

EXAMINING THE EFFECTS OF WORK ENVIRONMENT AND COMPENSATION ON TURNOVER INTENTION: THE MEDIATING ROLE OF JOB SATISFACTION IN HIGHER EDUCATION INSTITUTIONS

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Abstract

This study analyzes work environment (WE) and compensation's effect on turnover intention (TI) among permanent education staff of Perbanas Institute with job satisfaction (JS) as intervening variable. Employing quantitative and descriptive research methods, this study involved all permanent education staff of Perbanas Institute. A saturated sample method including up to 83 permanent education staff as respondents was utilized. The questionnaire results served as the data source and SmartPLS version 4 statistical program assisted in the hypothesis testing analysis technique. Findings showed that WE and compensation positively and significantly effects on JS among permanent education staff of the Perbanas Institute. The WE negatively effects on TI; compensation and JS variables do not effect on TI in permanent education staff of Perbanas Institute, and the WE and compensation do not effect on TI through JS in permanent education staff of Perbanas Institute.

Keywords: Work Environment, Compensation, Turnover Intention, Job Satisfaction

INTRODUCTION

Human resources (HR) are of institution or company's key success in achieving its goals. HR quality and effective Management have positive impact on institution progress. One of the problems in human resource management is the tendency to change jobs, which is known as turnover intention (TI). The desire to move from one job to another in different company is common among millenials; most of them want to have new experience whenever new opportunity is available. As consequence, this tendency can disrupt other employees' ability to complete tasks previously performed by the departing employees.

A high turnover rate can lead to an increase in human resource costs, as it necessitates additional costs and time for the company to have new recruitment, select new employees, and conduct training [1]

Perbanas Institute is a private university in the South Jakarta area, precisely in Setiabudi, and it has 83 permanent education staff. From 2016 to 2022, Perbanas Institute also experienced an increase and decrease in turnover intention. The following presents data on the turnover intentions of permanent education staff employees at Perbanas Institute from 2016 to 2022.

Table 1.1 Permanent Education Staff Employee Turnover Data at Perbanas Institute for the Period 2016-2022

Year	Permanent Employees at Beginning of the Year	Permanent Employees at the End of the Year	Permanent Employees Who Left	Permanent Employees Who Entered	Permanent Employees Who the End of the Year Rate
2016	138	135	4	1	2.90%
2017	135	131	5	1	3.70%
2018	131	118	13	-	10.40%
2019	117	114	3	-	2.50%
2020	112	110	2	-	1.80%
2021	100	97	13	10	8.70%
2022	96	83	13	-	14.50%

Source: HRD Perbanas Institute 2023

Table 1.1 above shows that Perbanas Institute experiences an annual increase and decrease in turnover intention. The turnover rate is still tolerable or acceptable when it is not more than 10% per year [2]. The table above indicates that the turnover rate at Perbanas Institute is ideal, with each year's turnover rate not exceeding 10%. However, in 2018 and 2022, the turnover rate exceeded 10% in a single year.

One of the various factors that can influence TI is the work environment (WE). A safe, comfortable, and healthy WE can help increase employee efficiency and productivity. The WE is a factor that influences employee productivity [3]. The current WE at Perbanas Institute is favorable due to the institution's provision of various facilities that facilitate employee work, thereby lowering the likelihood of employee turnover [4] support this opinion. The WE is positively and significantly related to TI. However, [5] found that WE and employee TI were negatively correlated. Additionally, compensation plays a crucial role for employees, as it serves as a token of appreciation for their hard work, achievements, and superior quality, all of which contribute to the company's

