

Multicollinearity is a linear relationship condition among independent variables used in a regression model. A multicollinearity function is used to see if there is a high correlation between variables in a multiple linear regression model. Multicollinearity can be seen from the value of tolerance and the opposite is *Variance Inflation Factor* (VIF). If VIF is greater than 10 or the tolerance value is less than 0,10, it means that there is a multicollinearity and vice versa. The following table is the result of multicollinearity test for independent variables used in this research:

Table 4.9 Result of Multicollinearity Test

Variable	Tolerance Value	VIF	Explanation
Compensation	0,736	1,359	No Multicollinearity

Work Environment	0,665	1,504	No Multicollinearity
Job Satisfaction	0,742	1,347	No Multicollinearity

Source: Primary Data Processed in 2018

The result of multicollinearity test in table 4.9 show that the VIF value of compensation, work environment, and job satisfaction are 1,359; 1,504; 1,347 which less than 10 while the tolerance value of compensation, work environment, and job satisfaction are 0,736; 0,665; 0,742 which greater than 0,10. Thus, independent variables are free from multicollinearity symptoms or there is no multicollinearity between all of the independent variables.

4.3.3.3 Heteroscedasticity Test

The purpose of heteroscedasticity test is to determine whether there is any deviation on the heteroscedasticity classical assumption or not. If the residual variance is not absolute, it is called heteroscedasticity, if there is an absolute residual variance for all of the observations, then it is called homoscedasticity. A good regression model should be homoscedasticity or free from heteroscedasticity. SPSS 22.0 software was used to determine the existence of heteroscedasticity based on the result of heteroscedasticity test for the independent variables.

Scatterplot

Dependent Variable: Employee Retention
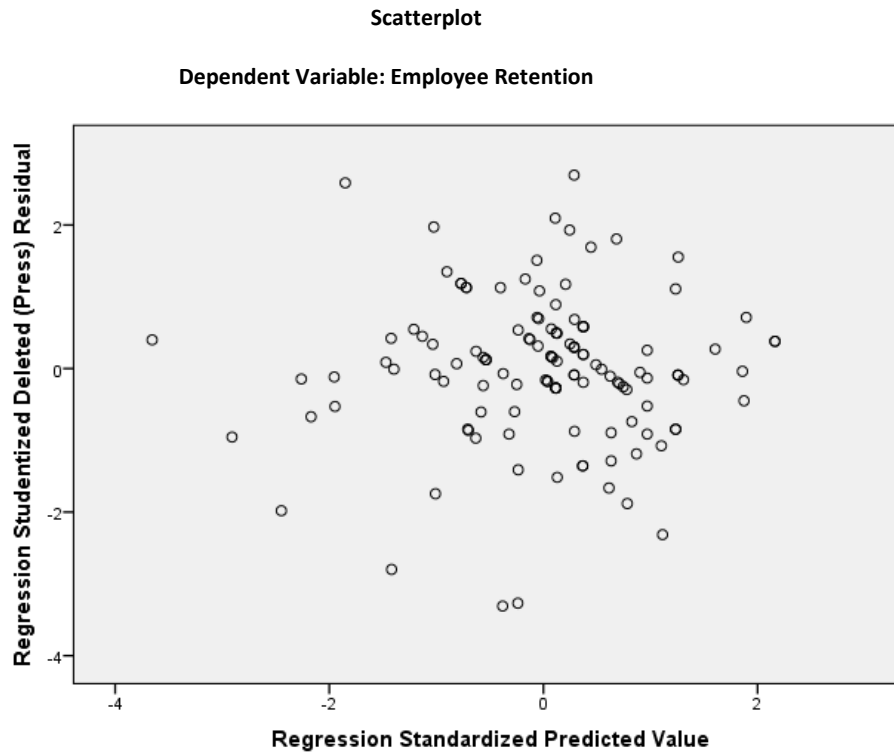
Source: Primary Data Proceeded in 2018

The scatter plot graph shows that there is no clear pattern and it is spread on the graph. Then, it can be stated that there is no heteroscedasticity.

4.4 Hypothesis Testing

4.4.1 F-Test

F-test is used to test whether the independent variables (compensation, work environment, and job satisfaction) influence the dependent variable (employee retention). F-test can be explained by using Analysis of Variance (ANOVA). In addition, the F-test can also determine whether the model of linear regression used is correct or not. The result of F-test can be seen in table 4.10.

