

The Effect of Compensation, and Work/Family Conflict Through Job Satisfaction on Employee Retention

Rizkie Arianti Putri Noor^{1*}, Justine Tanuwijaya², Andreas Wahyu Gunawan³

Universitas Trisakti, Indonesia

Email: 122012201038@trisakti.ac.id

*Correspondence

ABSTRACT

Keywords: compensation; work/exit conflicts; job satisfaction; employee retention.

This study aims to analyze the effect of compensation and work/family conflict that is allegedly mediated by job satisfaction on employee retention. The data used in this study is data obtained from a questionnaire survey distributed in several type-A hospitals in DKI Jakarta. The smartPLS software is used to analyze the data. The research uses surveys obtained from structured questionnaires. The research was carried out cross-sectionally and data were taken from the staff of type A hospitals in Jakarta. The limitations of this study/implications of this study are that this study contributes to the theory by specifically analyzing the relationship between compensation and work/family conflict in a complex health service environment, one of the limitations of this study is the adoption of cross-sectional design; Future studies can be improved by using a variety of power gathering sources. The practical implication of this study is that this study highlights the magnitude of the influence of compensation and work/family conflict that is allegedly mediated by job satisfaction on employee retention. It can be concluded that compensation has a positive effect on job satisfaction, and work-family (W/F) conflict hurts job satisfaction, both of which have been proven to be true. In addition, W/F conflict has also been proven to have a negative influence on employee retention.



Introduction

According to (Abdullah et al., 2019), employee retention is the willingness of employees to work with the same organization for an extended period of service. The same literature also states that compensation is significant, and shows a real influence on employee behavior. However, the effect varies from person to person in different circumstances. (Chang & Hsu, 2016).

In a study conducted by (Breidenthal et al., 2020), job satisfaction is a mediator for balancing compensation with the employee's intention to end the employment period. According to (Cortes & Herrmann, 2020), the level of employee job satisfaction is a reflection of their overall feelings about their job, their workplace, their coworkers, their social network, as well as their salary and benefits. When the demands and desires

associated with work are met, workers experience a sense of satisfaction. However, people have a wide range of needs and preferences (Vidyarthi et al., 2016). According to a study by Eyupoglu, Jabbarova, and Saner from 2010, job satisfaction can be defined as feeling satisfied with one's job. A person's "positive" efforts may be the "negative" efforts of others (Zhao et al., 2016).

Every worker has the right to be satisfied at work. Ultimately, however, a person's level of job satisfaction depends on their own unique set of personal beliefs and social expectations. When more of a person's expectations at work are met, they report greater levels of happiness. (Riaz et al., 2019).

The conflict between work and family is one of the important things that will affect the work results of each individual in organizing and how the individual also performs his role as a family. Conflicts that occur at work or family can be related to several things that may have a negative impact and will reduce work morale and satisfaction at work or in daily life. According to (Kwan et al., 2018), conflicts between work and family have become significant due to substantial changes in labor demographics, such as dual-income couples and increased female labor force participation. Every worker must have a conflict between work and family that is different, and each of these conflicts can affect the work results of each individual. (Zhao et al., 2016).

This study seeks to analyze the influence of compensation and work/family conflict, on employee retention in the health service industry by taking samples at type A hospitals located in Jakarta. (Welbourne & Sariol, 2017).

The objectives of this investigation are based on previous challenges and are as follows:

1. To analyze the effect of compensation on job satisfaction
2. To analyze the effect of compensation on employee retention
3. To analyze the effect of compensation on employee retention through job satisfaction
4. To analyze the effect of work/family conflict on job satisfaction
5. To analyze the effect of work/family conflict on employee retention
6. To analyze the effect of work/family conflict on employee retention through job satisfaction.

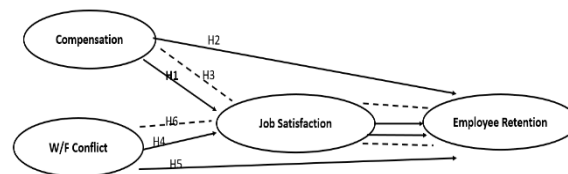


Figure 1
Conceptual Framework

Method

The research uses surveys obtained from structured questionnaires. The research was carried out cross-sectionally and data were taken from the staff of type A hospitals

in Jakarta. Cross-sectional techniques are used in research. The respondents were determined to be a total of 187 people. To analyze the data, the SEM-PLS application was used. There are 9 indicators for variable compensation, 6 indicators for W/F conflict, 18 indicators for job satisfaction, and 4 indicators for employee retention.

Results and Discussion

Hypothesis 1

The main purpose of this study is to investigate the null hypothesis that remuneration does not affect job satisfaction. The value of the calculation coefficient of 0.137 shows that salary increases cause an increase in job satisfaction and a decrease in salary leads to a decrease in job satisfaction. It was determined that remuneration had a positive effect on job satisfaction because the statistical t-value of 2.103 resulted in a p-value of 0.018 0.05, rejecting H_0 and accepting H_a . (Dageid & Grønlie, 2015).

