

Compensation and work environment on employee retention

Wayan Suryathi *, I Made Widiantara and I Wayan Siwantara

Bali State Polytechnic, Indonesia.

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Abstract

This study aims to determine the effect of compensation and work environment on employee retention. This study used a quantitative approach with 85 respondents who were employees of ABC Company in Bali. The research questionnaire consisted of 28 closed statement items using a Likert scale based on the non-probability sampling method with total sampling technique. The data has met the requirements of validity and reliability, then analyzed using the SPSS analysis method. The results of this research show that compensation and work environment positively and significantly affect employee retention.

Keywords: Compensation; Retention; Employees; Work Environment

1. Introduction

Research related to employee retention has ties to research on turnover intention. This linkage is proven from previous research, namely in the research of Purnama and Mayliza (2019) which stated that there was an effect of employee retention on turnover intention. Employee retention is a company's effort to keep talented employees from leaving the company (James & Mathew, 2012). The company's success in efforts to increase employee retention. Companies can provide comfort and provide good facilities to employees so they can provide strong employee retention to the company, so that employees will not have the desire to leave the company, in other words, turnover will decrease (Wulansari, Meilita & Ganesan, 2020).

It is necessary to anticipate and pay attention to the high turnover that occurs at the ABC Company in Bali. Efforts to retain employees or employee retention are the main goals and expectations of the company, this situation is in line with the problems that occur in the companies observed. Employee retention is simply an ongoing working relationship in the form of actions taken by an organization that aims to retain its employees. Mathis, Jackson, Valentine, and Meglich (2017) stated that understanding retention and retaining the best employee abilities is a form of concern from employers to retain more of the best performing employees. Mathis, Jackson, Valentine,(3) periodic evaluation, observation and intervention efforts.

Compensation influences employee retention. Research conducted by Violetta and Edalmen (2020) stated that compensation has a positive effect on employee retention. If the compensation received by employees is appropriate and fair, then the employee's intention to survive long term will increase. Compensation is a form of payment given to employees for their work. According to Astuti and Dewi (2022) compensation is reciprocity from the company received by employees in exchange for the contributions that employees have made to the company. Compensation is wages given to employees as a reward for work in financial and non-financial forms (Safira, 2020). According to Simamora (2015) the indicators for employee compensation are:

- Salary,

* Corresponding author: Wayan Suryathi

- Benefits,
- Incentives, and
- Facilities.

This study aims to see whether the compensation and work environment for employees of ABC Company in Bali have a significant effect on employee retention, especially for employees of ABC Company in Bali.

2. Material and methods

The research used is a type of correlational quantitative approach. The quantitative approach itself is a research method that uses statistical analysis to prove research hypotheses. In this study the variables consist of Compensation (X1), Work Environment (X2) and Employee Retention (Y).

In this study using a sampling technique using saturated sampling which is one type of non-probability sampling. In this study, the entire population became the saturated sample used, all employees working at ABC Company in Bali, totaling 100 people, so the remaining population was 85 people, which made the number of respondents the population of ABC Company in Bali. Data is collected through questionnaires which are distributed via Google Form. The data analysis technique in this study uses Multiple Linear Regression Analysis.

3. Results and discussion

3.1. Results of Multiple Linear Regression Analysis

Table 1 Multiple Linear Regression Analysis Test Results

	Unstandardized B
(Constant)	3.768
compensation(X1)	0.181
Work Environment(X2)	0.876

Primary Data, 2023

From Table 1 it can be seen that the constant value has a value of 3,768. This indicates that there is a positive effect between compensation and work environment variables on employee retention. The compensation variable (X1) has a regression coefficient value of 0.181. This indicates that there is a positive effect between compensation variables on employee retention. The work environment variable (X2) has a regression coefficient value of 0.876. This indicates that there is a positive effect between work environment variables on employee retention.