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Table 4.10 F-Test Result

F	Significances
59,134	0,000

Source: Primary Data Proceeded in 2018

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), Compensation, Job Satisfaction, Work Environment

Based on table 4.10 above, the ANOVA table obtained the significance level which is 0,000. Thus, the probability of significance is 0,000 < 0,05 which means the variable of compensation, work environment, and job satisfaction are influencing the employee retention.

4.4.2   t-Test

The partially or individually testing to determine the influence of each independent variable of (compensation, work environment, and job satisfaction) which have influence on dependent variable (employee retention). Table 4.11 shows the result of t-test values in this research.

Table 4.11 t-Test Results

Variable	Coefficient Regression (B)	t	Sig	Result
(Constant)	-0,604	-1,813	0,000	Significant
Compensation	0,309	4,320	0,000	Significant
Work Environment	0,331	3,616	0,000	Significant
Job Satisfaction	0,479	6,227	0,000	Significant

Source: Primary Data Proceeded in 2018

a. **Hypothesis testing on the influence of compensation (X1) on employee retention (Y)**

H0: There is no positive influence of compensation on employee retention.

H1: There is positive influence of compensation on employee retention.

According to table 4.11, the result of the hypothesis testing revealed that the significant value of compensation is 0,000 which is lower than 0,05. It can be concluded that H0 is rejected or H1 is accepted. In addition, the table shows that the regression coefficient value is positive. It means that there is a positive

influence of compensation on employee retention in banking industry. Thus, the better the compensation the better the employee retention will get.

b.   **Hypothesis testing on the influence of work environment (X2) on employee retention (Y)**

H0: There is no positive influence of work environment on employee retention.
H1: There is positive influence of work environment on employee retention.

According to table 4.11, the result of the hypothesis testing revealed that the significant value of work environment is 0,000 which is lower than 0,05. It can be concluded that H0 is rejected or H1 is accepted. In addition, the table shows that the regression coefficient value is positive. It means that there is a positive influence of work environment on employee retention in banking industry. Thus, the better the work environment the better the employee retention will get.

c.   **Hypothesis testing on the influence of job satisfaction (X1) on employee retention (Y)**

H0: There is no positive influence of job satisfaction on employee retention.
H1: There is positive influence of job satisfaction on employee retention.

According to table 4.11, the result of the hypothesis testing revealed that the significant value of job satisfaction is 0,000 which is lower than 0,05. It can be concluded that H0 is rejected or H1 is accepted. In addition, the table shows that the regression coefficient value is positive. It means that there is a positive

influence of job satisfaction on employee retention in banking industry. Thus, the better the job satisfaction the better the employee retention will get.

Table 4.12 Summary of Hypothesis Testing Result

Code	Hypothesis	Result
H01	Compensation has no positive influence on employee retention	Rejected
H02	Work environment has no positive influence toward employee retention	Rejected
H03	Job satisfaction has no positive influence toward employee retention	Rejected

Source: Primary Data Proceeded, 2018

4.4.3 Determination Coefficient Test (R^2)

Determination Coefficient Test (R^2) is used to measure how big the ability of independent variables (compensation, work environment, and job satisfaction) in explaining the variables dependent (employee retention). The result of the determination coefficient test (R^2) can be seen in table 4.13 below.

Table 4.13 Coefficient Determination Test Results (R^2)

Adjusted R Square	Other Factors
0,584	0,416

Source: Primary Data Proceeded, 2018

Based on the table 4.13, the value of *Adjusted R Square* is 0,584 or 58,4%. This indicates that the contribution of compensation, work environment, and job satisfaction variables are 58.4%, while the rest is 41.6% influenced by other factors.

4.5   Discussion of Research Findings

The result of the analysis shows that the score of probability = 0,000 < Level of Significant = 0,05. The data analysis reveals that the first independent variable in this current research which is compensation is significant and has positive influence on employee retention.

The study also revealed that there is a correlation between compensation and employee retention. This finding is also supported by the research conducted by Syahreza et al. (2017) that compensation has a significant positive effect on employee retention. In this research, the study showed that compensation has positive significant influence on employee retention due to direct compensation, indirect compensation, and non-financial compensation. This result means that the amount of compensation received would affect employee perception on the employee retention offered by organization.

