

Effect of Empowerment and Compensation on Employee Loyalty

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Keywords: Empowerment, compensation, loyalty, work environment

Abstract: This study was made to analyze and determine the effect of empowerment and compensation on work environment loyalty, both physically, leadership, and compensation simultaneously have a definitive and significant effect on employee loyalty at Primatama Sejahtera Trading Enterprises (UD). The population of 40 with a sample used as a whole, namely 40 employees. The data were obtained by distributing questionnaires to respondents who were analyzed using multiple regression analyses where the aim of this analysis was to test the influence between variables. Based on the results of the analysis with several stages, compensation has a positive and significant effect on loyalty. Empowerment and compensation have a positive and significant effect on loyalty. For the reliability test, showing that the empowerment variable with the result 0.946, the compensation variable with a result of 0.769 and loyalty with a result of 0.811. It means that all indicators are reliable. Multiple regression analysis results showed empowerment had a positive and significant effect on loyalty by showing output <0.05 . Compensation has a positive and significant impact on loyalty also indicated by a value of <0.05 . In a multiple regression test, the result is indicated by a significance value <0.05 .

1 INTRODUCTION

Loyalty is employee loyalty is the extent to which employees are loyal to the organization, have a feeling of commitment, inclusion, care, responsibility, and devotion to it. Employee loyalty can also be illustrated as the extent to which there is a general willingness among employees to make investments or personnel sacrifice for the good of the organization (Upasana, 2015).

Companies expect employees who have a good and high work ethic to contribute to the company, but more than that, the company wants employees who dedicate themselves to the company with integrity and loyalty. With loyalty, employees can work actively and have a high awareness of their duties and responsibilities in the company (Manurung, 2017).

Dimensions and indicators of loyalty are as follows (Boussaleem, 2014): 1) Emotional loyalty, namely the extent to which individuals are aware of the distinctive characteristics of their work in terms of the degree of independence, urgency, skills needed, availability of supervision and guidance. 2) Moral loyalty (normative), namely the commitment of employees to remain with the organization, and

often this is reinforced by good support by the organization for its employees, enabling them to participate and interact positively. 3) Continuous loyalty: The level of individual loyalty, in this case, is controlled by the investment value that can be achieved if continued with the organization or as much as possible if you decide to attend another organization.

Employees who have loyalty to the company can be known from the characteristics of work loyalty found in an employee, among others: obedience to the rules, responsibility to the company or organization, willingness to cooperate, sense of owning, interpersonal relationships, and fondness for work

The regulations created by the company to regulate karyawan, will be considered by employees as something that can be used as a benchmark for the company to assess the performance of its employees. Employees who have loyalty, will not regard the rules of entrepreneurship as something that binds employees. However, with the loyalty, employees will take it as a reference to further improve performance. In addition to the indicators discussed above there are several factors that can affect the high and low loyalty of employees. It is thought that these

factors are compensation, empowerment, and job satisfaction factors

Empowerment is a decision to give freedom to expose his or her ability to work within certain competencies that are still in the corridor of job descriptions to achieve goals.

Correlation with aspects related to empowerment, where the mechanism is to provide knowledge and facts and the power of employees to be able to do work with high accuracy. empowerment gives authority to workers in decision making is also a catalyst for workers to complete their work effectively and efficiently (Alagele, 2018).

Empowerment has been a very vital and fundamental ingredient in general management during this course of the last few years. There is a general motivation to give employees sufficient freedom in their job definition and authority to be able to fully apply capabilities to the overall goals of the company (Boussalem, 2014). More and more organizations are extensively adopting empowerment policies as a technique for improving performance. This means that the empowerment policy will increase creative solutions for any mistakes that can occur in daily activities so that performance will also increase. Also, empowerment provides employees with the ability to rethink ways to carry out these activities (Al-Edenat & Alhawamdeh, 2018).

The dimensions and indicators of empowerment are as follows (Onsardi, Asmawi, & Abdullah, 2017): 1) Authority, 2) Responsibility, 3) Training, 4) Knowledge and information, 5) Feedback, 6) Recognition of achievement, 7) Trust, 8) Tolerance, and 9) treat employees with respect and dignity.

Aspects or components that need attention in order to empower human resources are: Sedarmayanti (in Onsardi, Kahirul Bahrin, & Ratnawili 2019) :

- 1) Employee skills include: knowledge, skills, and attitude or behavior.
- 2) The placement of employees in accordance with the demands of the needs of the office in an organization, means that the employee placed in a position is always associated with the ability of the employee in question.
- 3) Clear authority.
- 4) Clear employee responsibilities.
- 5) Trust in employees.
- 6) Support for employees.
- 7) Leadership
- 8) Motivation.