Table 2 Research Hypothesis Test Results (t test)

Hypothesis	t statistics	Sig.	Results
H2: Compensation has a positive effect on employee retention	2.887	0.000	Accepted
H3: Work Environment has a positive effect on employee retention	5.907	0.000	Accepted

Primary Data, 2023

The calculated t value of compensation (X1) on employee retention (Y) is $2,887 > 1,996$, so it can be concluded that there is a positive and significant effect of the variable compensation (X2) on employee retention (Y), which when associated with the research hypothesis, H1 is accepted. and the calculated t value of work environment (X2) on employee retention (Y) is $5,907 > 1,996$, so it can be concluded that there is a positive and significant effect of work environment variable (X3) on employee retention (Y) which, when associated with the research hypothesis then H2 is accepted.

3.2. Statistical F Test Results

Table 3 Statistical F Test Results

F	Sig
72.897	0.000

Primary Data, 2023

From the results of the statistical F test that has been carried out by researchers it is known that the calculated F value obtained is 72,897 and a sig value of 0,000 > it can be concluded that simultaneously the compensation variables (X1) and work environment (X2) together have a positive effect on employee retention (Y) for ABC Company employees in Bali.

3.3. Test Results for the Coefficient of Determination (R2)

Table 4 Test Results for the Coefficient of Determination (R2)

Model	R Square
1	0.835

Primary Data, 2023

From the results of testing the coefficient of determination that has been done, it can be concluded that the value of R2 is 0.835, which means that compensation (X1) and work environment (X2) in explaining the effect on employee retention (Y) are 0.756 or 83.5% . , while the remaining 16.5% is effect by other variables outside the research that has been done.

3.4. Effect of Compensation on Employee Retention

The results of testing the hypothesis show that it can be concluded that there is a significant effect of compensation on employee retention for employees of ABC Company in Bali. This result is consistent with the hypothesis (H1) which states that compensation has a positive effect on employee retention. The positive effect means that if the compensation provided by ABC Company in Bali is appropriate, the higher the employee retention rate. ABC Company in Bali has provided fairly good compensation in appreciating the performance of its employees, as can be seen from the results of employee responses with a neutral assessment of compensation. This is in line with research conducted by Bahrn and Yusuf (2020), Dewi and Riana (2019), Pradipta and Suwandana (2019), Violetta and Edalmen (2020) state that compensation has a positive and significant effect on employee retention. This means that providing supportive and fair compensation can lead to a sense of satisfaction at work so that employees want to stay in the company for a long time. If the compensation given is appropriate and fair, it will increase the desire of employees to stay in the company.

3.5. Effect of Work Environment on Employee Retention

The results of testing the hypothesis concluded that there was a significant effect of the work environment on employee retention for employees of ABC Company in Bali. These results are consistent with the hypothesis (H2) which states that the work environment has a positive effect on employee retention. Positive effect means that if the work environment supports employees in carrying out their work at ABC Company in Bali, the higher the employee retention rate. This is in line with research by Ngazo (2021), Pratiwi and Sriathi (2017) which states that the better and more comfortable the non-physical work environment such as the sense of trust felt by employees, the employee's desire to stay with the company so that employee retention is higher. Also in accordance with research conducted by Rattu and Tielung (2018), Senran et al (2018), Khristian, Kirana and Septyarini (2022) state that the work environment has a positive and significant effect on employee retention. This means that a positive work environment can make employees feel comfortable and feel supported at work so as to make employees more comfortable and stay in a company with these conditions.

4. Conclusion

This study aims to determine the effect of compensation and work environment on employee retention. The researcher describes the conclusions from the research that has been conducted that compensation has a positive and significant effect on employee retention, and the Work Environment has a positive and significant effect on employee retention.

Companies need to pay attention to what needs their employees need at work so that employees can complete their tasks and responsibilities quickly and comfortably. ABC Company in Bali to provide comfortable physical working conditions so that employees can be more comfortable in completing their work responsibilities. Further researchers can link other variables because 24.4% can be effect by variables not examined in this study.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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