For further result, the result of the analysis shows that the score of probability = 0,000 < Level of Significant = 0,05, researcher found that the second independent variable of work environment has a significant influence towards employee retention in banking industry.

This study also revealed that there is a positive influence of work environment on employee retention. This finding supported by Msengeti and Obwogi (2015) revealed a statistically significant positive influence between work environment and employee retention. In this research, the instruments to measure work environment are the physical working condition, social interaction with colleagues, and relationship with supervisor. This result means that how fun work environment provided would affect the employee perception on the employee retention that was offered by organization. Align with the study that was conducted by Horwitz et al. (2003) that a work place should be a "fun" place to work if key workers are to be retained.

Based on analysis, the third independent variable of job satisfaction has a positive influence on employee retention in banking industry by the result of the analysis that showed the score of probability = 0,000 < Level of Significant = 0,05.

The result from this research is supported by the research conducted by Iqbal et al. (2017) that confirmed that job satisfaction has positive and significant impact on employee retention. In this research, the instrument to measure job satisfaction is satisfied with salary, job description, social interaction with peers and supervisor.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1   Conclusions

From the data analysis that has been conducted previously, it has been proven that all of the independent variables tested in this research positively influence the dependent variables. The points are written down below:

1. Compensation as the first independent variable (X1) is proven to have a positive influence on employee retention as the dependent variable (Y). It has been proven on the hypothesis testing result on chapter IV. It is stated that compensation variable significance is 0,000 which is less than 0,05.

2. Work Environment as the first independent variable (X2) is proven to have a positive influence on employee retention as the dependent variable (Y). It has been proven on the hypothesis testing result on chapter IV. It is stated that work environment variable significance is 0,000 which is less than 0,05.

3. Job Satisfaction as the first independent variable (X3) is proven to have a positive influence on employee retention as the dependent variable (Y). It has been proven on the hypothesis testing result on chapter IV. It is stated that job satisfaction variable significance is 0,000 which is less than 0,05.

5.2 Recommendations

Based on the result and the conclusion, the research recommendations are as follows:

1. Compensation (X1), Work Environment (X2), and Job Satisfaction (X3) showed that there were significant influences toward Employee Retention (Y) in banking industry. Therefore, the researcher suggests the management of Bank Jateng, Bank Mega, and Bank Mandiri to increase the compensation by improving the amount of pay received about equal to others doing similar works in other banks. Another things, work environment is the highest variable in the assessment of respondents, bank should maintain the work environment in order to keep the employee in organization by improving the furniture at workplace to be flexible enough to adjust, re-arrange, or re-organize in order to keep employee stay in organization. Furthermore, job satisfaction is the highest influence on employee retention.

2. It is recommended for the future possible studies to conduct a research in other banking industry in order to enrich the topics of this study since the different findings might possibly be found.

3. The next researcher needs to consider about other variable or intermediaries to make this research completed.

Reference

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Kuesioner Riset Analisis "The Effects of Compensation, Work Environment, and Job Satisfaction on Employee Retention: A Study of Banking Industry"

Responden yang terhormat,

Guna penyusunan skripsi dalam rangka memenuhi syarat untuk dapat menyelesaikan program Strata satu pada Fakultas Ekonomi Departemen Manajemen Universitas Islam Indonesia Yogyakarta diperlukan data-data dan informasi yang mendukung kelancaran penelitian ini. Demi tercapainya tujuan penelitian ini, maka penyusun mohon kesediaan dari Bapak/Ibu/Saudara/Saudari untuk membantu mengisi kuesioner atau daftar pertanyaan yang telah disediakan.

Atas kesediaan Bapak/Ibu/Saudara/Saudari, penyusun mengucapkan banyak terima kasih karena telah meluangkan waktunya untuk mengisi kuesioner penelitian ini.