success. The company rewards employees for their time, effort, and dedication in carrying out their duties through compensation. At Perbanas Institute, a phenomenon occurs where employees perceive their compensation as inadequate for the energy and sacrifice they have put in, leading some to consider leaving their jobs. [7] Support this phenomenon, stating that compensation positively and significantly affects TI. However, [8] contradicts this, stating that compensation does not affect TI. Employee job satisfaction (JS) as a major role in achieving the success of an institution [9]. JS at Perbanas Institute has been going well, but there is a phenomenon where some employees feel dissatisfied with the salary they receive. The employees perceive that their salary does not align with the quality of their work. JS is a description of the extent to which employees feel fulfilled and satisfied with their work. JS variable exhibits a positive correlation with TI [10], whereas [11] asserts that JS does not influence TI. This explanation shows a research gap regarding JS and employee TI. Based on the background explanation above, it is the basis for researchers to conduct a study entitled focusing on investigating the effect of WE and compensation on TI of permanent employees of the perbanas institute education staff with JS as an intervening variable."

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Work Environment (WE)

WE plays an important role in a company because it's where employees carry out routine activities. It includes all factors or components that exist around employees and influence how they carry out the tasks given in a work context [12]. WE is an element directly and indirectly influencing the performance and success of an organization [13]. WE also plays a role in influencing employee performance; creating a positive work atmosphere can improve employees' ability to carry out their duties effectively [14]. Some aspects of WE include lighting, room temperature, air circulation, the dimensions and placement of the workspace, its cleanliness, the presence of disturbing sounds, the placement of colors, and the availability of work support equipment [15]. WE involves equipment, materials, and situations around where a person works, including work methods and arrangements, both individually and in groups [16]. Company environmental indicators—physical factors such as buildings, equipment, facilities, and transportation—are part of the work environment (Wangi et al., 2020). WE also encompasses relationships between coworkers, dynamics with superiors, and cooperation among employees.

Compensation

Company expects compensation as a reward for employee work performance [18]. It provides compensation as a reward for the time, effort, and dedication of its employees [19] [20]. The organization provides employees with various gifts, both financial and non-financial, as compensation for their contributions, enabling the organization to function and achieve its goals [21]. [22] Explains that there are six indicators involved in providing compensation for employees: (1) wages/salaries, (2) incentives, (3) bonuses, (4) allowances, and (5) facilities.

Job Satisfaction (JS)

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JS is a situation in which employees experience positive or negative feelings based on their assessments of the work they do and the work experiences they have [23] [24]. According to Azeez et al. (2016), JS is a reflection of an employee's response to their assigned work and their thoughts about it. [25]. JS is an individual's positive or negative perception of himself [26]. The five indicators of JS are the work itself, salary, coworkers, promotion, and working conditions [27].

Turnover Intention (TI)

TI refers to the activity that occurs when employees join and leave a company. [10]. TI refers to the level of employee desire to move to other institution for various purposes, including to get a better job [28]. This intention is the drive of an employee to leave the current company where he works and needs to immediately fill his position with a new replacement [29] [3]. Lack of attractiveness of the current job and the availability of alternative job options available contributes to TI. Besides, TI refers to the level of possibility of an employee voluntarily leaving the institution or job [24]. [30] Are thinking of quitting, intention to search for alternatives, and intention to quit are three indicators to measure TI.

The Effect of US on JS

The researchers hypothesize that WE effects on JS, supported by [31], stating that WE are positively and significantly related to JS.

H1: WE may positively effects on JS.

The Effect of US on TI

Researchers hypothesize that WE effects on TE. Previous research [32] asserts that WE significantly and positively effects on TI. H2: WE may positively on TI.

The Effect of Compensation JS

The researchers hypothesize that compensation and JS have relationship. Previous research [33] asserts compensation positively and significantly effects on JS.

H3: There is a suspicion that compensation positively effects on JS.

The Effect of Compensation on TI

The Researchers hypothesize that compensation has an effect on JS. According to previous research [34], compensation positively and significantly effects on TI.

H4: It is suspected that compensation positively effects on TI.

The Effect of JS on TI

The researchers hypothesize that JS effects on TI. According to previous research [35], Arsih et al. (2018) found that JS has a positive and significant relationship with TI.

