

## **The Effect of Compensation, Work Environment, and Organization Culture on Employee Job Satisfaction**

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### **Abstract**

Employee job satisfaction plays an important role in every company. Job satisfaction reflects the positive response of employees to the assessment and experience of the benefits felt during work. Three factors influence job satisfaction, namely: Compensation, work environment, and organizational culture. This study aims to determine the effect of compensation, work environment, and organizational culture on job satisfaction. Research questionnaires were made using a Google Form, and distributed online via WhatsApp to respondents who are non-managerial employees at a Bank in Central Jakarta. Sampling was carried out using a non-probability sampling technique with a purposive sampling method where the criteria for selecting the sample were employees who served as staff. The data is analyzed with PLS Algorithm processing procedures. The results of this study indicate that compensation, work environment, and organizational culture each have a positive effect on the job satisfaction of the employees.

**Keywords:** Compensation, work environment, organizational culture, job satisfaction

### **1. Introduction**

Human resources are an important element for the company. Yadika (2018) stated that the Minister of Finance Sri Mulyani said that it was important to invest in Human Resources (HR) because HR became a driving force for the economy of a nation. Creating quality jobs is an important key to economic growth. Therefore, human resources have a big role, he said at the 2018 Voyage to Indonesian Seminar, Human Capital Investment.

An employee who is satisfied with their workplace will perform such attitude and behavior to stay in the company even when the company is experiencing difficult times. However, Sari (2018) recorded the results of the "Global Leadership Study" research which stated that 30% of employees in Indonesia wanted to change jobs. When the survey was conducted, the majority answered that employees were dissatisfied with their current job meanwhile some of them answered that they are unhappy with their superiors.

Praditya (2015) reported that the results of the research of JobsDB Indonesia, entitled: "Happy is a better job" revealed that as many as 73% of Indonesian employees were neither happy nor

satisfied with the work done at the company where the employee worked. When several employees were interviewed about the factors that cause dissatisfaction at work, it was revealed that the salaries and bonuses received were not appropriate and unfair, office facilities were not good, and the employee training and development program was not optimal. The research activity was conducted on 2,324 respondents where approximately 80% of employees already have plans to change jobs. This research was conducted on employees in Indonesia with various career paths.

Furthermore, Fauzia and Jatmiko (2020) report that a job that offers a good work balance based on LinkedIn has a specific effect on employee job satisfaction. Then a study conducted by CNBC on January 23, 2020 stated that 69% of employees who served as human resources stated that the work balance in the company can determine the level of job satisfaction and good work experience. The survey also found that there are three factors that increase job satisfaction, including 67% of HR employees agreeing competitive bonuses and benefits can increase job satisfaction, then 47% of HR employees agreeing that the work environment and organizational culture can increase job satisfaction, and the last 36% of HR employees agree that an open and effective management system is a determinant in increasing job satisfaction.

A survey related to factors that contribute to job satisfaction conducted at PT Bank Amar Indonesia Tbk. (AMAR), one of the banks that received the title of "Best Places To Work 2020", an international certification program that provides opportunities for companies in various countries to provide extraordinary experiences and apply high standards in terms of working conditions. This is shown by the 1,000 employees who worked at AMAR bank in 2020 upholding the organizational culture in terms of (experimentation, growth, fun, big dreams, customer focus and speed) which are elements of organizational culture that are applied by AMAR bank on a daily basis. Several employees stated that the organizational culture at AMAR bank makes each individual unique in the banking industry. In addition, employees also stated that the work environment provided by AMAR bank has provided space to explore, learn new things and continue to grow which makes employees state that organizational culture and work environment are two elements that form job satisfaction while working (pressrelease.kontan.co.id, 2020).

Kaur (2014) in his research on the banking sector in India, concluding that compensation and other rewards given to employees will have an impact on increasing employee loyalty in the company. In addition, Ashraf and Joarder (2010) stated that the compensation provided and employee training and development programs will increase employee satisfaction, this is concluded based on research conducted on employees who work at three major cellular companies, namely: Grameen Phone, Banglalink, and Actel.

Furthermore, work environment also play an important role in increasing employee job satisfaction, where research conducted by Pawirosumarto et al. (2017) stated that there was a positive relationship between the work environment and employee job satisfaction. While Tyseen (2005; in Pawirosumarto et al., 2017) states that the work environment in general is related to the physical form of the environment, room, physical layout, noise level, equipment,

materials and co-workers relationships within a company which are important aspects for increase job satisfaction.