Hormat Saya,

Riski Ayu Rahmawati
NIM: 14311122

PETUNJUK PENGISIAN

1. Mohon memberikan tanda (√) pada jawaban yang anda anggap paling benar.
2. Setiap pertanyaan hanya membutuhkan satu jawaban saja.
3. Mohon memberikan jawaban yang sebenar-benarnya.
4. Ada lima alternatif jawaban yaitu:
   - Sangat Setuju   = (SS)
   - Setuju   = (S)
   - Kurang Setuju   = (KS)
   - Tidak Setuju   = (TS)
   - Sangat Tidak Setuju   = (STS)

A. IDENTITAS RESPONDEN

1. Jenis Kelamin: a. Laki-Laki   b. Perempuan

2. Usia: a. 21-27 tahun
                         b. 28-34 tahun
                         c. 35-41 tahun
                         d. 42-48 tahun
                         e. 48-54 tahun

3. Lama Bekerja: a. 0-5 tahun
                         b. 6-10 tahun
                         c. 11-20 tahun
                         d. 21-30 tahun

4. Jabatan: a. Manajer
                         b. Supervisor
                         c. Staff

B. KUESIONER

Kompensasi

	SS	S	KS	TS	STS
Jumlah gaji yang saya terima sama dengan pegawai di kantor lain dengan profesi yang sama					
Jika saya bekerja dengan baik maka saya dapat memperoleh uang lebih (bonus performa, bonus tahunan, dll)					
Gaji saya sudah adil sesuai tanggung jawab					
Perusahaan memberikan penghargaan terhadap kerja yang baik					
Saya senang dengan bantuan perusahaan untuk perumahan (contoh: KPR)					
Tunjangan non-financial telah sesuai dengan kebutuhan saya dan keluarga saya					
Jumlah perawatan kesehatan yang dibayar sudah mencukupi					

Lingkungan Kerja

	SS	S	KS	TS	STS
Furnitur di tempat kerja cukup fleksibel untuk disesuaikan, diaatur atau mengatur ulang					
Tata letak tempat kerja mendukung aktivitas kerja, mempercepat penyelesaian tugas dan mendorong interaksi antara karyawan					
Saya dapat mempertahankan kontak sosial dengan orang lain di sekitar saya					
Kualitas peralatan yang tersedia sesuai untuk pekerjaan yang ditugaskan					
Rekan kerja saya menerima saya dan menghargai pendapat saya sebagai bagian dari kerja tim					
Rekan kerja di tempat kerja saya selalu berbagi informasi					
Supervisor saya adil dalam alokasi pekerjaan					

Kepuasan Kerja

	SS	S	KS	TS	STS
Saya puas dengan gaji yang saya terima dari pekerjaan saya					
Saya puas dengan pekerjaan yang saya lakukan di perusahaan saya					
Saya puas dengan jumlah jam kerja saya setiap bulan.					
Saya puas dengan pekerjaan saya karena ada peluang untuk promosi					
Saya puas bekerja karena saya dan rekan kerja saya saling akur					
Saya puas bekerja karena semua orang bekerja sama untuk memecahkan masalah dan memenuhi tujuan operasional					
Saya puas karena atasan saya melakukan pembagian informasi dengan baik					

Loyalitas Karyawan

	SS	S	KS	TS	STS
Jika saya menerima tawaran kerja yang menarik dari perusahaan lain, saya akan menerima pekerjaan itu					
Saya telah memeriksa pekerjaan di perusahaan lain sebelumnya					
Jika saya ingin melakukan pekerjaan atau fungsi lain, saya akan melihat kemungkinan pertama di perusahaan ini					
Jika terserah saya, saya pasti akan bekerja untuk perusahaan ini selama lima tahun ke depan					
Saya melihat masa depan untuk diri saya sendiri di dalam perusahaan ini					
Pekerjaan yang saya lakukan sangat penting bagi saya					
Saya suka bekerja untuk perusahaan ini					

Terima kasih dan Selamat Bekerja

Appendix 2

Research Data

X1.1	X1.2	X1.3	X1.4	X1.5	X1.X6	X1.X7	X2.1	X2.2	X2.3	X2.4	X2.5	X2.6	X2.7
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X3.1	X3.2	X3.3	X3.4	X3.5	X3.6	X3.7	X4.1	X4.2	X4.3	X4.4	X4.5	X4.6	X4.7
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Appendix 3

Validity and Reliability Test

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.866
Bartlett's Test of Sphericity	Approx. Chi-Square	2744.579
	Df	378
	Sig.	.000

Communalities

	Initial	Extraction
X1.1	1.000	.391
X1.2	1.000	.623
X1.3	1.000	.547
X1.4	1.000	.760
X1.5	1.000	.748
X1.6	1.000	.660
X1.7	1.000	.466
X2.1	1.000	.626
X2.2	1.000	.646
X2.3	1.000	.543
X2.4	1.000	.713
X2.5	1.000	.715
X2.6	1.000	.587
X2.7	1.000	.632
X3.1	1.000	.429
X3.2	1.000	.781
X3.3	1.000	.651
X3.4	1.000	.724
X3.5	1.000	.769
X3.6	1.000	.820
X3.7	1.000	.805
X4.1	1.000	.450
X4.2	1.000	.514
X4.3	1.000	.757
X4.4	1.000	.656
X4.5	1.000	.804
X4.6	1.000	.569
X4.7	1.000	.660

Extraction Method: Principal
Component Analysis.