Hypothesis 2

The second hypothesis was carried out to test the relationship between sex and job dissatisfaction. According to the estimated coefficient value of -0.265, obtained from data analysis, more w/f conflicts lead to less job satisfaction, while fewer w/f conflicts lead to higher job satisfaction. It can be concluded that w/f conflict hurts job satisfaction because the statistical t-value of 3.693 results in a p-value of 0.000 0.05, rejecting H_0 and accepting H_a .

Hypothesis 3

The purpose of the third experiment was to test whether there was a correlation between gender and employee turnover. The estimated coefficient value of 0.064 shows that the processing results show that an increase in w/f conflicts will increase employee retention and a reduction in w/f conflicts will reduce retention. Since the estimation coefficient is positive, it can be concluded that w/f conflict has a detrimental effect on employee retention.

Hypothesis 4

The purpose of the fourth experiment was to test the relationship between organizational commitment and job satisfaction; an estimated coefficient value of 0.274 indicated a positive relationship between the two after controlling for other variables. If employees feel less invested in the company, they will not be happy with their work. A t-statistic of 3.436 yielded a p-value of 0.000 0.05, rejecting the null hypothesis that there was no relationship between organizational commitment and job satisfaction and accepting the alternative null hypothesis.

Hypothesis 5

The purpose of evaluating this hypothesis is to test the relationship between organizational commitment and employee retention. The value of the estimation coefficient of 0.497 shows that the higher the organizational commitment, the better the employee performance, while the lower the organizational commitment has the opposite effect. Organizational commitment has a positive effect on employee retention which is

shown by a statistical t-value of 5.510 which results in a p-value of 0.000 0.05 so that they reject Ho and accept Ha.

Hypothesis 6

The Hypothesis 6 test is designed to test whether workers' satisfaction with their jobs affects their likelihood of staying at the company. The value of the estimation coefficient of 0.532 indicates that if the level of job satisfaction of workers increases, the productivity increases, and if it decreases, the productivity decreases. It can be concluded that job satisfaction does have a positive influence on employee retention because a statistical t-value of 6.317 results in a p-value of 0.000 0.05, rejecting Ho and accepting Ha.

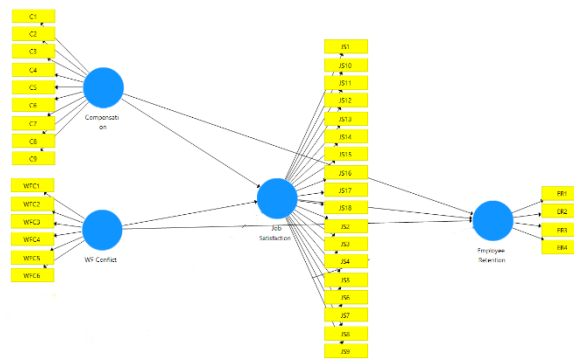


Figure 2. Data test results

Effect of Compensation on Employee Retention

The results of the analysis show that compensation has a significant positive influence on employee retention. This means that employees who receive adequate compensation tend to be more satisfied and willing to stay at the company. The value of the coefficient indicates a strong influence, where better compensation increases the chances of retention.

The Effect of Work/Family Conflict on Employee Retention

Conflicts between work and family have a significant negative impact on employee retention. The greater the conflict that employees experience, the lower the retention rate. Employees who feel that their work is interfering with family life are more likely to consider quitting the job.

The Effect of Job Satisfaction on Employee Retention

Job satisfaction has a significant positive influence on employee retention. Employees who are satisfied with their work, both in terms of work environment, duties, and interpersonal relationships, tend to be more loyal and stay in the company.

Job satisfaction successfully mediates the influence of compensation and work/family conflicts on employee retention. In other words, good compensation and low work/family conflict increase job satisfaction, which in turn increases employee retention.

Compensation and Job Satisfaction

In this study, compensation includes not only salary, but also various forms of non-financial rewards such as benefits, bonuses, and employment recognition. The data shows

that employees who receive adequate total compensation (both financial and non-financial) report higher levels of job satisfaction. This is because good compensation is considered a form of appreciation from the company for their contribution. These results show that the compensation aspect is one of the key factors that can increase employee satisfaction and retention.

Work/Family Conflicts and Job Satisfaction

Conflict between work and family is one of the dominant factors in decreasing job satisfaction. The results of this study show that employees who often face pressure in managing time between work and family report high levels of stress, which ultimately decreases their satisfaction with work. This conflict also has an impact on their commitment to the company, which contributes to an increase in turnover intention (intention to exit). Companies that do not support the work-life balance of employees tend to experience higher turnover rates.

Job Satisfaction as a Mediating Factor

Job satisfaction has been shown to act as a mediator between compensation and work/family conflicts against employee retention. Job satisfaction reinforces the positive relationship between good compensation and employee retention, and conversely, reduces the negative impact of work/family conflicts. This means that even if work/family conflicts occur, if job satisfaction remains high, employee retention can be maintained.

Multiple Regression Analysis

The multiple regression analysis conducted showed that compensation had a greater influence on employee retention compared to work/family conflicts. This indicates that while work/family conflicts have a significant impact, good compensation can serve as a compensator against the stress that employees are experiencing. However, when work/family conflicts are too intense, this can drastically reduce job satisfaction, thereby reducing the effectiveness of compensation in retaining employees.