Moreover, in term of job satisfaction, organizational culture also known to be one of the factor that can increase job satisfaction which generally refers to a set of values and symbols created by the company that are understood and shared by all members of employees and superiors in the company (Pawirosumarto et al., 2017). Chipunza and Malo (2017) state that organizational culture in general is in the form of an overall picture of the events and activities carried out by the organization on a daily basis that involve the personality of the employee and the nature of employee interaction in which the interaction pattern, if deemed appropriate to the employee's personality, will have an impact on improving employee job satisfaction. Yanti and Dahlan's research (2017) also states that there is a positive relationship between organizational culture and job satisfaction, where companies that seek to develop respect for their employees by treating them as important company assets will encourage job satisfaction that continues to grow in employees.

Based on the explanation above, this research was conducted on employees of Bank X in Central Jakarta Branch. The data obtained in the field shows that there are statements of dissatisfaction regarding compensation that are not in line with working hours. Relationships between co-workers, office facilities, work patterns, and organizational culture also sometimes creating the uncomfortable working atmosphere.

## **2. Method**

The population in this study were employees of Bank X in Central Jakarta Branch. A convenience sampling is applied with 57 respondents from staff level is involved. In this research, data were collected by questionnaires. The questionnaires are distributed to respondents who meet predefined criteria through the distribution of digital forms. Indicators for compensations are salary, leave and holidays policies, payment on leaves, office facilities, bonus, and overtime payment. Those indicators adapted from Ashraf and Joarder (2010). Indicators for work environment consists of: Office room condition, office room condition related to work, employees relation, competitiveness, facilities, modernity. Organization culture is measured by chance to be innovative, risk taking, work accurately, good analytic skill, end result focus, future goals, employee involvement, priority, togetherness, teamwork, working spirit, competition. Last, to measure job satisfaction, the indicators are, satisfaction, accordance, supervisor, controlling system, salary, contribution. Indicators for work environment, organization culture, and job satisfaction were all adapted from Pawirosumarto, et al. (2017). In this study, data from respondents were analyzed using partial least squares (PLS), using structural equation modeling (SEM). PLS-SEM followed by two assessment steps: A measurement model (outer model) and a structural model (inner model). The first step refers to the specifications of the formative and reflective measurement models. If the measurement model test is appropriate, the second step is to re-analyze the structural model test to find out the relationships between the variables. Validity tests measure outer models by testing for convergent validity (AVE values) and discriminate validity (cross-loading). Internal consistency testing (composite reliability) and indicator reliability (loading factor) were carried out to verify reliability. The coefficient of

determination (R-square) and predictive relevance (Q-square) were tested to test the structural model. Meanwhile, path analysis (path coefficients), effect size (f-square), and significance test (t-test and p-value) were performed to test the research hypothesis. Model of the research is as follows:

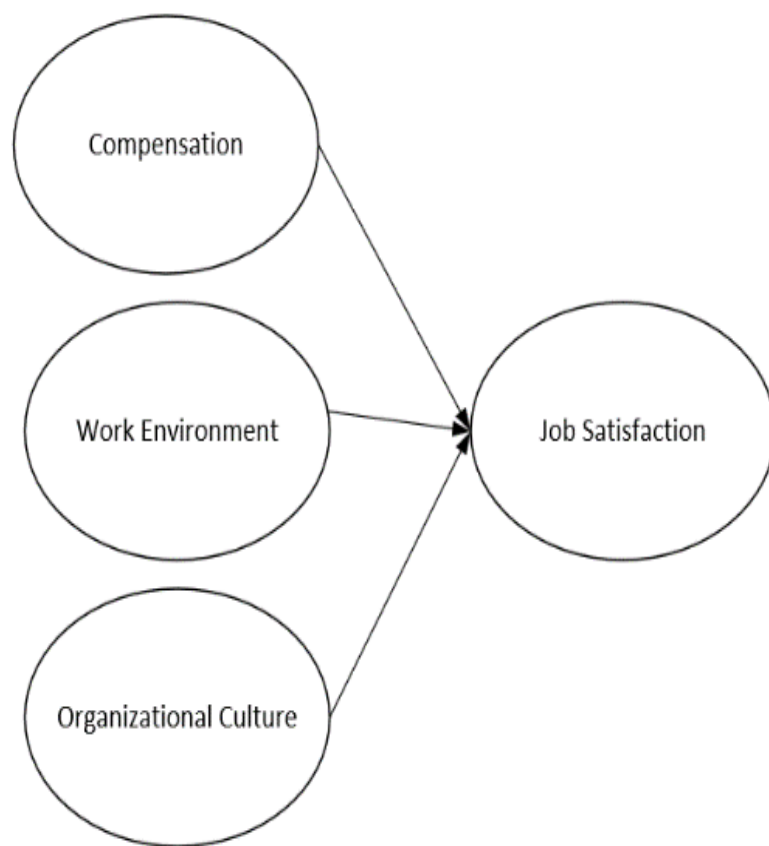


Figure 1. Research Model

Base on the models, three hypotheses were developed, (1) There is a positive effect of compensation on employee job satisfaction at Bank X, Central Jakarta, (2) There is a positive effect of work environment on employee job satisfaction at Bank X, Central Jakarta, and (3) There is a positive effect of organizational culture on employee job satisfaction at Bank X, Central Jakarta.

### 3. Results

This study involved 57 employees of Bank X in Central Jakarta, Indonesia consist of 28% of female respondents and 72% are male. The majority of respondents are around 26 to 30 years old, have the latest bachelor's education, and have worked 4 to 8 years. Validity of the data is

done by analyzing the values of outer loadings, cross loadings, and AVE. The results of the analysis show that the data to be processed already has a value of outer loadings > 0.5, for the cross loadings, indicator payment on leave and overtime payment has to be removed since both of the indicators are not valid, but the rest of the indicators have values that are greater than other variables, and have met the AVE value above 0.5. So it can be concluded, the data used are valid. Moreover, for the reliability test, composite reliability and Cronbach Alpha values were examine and resulting both of which show values above 0.7, so it can be concluded that the data are reliable.

Furthermore, for the inner model testing, this research includes the coefficient of determination (R square), predictive relevance (Q square), Goodness of Fit (GoF), and hypothesis testing by analyzing path coefficient, t-statistics, and p-values.

The result concluding that the coefficient of determination is 81%. This means that 81% of job satisfaction variables are strongly influenced by compensation, work environment and organizational culture. Then the remaining 19% of job satisfaction variables are influenced by other variables other than variables used in this research.

Table 1. Coefficient of Determination (R<sup>2</sup>)

	<i>R-Square</i>	<b>Conclusion</b>
Job Satisfaction	0.81	Substantial

The value of the predictive relevance value in this research model is 0.584, which means it is bigger than 0, so the research model has a predictive relevance. Then, since the value of predictive relevance is bigger than 0.35 it can be concluded that the research model also has a high effect size. Furthermore, the data has 0.7266 for the Goodness of Fit test, which means, that the data in this research is proper since it is above 0.36. The results of hypotheses testing and bootstrap can be seen in table 2 and figure 2, as follows:

Table2. Hypotheses Testing

<b>Hypotheses</b>	<i>Original Sample</i>	<i>t-statistics</i>	<i>p-values</i>	<b>Conclusion</b>
Compensation→ Job Satisfaction	0,300	2,056	0,020	Accepted
Work Environment→ Job Satisfaction	0,367	2,530	0,006	Accepted
Organization Culture→ Job Satisfaction	0,350	2,270	0,012	Accepted