Total Variance Explained

Compone nt	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.484	41.014	41.014	11.484	41.014	41.014
2	2.849	10.174	51.188	2.849	10.174	51.188
3	2.320	8.286	59.474	2.320	8.286	59.474
4	1.393	4.974	64.448	1.393	4.974	64.448
5	1.149	4.104	68.552			
6	1.123	4.011	72.563			
7	.936	3.344	75.907			
8	.797	2.846	78.753			
9	.735	2.625	81.379			
10	.634	2.263	83.641			
11	.545	1.947	85.588			
12	.498	1.778	87.366			
13	.468	1.671	89.037			
14	.423	1.509	90.547			
15	.380	1.357	91.904			
16	.337	1.204	93.108			
17	.297	1.060	94.168			
18	.243	.867	95.035			
19	.213	.761	95.795			
20	.196	.700	96.495			
21	.172	.614	97.109			
22	.155	.553	97.661			
23	.148	.529	98.190			
24	.130	.465	98.655			
25	.118	.422	99.077			
26	.114	.408	99.484			
27	.087	.310	99.795			
28	.058	.205	100.000			

Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	5.279	18.852	18.852
2	5.094	18.192	37.044
3	4.161	14.861	51.905
4	3.512	12.543	64.448
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component			
	1	2	3	4
X1.1				
X1.2	.533			
X1.3	.558			
X1.4	.636			
X1.5	.594			
X1.6	.547		.501	
X1.7				
X2.1	.617			
X2.2	.669			
X2.3	.589			
X2.4	.701			
X2.5	.667			
X2.6	.558			
X2.7	.633			
X3.1	.532			
X3.2	.760			
X3.3	.589	-.517		
X3.4	.736			
X3.5	.675	-.502		
X3.6	.745			
X3.7	.737			
X4.1				
X4.2	.607			
X4.3	.713			
X4.4	.701			
X4.5	.784			
X4.6	.698			
X4.7	.764			

Extraction Method: Principal Component Analysis.[a]
a. 4 components extracted.

Rotated Component Matrix[a]

	Component			
	1	2	3	4
X1.1			.560	
X1.2			.752	
X1.3			.618	
X1.4			.799	
X1.5			.813	
X1.6			.768	
X1.7			.543	
X2.1		.731		
X2.2		.717		
X2.3		.685		
X2.4		.770		
X2.5		.792		
X2.6		.743		
X2.7		.725		
X3.1		.536		
X3.2	.777			
X3.3	.781			
X3.4	.726			
X3.5	.838			
X3.6	.836			
X3.7	.831			
X4.1	.649			
X4.2				.513
X4.3				.745
X4.4				.680
X4.5				.744
X4.6				.570
X4.7				.583

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.[a]
a. Rotation converged in 6 iterations.

Component Transformation Matrix

Component	1	2	3	4
1	.550	.545	.440	.456
2	-.754	.356	.549	-.046
3	.103	-.747	.639	.153
4	.344	.134	.311	-.876

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

Reliability
Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	125	100.0
	Excluded^a	0	.0
	Total	125	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.871	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1.1	22.8400	15.603	.509	.870
X1.2	22.4560	14.105	.656	.851
X1.3	22.7280	15.038	.634	.854
X1.4	22.4800	13.526	.772	.834
X1.5	22.5200	13.590	.742	.838
X1.6	22.6880	14.878	.711	.845
X1.7	22.6400	16.039	.516	.868

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
	Valid	125	100.0
Cases	Excluded[a]	0	.0
	Total	125	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.898	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X2.1	23.6960	9.762	.714	.883
X2.2	23.6240	9.382	.733	.882
X2.3	23.4560	11.282	.655	.890
X2.4	23.5760	10.472	.759	.878
X2.5	23.5120	10.058	.775	.875
X2.6	23.5600	10.845	.669	.887
X2.7	23.6000	10.629	.673	.887

