

# The Effect of Compensation and Work Environment on Organizational Commitment of Employee in Bank XXX, Medan

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## ABSTRACT

Organizational commitment plays a major role in influencing the performance and success of an organization. The objectives of this study are the effect of compensation on organizational commitment of employee in Bank XXX, Medan. Analyzing the effect of work environment on organizational commitment and analyzing the effect of compensation and work environment on organizational commitment. This research is a correlational study with quantitative research methods. The population in this study were all permanent employee in Bank XXX, Medan who are 75 people. The sampling technique used in the census, so the number of samples is equal to the population. The results showed that compensation and work environment simultaneously had a positive and significant effect on commitment of employee in Bank XXX, compensation had no significant effect on commitment of employee in Bank XXX and work environment had a positive and significant effect on commitment of employee in Bank XXX.

**Keywords:** Compensation, Work Environment, Organizational Commitment

## INTRODUCTION

Banking is one of the sectors that plays an important role in the country's economy that continues to develop and follows market needs. Banking must always be the first choice of individuals in conducting payment activities and other economic activities. To achieve this, banks must innovate according to their needs and

make it easier for customers to do all their economic activities.

Competition in the banking world today is getting tougher, bank growth is not only seen from the number of new branch offices but the emergence of new products that must keep abreast of the times. To win the competition, banks should not only focus on the problem of product marketing strategies, but must also pay attention to the human resources which from the beginning is the whole strategy. Bank management must focus more not only on product competition, but competition to obtain and maintain relevant human resources.

Human resources are very important to achieve the goals and performance of banks. Therefore, bank management is more concerned with the human resources in it. One that plays a major role in influencing the performance and success of an organization is organizational commitment (Liswandi, 2016). Organizational commitment strengthens the positive attitude of employees towards their organization.

Chrisienty (2015) states that to achieve company goals the existence of employees has an important role. Therefore, the function of human resources must be maximized, if human resources are not managed properly can cause the company's performance to be damaged by some human resource behavior. One form of behavior is the decision to leave the company. For every company, organizational commitment

is very valuable because it has a large impact on the performance and success of an organization.

Akhtar (2014) explains that one of the things that can improve performance in employees and their commitment to the organization is a comfortable work environment. In this case, management must create a conducive work environment for employees so that the budget grows and is followed by an interest in working. Employees who are in a comfortable work environment will be able to improve performance and be more committed to their organization. Work environment is an environment where employees work together to achieve organizational goals. This means that systems, processes, structures and tools and all other things that interact with employees affect positively or negatively.

Work environment is a place where employees work or a place where all work activities take place, the work environment is separated into two dimensions namely physical conditions such as the environment and social conditions such as employee behavior towards each other (Tulenan, 2015). Most organizations ignore the work environment which has an adverse effect on employee performance. The work environment consists of safety for employees, work security, good relations with colleagues, recognition of good performance, motivation for good performance and participation in the decision making process.

The compensation system provided by Bank XXX is direct and indirect compensation in the form of: salary, bonuses, benefits, insurance incentives, and pensions. But in its implementation, the provision of compensation given to employees has not met the needs of these employees. Then other problems can be seen from the high workload, but it is not matched by the rewards needed by the employees. One of the programs related to employee welfare is the distribution of annual bonuses that are earned from the

results of employee performance for a year. The program is to appreciate and motivate employees to improve performance and provide rewards to employees who excel.

## **LITERATURE REVIEW**

### **2.1 Organizational Commitment**

Allen and Meyer (1997) define organizational commitment as a psychological condition that shows the characteristics of the relationship between organizational members and their organizations and has the influence to determine the effect of continuing membership in the organization. Correspondingly, organizational commitment also relates to the goals, values and vision of the organization towards one's role in relation to the goals and values and the organization for its own benefit.

### **2.2 Compensation**

According to Suparyadi (2015) compensation is an award received by employees from contributions made to organizations, both financial and non-financial in nature. According to Wibowo (2016) compensation is an award from the organization of the services provided by employees. Compensation is an intrinsic and extrinsic price that is received by employees after they have done their work (Indriyani and Heruwasto, 2017).

### **2.3 Work Environment**

The work environment is anything that can affect employees in carrying out their duties such as temperature, humidity, ventilation, lighting and noise, cleanliness of the workplace, as well as the adequacy of work equipment. Employees want good conditions around their workplaces, because these conditions influence the performance of their work (Widiana, 2015).

## **RESEARCH METHODS**

### **3.1 Types of Research**

Based on the method, this research is a correlational study, which is a study conducted with the aim of detecting the

extent to which variations in a factor are related (correlated) with one or more other factors based on the correlation coefficient (Sinulingga, 2017).

### 3.2 Population and Sample

The population in this study were all permanent employees of Bank XXX, amounting to 75 people. The sampling technique used is census. According to Sugiyono (2017), census taking technique is a sampling technique where all members of the population are sampled. Therefore, the number of samples in this study were 75 permanent employees of Bank XXX.