H5: There is a suspicion that JS positively effects on TI.

The Effect of WE on TI through JS

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The researchers hypothesize that WE has an effect on TI through JS. According to previous research [36], WE positively and significantly effects on TI through JS.

H6: JS suggests that WE positively and significantly effects on TI.

He Effect of Compensation on TI through JS

The researchers hypothesize that compensation has an effect on TI through JS. Previous research [37][38] determined that compensation positively and significantly effects on TI through JS.

H7: It is suspected that compensation, through JS, positively and significantly effects on TI.

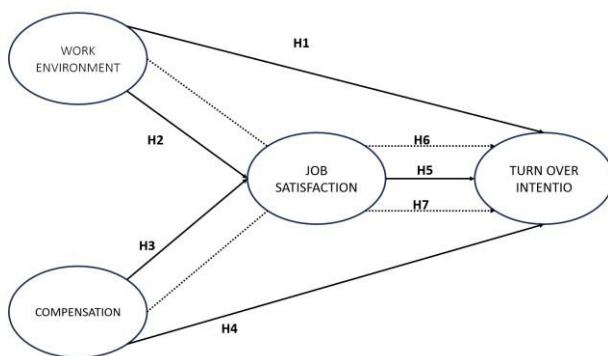


Figure 1. Research model.

METHODS

This study involved 83 permanent employees of the Perbanas Institute education staff. The sample of this study was 83 permanent employees of the Perbanas Institute education staff. We used saturated sampling, making the entire population the research sample. This study's data was analyzed using a thorough methodology that included hierarchical regression for hypothesis testing, common method variance analysis, measurement model validation, and structural model evaluation [39]. Partial least squares structural equation modeling was used to investigate the causal links in the study model [39]. For the purpose of clearly presenting the findings, this study used the two-step procedure developed by [39] as well as the methodology developed by [39]. With results over 0.70, Cronbach's alpha validated the instrument's reliability [39]. Factor analysis was deemed necessary by KMO and Bartlett's tests, and the instrument was validated by exploratory factor analysis (EFA) [39]. We looked at the variance inflation factor (VIF) to evaluate multicollinearity [39]. AVE was used to test divergent validity; values greater than 0.5 meant that the conceptions captured enough variance [39]. In the last stage, confirmatory factor analysis (CFA) was conducted using maximum likelihood estimation [39].

RESULTS

Table 1. Demographic characteristics

Characteristic	Category	Count	Percentage
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Gender	Male	54	65%
	Female	29	35%
Age	20-30 year	4	4,8%
	31-40 year	17	20,50%
	40-50 year	22	26,5%
	> 50 year	40	48,2%
Education	High School	21	23.30%
	Bachelor's Degree	3	59.20%
	Master's Degree	12	13.80%
Year of Employment	1-2 year	218	41.90%
	2-5 year	40	7.70%
	5-7 year	16	3.10%
	7-9 year	24	4.60%
	9-10 year	43	8.30%
	>10 year	240	46.20%

Source: processed by researchers

Table 2. Measurement model results

Construct	ITEM	Outer Loading	Cronbach's	Composite	AVE
TI	TI.1	0.755	0.936	0.96	0.721
	TI.2	0.876			
	TI.3	0.879			
	TI.4	0.877			
	TI.5	0.84			
	TI.6	0.855			
WE	LK.1	0.774	0.904	0.905	0.781
	LK.2	0.929			
	LK.3	0.903			
	LK.4	0.92			
K.1	0.788				

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Compensation 0.962 0.965 0.75
K.2 0.88

	K.3	0.906			
	K.4	0.89			
	K.5	0.91			
	K.6	0.904			
	K.7	0.841			
	K.8	0.872			
	K.9	0.927			
	K.10	0.723			
	KK.1	0.717			
	KK.2	0.807			
	KK.3	0.758			
	KK.4	0.805			
JS	KK.5	0.707	0.931	0.935	0.568
	KK.6	0.748			
	KK.7	0.729			
	KK.8	0.748			
	KK.9	0.703			