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	125	100.0
	Excluded[a]	0	.0
	Total	125	100.0

a. Listwise deletion based on all variables in the
procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.909	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X3.1	23.4160	12.664	.351	.936
X3.2	23.3600	11.377	.822	.887
X3.3	23.4000	11.016	.710	.897
X3.4	23.4960	10.736	.801	.886
X3.5	23.1760	11.066	.799	.887
X3.6	23.3040	11.036	.849	.882
X3.7	23.2400	10.603	.829	.883

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	125	100.0
	Excluded[a]	0	.0
	Total	125	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.881	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X4.1	22.3440	16.115	.402	.896
X4.2	22.6320	14.912	.622	.869
X4.3	22.5520	14.007	.819	.844
X4.4	22.4560	14.073	.690	.860
X4.5	22.5600	13.281	.825	.841
X4.6	22.4640	15.025	.650	.865
X4.7	22.2880	14.836	.680	.862

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Compensation, Work Environment, Job Satisfaction[b]	.	Enter

a. Dependent Variable: Employee Retention
b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.771[a]	.595	.584	.43129

a. Predictors: (Constant), Compensation, Work Environment, Job Satisfaction

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.999	3	11.000	59.134	.000[b]
	Residual	22.507	121	.186		
	Total	55.506	124			

a. Dependent Variable: Employee Retention
b. Predictors: (Constant), Compensation, Work Environment, Job Satisfaction[b]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.604	.333		-1.813	.072
	Compensation	.309	.071	.292	4.320	.000
	Work Environment	.331	.091	.257	3.616	.000
	Job Satisfaction	.479	.077	.418	6.227	.000

a. Dependent Variable: Employee Retention

Appendix 5

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Compensation	125	1.86	5.00	3.7703	.63186
Work Environment	125	2.00	5.00	3.9150	.51919
Job Satisfaction	125	1.71	5.00	3.8983	.58391
Employee Retention	125	1.67	5.00	3.7240	.66905
Valid N (listwise)	125				

Correlations

		Compensation	Work Environment	Job Satisfaction	Employee Retention
Compensation	Pearson Correlation	1	.485**	.382**	.576**
	Sig. (2-tailed)		.000	.000	.000
	N	125	125	125	125
Work Environment	Pearson Correlation	.485**	1	.478**	.598**
	Sig. (2-tailed)	.000		.000	.000
	N	125	125	125	125
Job Satisfaction	Pearson Correlation	.382**	.478**	1	.653**
	Sig. (2-tailed)	.000	.000		.000
	N	125	125	125	125
Employee Retention	Pearson Correlation	.576**	.598**	.653**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	125	125	125	125

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix 6

Classical Assumption

NORMALITY TEST OF KOLMOGOROV SMIRNOV

One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
N		125
Normal Parameters[a,b]	Mean	.0240000
	Std. Deviation	.93297841
Most Extreme Differences	Absolute	.112
	Positive	.083
	Negative	-.112
Kolmogorov-Smirnov Z		1.251
Asymp. Sig. (2-tailed)		.087

a. Test distribution is Normal.

b. Calculated from data.

MULTICOLLINEARITY TEST

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.604	.333		-1.813	.072		
	Compensation	.309	.071	.292	4.320	.000	.736	1.359
	Work Environment	.331	.091	.257	3.616	.000	.665	1.504
	Job Satisfaction	.479	.077	.418	6.227	.000	.742	1.347