### 3.3 Data Analysis Methods

This study uses multiple linear regression analysis method because the independent variable consists of more than one. The variables that influence are called independent variables and the variables that are affected are called dependent variables. This study consists of two independent variables, namely compensation ( $X_1$ ), work environment ( $X_2$ ), while the dependent variable is organizational commitment ( $Y$ ).

## RESULT

### Simultaneous Test (F Test)

The results of simultaneous testing of compensation and work environment variables on organizational commitment can be seen in Table 1.

Table 1. ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	490.643	2	245.322	27.856	.000 <sup>b</sup>
	Residual	634.077	72	8.807		
	Total	1124.720	74			
a. Dependent Variable: Organizational Commitment						
b. Predictors: (Constant), Compensation, Work Environment						

Table 1 provides information that jointly the compensation and work environment variables can significantly influence organizational commitment. This decision was obtained based on an F-calculated value greater than the F-Table, or through a F-test significance value smaller than 0.05 (sig F = 0,000). Thus, compensation and work environment variables are true as predictors for organizational commitment.

### Hypothesis Test (t Test)

The partial test results of compensation and work environment variables on organizational commitment can be seen in Table 2.

Table 2. Path Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.507	2.452		4.693	.000
	Compensation	.062	.078	.085	.787	.434
	Work Environment	.491	.088	.607	5.602	.000

Based on Table 2 it is known that the significance value of compensation that is 0.434 is greater than 0.05 and the work environment 0.000 is smaller than 0.05. This shows that compensation does not affect organizational commitment and work environment influences organizational commitment.

The regression equation above indicates that organizational commitment

variables are influenced by compensation and work environment together as well as other variables outside the study, but the compensation variable has no effect on this study. In this model, it can be stated that:

a) B (11,507) or constant is also called intercept (a). This means that if the company does not improve compensation and work environment or the value is 0, the organizational commitment is -1333.

Negative constants are not a concern in this study as long as the regression model that you test meets the assumptions (normality test, autocorrelation test, heterokedasticity test and multicoline meaning test). In addition, as long as the slope value is not zero then there is no need to care about this negative constant. Negative constants generally occur if there is a sufficiently large range between X (independent variable) and Y.

b)The value of the compensation regression coefficient is 0.062, meaning that if the regression value changes to one unit, then organizational commitment will change by 0.062. The positive sign in the regression indicates a direct relationship between compensation and organizational commitment. This means that if compensation increases, organizational commitment increases, but this variable does not significantly influence.

c)The value of the work environment regression coefficient is 0.491, meaning that if the value of the work environment changes to one unit, then organizational commitment will change by 0.491. The positive sign in the regression indicates a direct relationship between the work environment and organizational commitment. This means that if the work environment improves, organizational commitment will also increase.

## CONCLUSION AND SUGGESTION

### CONCLUSION

The conclusions in this study are as follows:

a)Compensation has no significant effect on organizational commitment of employee in Bank XXX, Medan.

b)Work environment has a positive and significant effect on organizational commitment of employee in Bank XXX, Medan.

c)Compensation and work environment together (simultaneously) have a positive and significant effect on organizational commitment of employee in Bank XXX, Medan.

### SUGGESTION

The suggestions in this study are as follows: Provision of compensation did not affect the organizational commitment of Bank XXX employees because this organization can focus on the work environment that has an influence on employee organizational commitment. Things to note in this regard are related to:

#### a)Room Conditions

The ideal room condition is a clean and neatly arranged room. Dirty office space will disrupt the cycle of bad air circulation and will disrupt the health of employees of Bank XXX. While office space that is not neatly arranged will disrupt the work running efficiently. Laying a photocopy machine and printer, for example, is brought closer to employees who are more in charge of administrative affairs.

#### b)Air Humidity

The ideal condition of indoor humidity is 45% -65% (RH). If the humidity in the room is above 65% (RH), then viruses, fungi, mold mites and bacteria that trigger asthma sufferers will grow rapidly. If the humidity in the room is below 45% (RH), the skin, throat, eyes become dry and itchy. In addition, where the low humidity influenza virus can last longer. This certainly affects the health of the employees of Bank XXX. So it is very important to note that the recommended ideal humidity is 45% -65%.

#### c)Lighting

Based on the RI Minister of Health Decree No. 1405 / Menkes / SK / XI / 2002 determines the intensity of light in a workspace of at least 100 lux in an average measurement of 8 hours. Natural and artificial lighting is strived so as not to cause glare and has an intensity according to its designation. Placement of the bulb can produce optimum illumination. Light bulbs that cannot function properly can be replaced.

#### d)Availability of Work Equipment

The availability of work equipment is very important to support employees in carrying out their work, so as to produce a job that is

expected to be completed faster such as: printers, photocopying machines, scanner machines, office stationery, computers, work desks and office phones.

e) Relationship between Superiors and Subordinates

Harmonious relations between superiors and subordinates will have an impact on the deterioration of Bank XXX. Bosses must be able to create an atmosphere where harmonious relationships are established. And superiors must be able to become a bridge that synergizes the interests of management and the will of subordinates.

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