Compensation is income outside of basic salary. Compensation must be given fairly. Fairness in income can be seen when what is produced is what is done (Wamuyu, Gichira, Wanjau, & Mung'atu,

2015). The compensation received by employees both in financial and in-kind as remuneration given to employees' efforts for the organization. Compensation is also an achievement against the use of labor or services provided by the workforce. Compensation is the number of packages that the organization offers to workers as a reward for their hard work (Onsardi, Asmawi, & Abdullah, 2017).

Sinambela (2016) "employees use their knowledge, skills, energy, time, and commitment, not only want to dedicate or devote themselves to the organization, to achieve other goals that it wants to achieve, namely to expect rewards or remuneration for the performance and productivity of the work it produces". Salaries and benefits play an important role in attracting people to work creatively and at home within the company. It is thus very important to determine the amount of a fair salary that is appropriate and beneficial"

Compensation is a contra achievement for the use of labor or services provided by the workforce. Total compensation from all awards is given to employees in return for these services (Putra, Jodi, & Prayoga, 2019). Compensation is a fundamental problem in every organization because the management is paid by the employees. This is seen as an important segment of human resources because of its sensitivity, this is purely an employee problem, and because most organizations deal with it with emergencies (Akhigbe & Ifeyinwa, 2017).

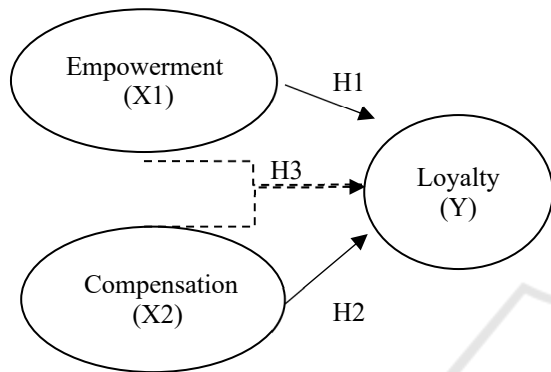
The dimensions and indicators of compensation are as follows (Manurung, 2017): 1) Wages and salaries. 2) Bonuses and incentives. 3) Insurance and pension plans. 4) Other facilities and benefits.

From the view of some of the above experts, that compensation becomes the main reason a person works. People who work because they expect compensation or compensation received from the company or institution in which they work. From this it can be seen that the compensation affects employee loyalty, the greater the compensation that the company will give will have a higher impact on employee loyalty to the company. The above statements are in line with several research results, including the results of nasurdin et al., (2011) which explained that: The regression results showed that employees' perceptions of HRM practices (training, performance appraisal, employment security, employee involvement, and compensation) generally have a positive effect on service-oriented OCB (loyalty, service delivery, and participation). Specifically, the findings indicate that training, compensation, and performance appraisal were positively related to loyalty. The results of the above

study explain that training, compensation and performance have a positive relationship with loyalty. It is also in line with the results of pratama et al. research,

The objectives of this study are: 1) To analyze the effect of empowerment on loyalty. 2) Analyzing the effect of compensation on loyalty. 3) Knowing the effect of empowerment and compensation on loyalty.

From the research objectives, the following framework can be made:



Picture 1. Framework of thinking

The hypotheses of this study are: 1) Empowerment has a positive and significant effect on loyalty. 2) Compensation has a positive and significant effect on loyalty. 3) Empowerment and compensation have a positive and significant effect on loyalty.

2 RESEARCH METHODS

This research is a quantitative research that presents statistical data. Data were collected by distributing questionnaires to respondents. The analysis used is multiple regression analysis where this analysis aims to test the influence between variables. The object of this research is the Primatama Sejahtera Trading Business (UD). The population of 40 with a sample used as a whole, namely 40 employees.

3 RESULTS AND DISCUSSION

The first analysis is a descriptive analysis that is used to classify respondents by category.