Sobel Test (Mediation)

The Sobel test conducted to test the mediating role of job satisfaction showed significant results, with a $p < 0.05$. This confirms that job satisfaction does mediate the relationship between compensation and work/family conflict against employee retention. In other words, compensation and work-life conflict management indirectly affect employee retention through job satisfaction.

The results of this study are consistent with the theory of motivation and work-life balance which states that proper compensation and balance between work and family are important factors in increasing job satisfaction and retaining employees. This study found that job satisfaction plays an important role in reducing the negative impact of work/family conflicts on employee retention.

Adequate compensation not only increases employee satisfaction but also contributes to increasing their loyalty to the company. Conversely, poorly managed work-family conflicts can lower job satisfaction and ultimately worsen employee retention.

The recommendations resulting from this study include the need for companies to pay more attention to fair compensation policies and work flexibility to reduce work/family conflicts, so that job satisfaction and employee retention can be improved.

The results of this study are very relevant for companies that want to increase employee retention rates. These findings underscore the importance of effective compensation management and work-life balance management strategies. Companies should consider compensation programs that not only focus on base salary, but also additional benefits such as flexible hours, family leave, and performance-based bonuses. This is in line with Herzberg's Two-Factor theory which states that motivational factors such as rewards, recognition, and responsibility have a strong influence on employee satisfaction.

This research highlights the importance of company support in reducing work/family conflicts. Programs such as flexible work schedules, remote working policies, and the provision of adequate family leave can help reduce these conflicts, thereby increasing job satisfaction and employee retention. This is in line with the work-life balance approach that is currently trending in modern companies.

This study reinforces the theory that employee retention is not only influenced by external factors such as salary and benefits but also by internal factors such as job satisfaction. Job satisfaction can serve as an important counterweight in overcoming conflicts between work and family. If companies are able to create a work environment that supports employee satisfaction, they will be more likely to retain the best talent.

Managers need to focus more on compensation management and employee work-life balance. By understanding that job satisfaction can reduce the negative impact of work/family conflicts, managers can take strategic steps to create more flexible policies. In addition, recognition of employee contributions through bonuses or personal appreciation can also increase retention.

Conclusion

Based on the results of the hypothesis analysis, it can be concluded that compensation has a positive effect on job satisfaction, and work-family (W/F) conflict hurts job satisfaction, both of which are proven to be true. In addition, W/F conflict has also been proven to have a negative influence on employee retention. The hypothesis that job satisfaction has a positive influence on employee retention is also proven. Furthermore, job satisfaction was proven to mediate the positive influence of compensation on employee retention, as well as mediate the negative influence of W/F conflict on employee retention.

Bibliography

- Abdullah, M. I., Dechun, H., Ali, M., & Usman, M. (2019). Ethical leadership and knowledge hiding: a moderated mediation model of relational social capital, and instrumental thinking. *Frontiers in Psychology, 10*, 2403.
- Breidenthal, A. P., Liu, D., Bai, Y., & Mao, Y. (2020). The dark side of creativity: Coworker envy and ostracism as a response to employee creativity. *Organizational Behavior and Human Decision Processes, 161*, 242–254.
- Chang, C.-M., & Hsu, M.-H. (2016). Understanding the determinants of users' subjective well-being in social networking sites: An integration of social capital theory and social presence theory. *Behavior & Information Technology, 35*(9), 720–729.
- Cortes, A. F., & Herrmann, P. O. L. (2020). CEO transformational leadership and SME innovation: The mediating role of social capital and employee participation. *International Journal of Innovation Management, 24*(03), 2050024. <https://doi.org/10.1142/S1363919620500243>
- Dageid, W., & Grønlie, A. A. (2015). The associations between resilience, social capital, and self-rated health among HIV-positive South Africans. *Journal of Health Psychology, 20*(11), 1463–1473.
- Kwan, H. K., Zhang, X., Liu, J., & Lee, C. (2018). Workplace ostracism and employee creativity: An integrative approach incorporating pragmatic and engagement roles. *Journal of Applied Psychology, 103*(12), 1358.
- Riaz, S., Xu, Y., & Hussain, S. (2019). Workplace ostracism and knowledge hiding: the mediating role of job tension. *Sustainability, 11*(20), 5547.
- Vidyarthi, P. R., Singh, S., Erdogan, B., Chaudhry, A., Posthuma, R., & Anand, S. (2016). Individual deals within teams: Investigating the role of relative ideas for employee performance. *Journal of Applied Psychology, 101*(11), 1536.
- Welbourne, J. L., & Sariol, A. M. (2017). When does incivility lead to counterproductive work behavior? Roles of job involvement, task interdependence, and gender. *Journal of Occupational Health Psychology, 22*(2), 194.
- Zhao, H., Xia, Q., He, P., Sheard, G., & Wan, P. (2016). Workplace ostracism and knowledge hiding in service organizations. *International Journal of Hospitality Management, 59*, 84–94.