All dimensions have significant measurement characteristics when individual constructs are analyzed [39]. TI construct, which consists of six items, has strong reliability (AVE = 0.721, Cronbach's α = 0.936, and CR = 0.96). Internal consistency is great for WE (4 items; Cronbach's α = 0.904, CR = 0.905, AVE = 0.781), while reliability measures are good for Compensation (10 items; Cronbach's α = 0.962, CR = 0.965, AVE = 0.75). Likewise, the nine items on JS have strong measuring qualities, with Cronbach's α values of 0.931, CR = 0.935, and AVE 0,568).

Hypothesis testing is based on the results of the inner model test, including R-squared, path coefficient, and t-statistics. Assessing the acceptance or rejection of the hypothesis based on the significance value between the construct, t-statistics, and Pvalue. This study uses SmartPLS 4.0 (Partial Least Square) software with bootstrapping results using t-statistics > 1.96 and a significance level of p-value 0.05 (5%). The results of the research model can be seen in Figure 2 below.

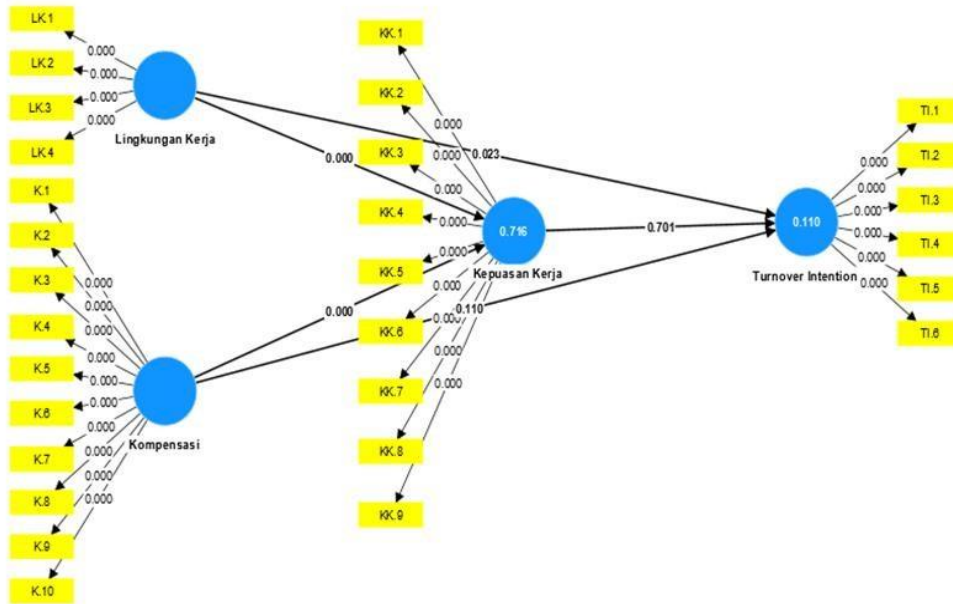


Figure 2 Results of research model

Figure 2 above shows that all variables in the model have path coefficients with positive and negative values. This indicates that the greater the path coefficient value of a variable on another variable, the stronger the influence of the variable on the other variable.