Table 1. Frequency Distribution

| Category | Frequency | Percentage | |
|------------------------|----------------|------------|-------|
| Frequency Distribution | Male | 12 | 30% |
| | Women | 28 | 70% |
| Age | ≤ 20 Tahun | 11 | 27,5% |
| | > 20 Tahun | 29 | 72,5% |
| Salary | ≤ Rp 1.000.000 | 21 | 52,5% |
| | >Rp 1.000.000 | 19 | 47,5% |

Source: Primary Data, Processed 2020

Table 2: Validity Test

| Variable | Indicator | Pearson Correlation | Information |
|--------------|-----------|---------------------|-------------|
| Empowerment | X1.1 | .897** | Valid |
| | X1.2 | .727** | Valid |
| | X1.3 | .677** | Valid |
| | X1.4 | .663** | Valid |
| | X1.5 | .674** | Valid |
| | X1.6 | .559** | Valid |
| | X1.7 | .455** | Valid |
| | X1.8 | .413** | Valid |
| Compensation | X1.9 | .331* | Valid |
| | X2.1 | .350* | Valid |
| | X2.2 | .720** | Valid |
| | X2.3 | .627** | Valid |
| Loyalty | X2.4 | .584** | Valid |
| | Y1.1 | .501** | Valid |
| | Y1.2 | .816** | Valid |
| | Y1.3 | .339* | Valid |

Source: Primary Data, Processed 2020

From the frequency distribution, it can be seen that female employees dominate with 28 compared to male employees with only 12. While employees who are under 20 years old are less than over 20 years old where the ratio is 11 to 29. Employee salaries below 1 million are 29 compared to which above 1 million are 19 employees.

The second analysis is the variable validity test to measure the instruments used in the study. The results of the validity test are as follows.

From the results of the validity test of all variable instruments, it shows that all instruments show valid results.

The next analysis is the reliability test where the reliability test criteria are if the Cronbach's alpha value is > 0.7, the research variable is reliable. The results of the reliability test are as follows:

Table 3: Reliability Test

| Variable | Cronbach's Alpha | Information |
|--------------|------------------|-------------|
| Empowerment | .946 | Reliabel |
| Compensation | .769 | Reliabel |
| Loyalty | .811 | Reliabel |

Source: Primary Data, Processed 2020

From the results of the reliability analysis shows that empowerment, compensation and loyalty variables show reliable results according to the criteria > 0.7

The next analysis is a simple regression test, which is to test the influence between research variables. The variable has a significant effect if the value in the significance coefficients table is <0.05. The test results between variables are as follows:

| Coefficients ^a | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|-------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | | | |
| 1 (Constant) | 206 | .368 | | .560 | .579 |
| Empowerment | .395 | .140 | .357 | 2.819 | .008 |
| Compensation | .430 | .113 | .481 | 3.790 | .001 |

a. Dependent Variable: Loyalty

The results of multiple regression analysis show that empowerment has a positive and significant effect on loyalty with a significance output <0.05. Compensation has a positive and significant effect on loyalty is also indicated by a significance value <0.05.

The next analysis is multiple regression test, which is to test the influence between research variables. The variable has a significant effect if the value in the significance coefficients table is <0.05. The test results between variables are as follows:

| ANOVA ^a | | | | | |
|--------------------|----------------|----|-------------|--------|-------------------|
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 Regression | 15.764 | 2 | 7.882 | 17.294 | .000 ^b |
| Residual | 16.337 | 37 | .456 | | |
| Total | 32.628 | 39 | | | |

a. Dependent Variable: Loyaltitas

b. Predictors: (Constant), Empowerment, Compensation

The results of this analysis indicate that empowerment and compensation have a positive and significant effect on loyalty. These results are indicated by a significance value <0.05.

4 CONCLUSIONS AND RECOMMENDATION

The conclusions of this study are: 1) Empowerment has a positive and significant effect on loyalty. 2) Compensation has a positive and significant effect on loyalty. 3) Empowerment and compensation have a positive and significant effect on loyalty. This is indicated by a validity test result where all instruments show valid results. For the reliability test, showing that the empowerment variable with the result 0.946 indicates reliabel, the compensation variable with a result of 0.769 shows results that are also reliabel and loyalty with a result of 0.811 showing reliable results in accordance with the criteria > 0.7

Multiple regression analysis results showed empowerment had a positive and significant effect on loyalty by showing output <0.05. Compensation has a positive and significant impact on loyalty also indicated by a value of <0.05. The next analysis is a multiple regression test that is to test the influence between research variables. Variables have a significant effect when the value on the coefficients table < of 0.05. From the results of the analysis shows that empowerment and compensation have a positive and significant effect on loyalty. The result is indicated by a significance value <0.05.

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