a. Dependent Variable: Employee Retention

HETEROSKEDASTICITY TEST

Scatterplot

Dependent Variable: Employee Retention
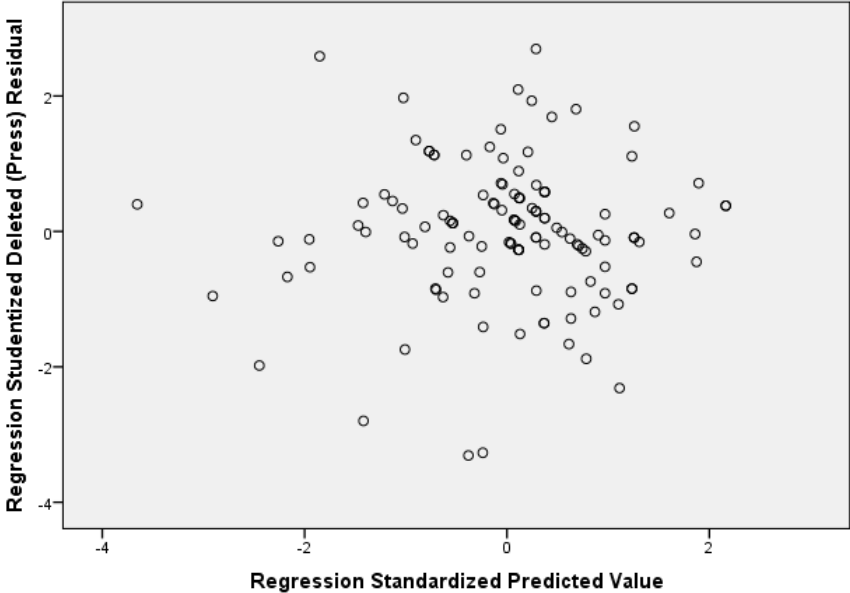
Appendix 7

Bank Jateng

<u>**SURAT KETERANGAN**</u>
Nomor:0893/UM.03.02/07/2018

Yang bertanda tangan dibawah ini, Kasie SDM & Umum Bank Jateng Cabang Magelang menerangkan bahwa :

Nama	: Riski Ayu Rahmawati
Universitas	: Universitas Islam Indonesia (UII)
Judul Penelitian	: The Effect of Compensation, Work Environment, and Job Satisfaction on Employee Retention
Keterangan	: Benar-benar telah melakukan penelitian di Kantor Bank Jateng Cabang Magelang pada tanggal 14 Maret 2018

Demikian surat keterangan ini dibuat dengan sebenar-benarnya agar dapat digunakan sebagaimana mestinya.

Magelang, 11 Juli 2018

<u>Dewi Kurniawati</u>
Kasie SDM & Umum

CABANG KOORDINATOR MAGELANG : Jl. Aloon - Aloon Selatan No. 11 Magelang Telpon : (0293) 365252, 362047, 310454, 368924 Facsimile : 362392

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BANK MEGA

SURAT KETERANGAN

No 254/-mgl/2018

Yang bertanda tangan dibawah ini staff   Bank Mega Kcp Magelang menerangkan bahwa
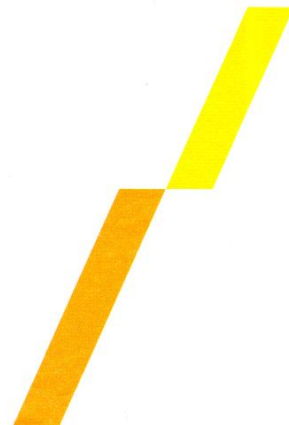
Nama   : Riski Ayu Rahmawati
Universitas   : Universitas Islam Indonesia
Judul Penelitian   : The Effect of Compensation, Work Environment, and Job
                       Satisfaction on Employee Retention

Bahwa nama tersebut telah melakukan penelitian di Bank Mega Kcp Magelang pada tanggal 15 Maret 2018-21 Maret 2018

Demikian suat ini kami buat dengan sebenarnya agar dapat digunakan seperlunya, terima kasih

Magelang 22 Maret 2018

Palupi Dian Nindita

mandiri

PT Bank Mandiri (Persero) Tbk.
KCP Temanggung
Jl. MT Haryono No. 68
Ruko Pandean Blok B5-B6, Temanggung
Telp. (62-293) 493697

SURAT KETERANGAN
MBDC.BDG/PMK/301/2018

Menerangkan bahwa Nama yang dibawah ini :

Nama	: Riski Ayu Rahmawati
Nomor mahasiswa	: 14311122
Program studi	: Manajemen (Program International)
Universitas	: Universitas Islam Indonesia

Telah benar melakukan pengambilan data sejak tanggal 5 Mei 2018 sampai dengan 9 Mei 2018 dengan judul "The Effect of Compensation, Work Environment, and Job Satisfaction on Employee Retention".

Demikian surat ini kami buat untuk dipergunakan sebagaimana mestinya.

PT. BANK MANDIRI (PERSERO) Tbk.
KCP TEMANGGUNG

PT. Bank Mandiri (Persero) Tbk
Cabang Temanggung

Ratna Ariyanti
Customer Service

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