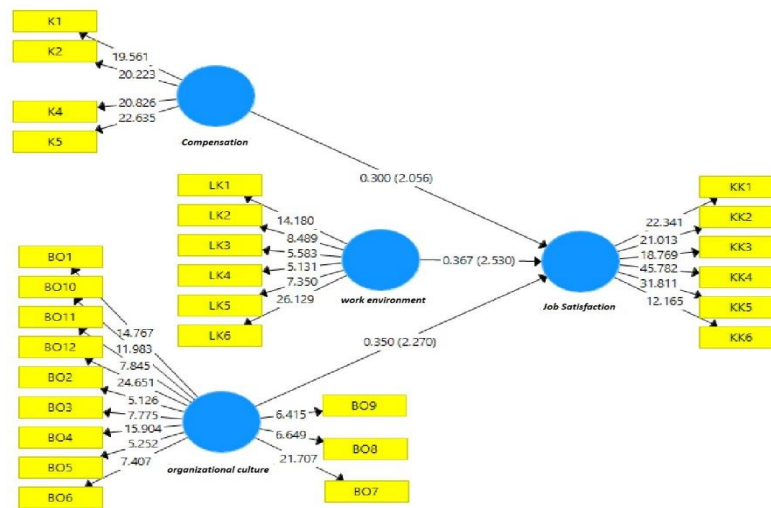


Figure 2. Bootstrapping Result

#### 4. Discussion

Based on the results of bootstrapping, it is stated that all hypotheses in this study are accepted. Where the first hypothesis which states "There is a positive effect of compensation on employee job satisfaction at Bank X, Central Jakarta" is accepted because it produces an original sample value of 0.300 (which means it has a positive effect), then the t-statistics value is 2.056, which is bigger than 1.645 and the p-values of 0.020, which is smaller than 0.05, which means that it has a significant effect. It can be concluded that if the compensation increased and done more fairly, then employee job satisfaction will increase as well. The results of this study are in line with Ashraf and Joarder (2010), Idris et al. (2019), and Noviantoro's research (2018) which states that compensation has a significant positive effect on employee job satisfaction. Sarker and Ashrafi (2013) found that compensation has the strongest positive and significant effect on employee job satisfaction. The results of this study also supported by Lane et al., (2010) and Vidal et al. (2007) findings which reveal that salaries and other rewards have a positive and significant effect on job satisfaction. Compensation is a reward for services or remuneration provided by the company to the workers used, because these workers have contributed their energy and thoughts for the progress of the company in order to achieve the goals that have been set. As for compensation that is increasingly being carried out fairly, objectively and the greater the amount in accordance with the employee's work contribution to the company, it will increase employee job satisfaction which is indicated by the attitude of employees who feel that they have worked in an appropriate place which creates positive emotions for employees.

The second hypothesis which states "There is a positive effect of the work environment on employee job satisfaction at Bank X, Central Jakarta" is accepted because it produces an original sample value of 0.367 (which means it has a positive effect), then the t-statistics value is 2.530 which is higher than 1.645 and the p-values of 0.006 which is smaller than 0.05, which means



that it has a significant effect. It can be concluded that the more employees feel that the work environment supports themselves to work effectively and in line with the personality of the employees themselves, it will increase employee job satisfaction. The results of this study are not in line with research by Ashraf and Joarder (2010) which states that the work environment has an insignificant negative effect on job satisfaction. The results of this study are still in line with those of Pawirosumarto et al. (2017), Kolade and Oladipupo (2019), Idris et al. (2019) and also in accordance with Noviantoro's research (2018) which states that the work environment has a significant positive effect on employee job satisfaction. Tyssen (2005; in Pawirosumarto et al., 2017) states that various physical forms of the work environment are space, physical layout, noise level, equipment used, materials and co-workers relationships where the combination of all these aspects has an important and positive impact on job satisfaction. work that can produce quality employee performance. The work environment is a place where members of the organization carry out activities and all attributes contained in the organization as well as a network of inter-relationships between members that can affect the concentration and work results of employees. The work environment that is increasingly felt to be in accordance with the personality of the employee, the more it is felt to be able to support the completion of work effectively and also the more harmonious the relationship between employees and with superiors, it will increase employee job satisfaction which is indicated by the positive emotions of employees towards the company to continue to provide the best for the company.

The third hypothesis which states "There is a positive influence of organizational culture on employee job satisfaction at Bank X, Central Jakarta" is accepted because it produces an original sample value of 0.350 (which means it has a positive effect), then the t-statistics value is 2.270 which is higher than 1.645 and the p-values of 0.012 which is smaller than 0.05, which means that it has a significant effect. It can be concluded that the more organizational culture is felt in accordance with the employees themselves, the more employee job satisfaction increases. The results of the study are accordance with the research of Pawirosumarto et al. (2017), Chipunza and Malo (2017), and also with the research of Mishra and Kumar (2017) which states that organizational culture has a significant positive effect on employee job satisfaction. Bashayreh's (2009; in Chipunza and Malo, 2017) states that a supported company organizational culture, continuously encouraging employees to innovate and oriented to stability will increase employee job satisfaction. Hierarchical organizational culture where all decisions are based on superior decisions and communication systems. the company only from top to bottom produces low job satisfaction while a flexible organizational culture will result in high job satisfaction (Mishra and Kumar, 2017). Organizational culture is a system of values and beliefs that are learned, adhered to and developed by all members of the organization regarding the use of certain languages and symbols used by the company to achieve its goals. The organizational culture that is more in line with the personality of each employee who works in the company related to the system of values and beliefs adopted will increase employee job satisfaction which is indicated by the positive emotions of employees towards the company.

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