Table 3. Hypotheses testing results

Hypotesis	Path	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STD EV)	P Values	Decision
H1	WE □ TI	-0.382	0.168	2.27	0.023	supported
H2	WE □ JS	0.559	0.083	6.723	0	supported
H3	Compensation □ TI	0.269	0.168	1.598	0.11	supported
H4	Compensation □ JS	0.423	0.073	5.809	0	supported

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H5	JS \square TI	0.091	0.236	0.384	0.701	Not supported
H6	We \square JS \square TI	0.051	0.136	0.372	0.71	Not supported
H7	Compensation \square JS \square TI	0.038	0.102	0.376	0.707	Not supported

The inner model for this study uses the bootstrapping method. The study accepts the research hypothesis when the TStatistic/Tcount value falls below the t-table (1.990) and the P-Values are less than 0.05. The study's results confirm the acceptance of H1, as the T-Statistics value falls between 6.723 and 1.990. H2 can also be accepted because the T-Statistics value is $2.270 \geq 1.990$. Furthermore, we can accept H3 due to its T-Statistics value of 5.809, which is less than 1.990. However, H4, H5, H6, and H7 must be rejected because the T-Statistics value is ≤ 1.990 , so it does not meet the established criteria.

DISCUSSION

The Effect of WE on JS

In this study, the WE variable positively and significantly effects JS. The well-functioning WE at Perbanas Institute suggests this. These results can be interpreted to mean that if the WE of an institution develops, it can increase the JS of each employee. The average summary of the respondents' evaluations of the WE variable also falls into the good category. This finding is in line with research [31] [40] that found a positive and significant effect between the WE and JS. However, it is different from research [41] [42], which stated that the WE did not effect on JS.

The Effect of WE on TI

The results of this study found that the WE variable negatively and significantly effects on TI. This is suspected because the WE is safe and comfortable, and employees have good relationships with other coworkers. These results can be interpreted to mean that if the WE of an institution develops well, TI will decrease. The average summary of respondents' evaluations of the WE variable falls into the good category. This finding is in line with research [5] [43] that found that the WE negatively and significantly effects on TI. However, it is different from [32] [44], which found a positive and significant effect between the WE and TI.

The Effects of Compensation on JS

This study found that the compensation variable positively and significantly effect on JS. The well-running compensation at Perbanas Institute suggests this. These results can be interpreted to mean that if the compensation of an institution is running well, it can increase employee JS. The average summary of the respondents' evaluations of the compensation variable also falls into the good category. This finding is supported by [33] [45], which found a positive and significant effect between compensation and JS. However, it is different from research

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[46], which found that compensation did not effect on JS. Similar to research conducted by [47], which found that compensation did not effect on JS.

The Effect of Compensation on TI

This study found that the compensation variable had no effect on TI. This finding is in line with research [8] [48] [49] that states that compensation has no effect on TI. However, it is different from [34], which states that compensation positively and significantly effects on TI.

The Effect of JS on TI

This study found that the JS variable did not effect on TI. This finding is in line with research [50] [51], which states that JS has no effect on TI. However, it is in contrast to research [35] [52] that found a positive and significant effect JS and TI.

The Effect of WE on TI Mediated by JS

The results of this study found that the WE does not affect TI JS in permanent employees of the Perbanas Institute education staff. This finding is in line with research [53] [54] which states that the WE does not affect TI through JS. However, it is in contrast to research [55] [56], which found that WE variables positively and significantly effects on TI through jJS.

The Effect of Compensation on TI Mediated by JS

The results of this study indicate that compensation did not effect on TI through JS in permanent employees of the Perbanas Institute education staff. This finding is supported by [57] [58], which states that compensation has no effect on TI through JS. However, it is different from research [37] [38] [59], which found that compensation has a positive and significant effect on TI through JS.

CONCLUSIONS

The WE positively and significantly effects on the JS of permanent employees of the Perbanas Institute education staff. The WE negatively and significantly effects on the TI of permanent employees of the Perbanas Institute education staff. Compensation positively and significantly effects on the JS of permanent employees of the Perbanas Institute education staff. Compensation does not affect the TI of permanent employees of the Perbanas Institute education staff. JS does not affect the TI of permanent employees of the Perbanas Institute education staff. The WE does not affect TI through JS of permanent employees of Perbanas Institute education staff. Compensation does not affect TI through JS of permanent employees of Perbanas Institute education staff.

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