

## THE EFFECT OF COMPENSATION ON EMPLOYEE ORGANIZATIONAL COMMITMENT AT PT. VALE TBK IN SOROWAKO

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### Abstract

The Effect of Compensation on Employee Organizational Commitment of PT. Vale Tbk in Sorowako. The purpose of this study was to determine the Effect of Compensation on Employees' Organizational Commitment at PT. Vale Tbk in Sorowako. This type of research is quantitative research. The number of samples in this study were 60 employees who were employees in the Maintenance Department of PT. Vale The results of the study after the data were processed showed that there was a positive influence between the financial compensation (X1) and non-financial compensation (X2) variables on the Organizational Commitment variable (Y) which can be shown through the results of the T test, namely variable X1 has variable X1 has t count 4.653 > 2.002 (t table) and sig. 0.000 < 0.05. Variable X2 has a t count of 3.392 > 2.002 (t table) and a sig. 0.000 < 0.05.

**Keywords:** *Compensation, Organizational Commitment*

### 1. INTRODUCTION

Human resources as one of the elements that greatly determine the success of an organization, on the other hand as beings who have certain thoughts, feelings, needs and expectations. This is very necessary because these factors will affect achievement, loyalty and dedication as well as love for work and organization.

Recognizing how important human resources are in the survival and progress of an industry, it is only natural for company leaders to view human resources as more than just a company asset but as partners in business. As a partner in doing business, the company must act fairly for what has been given by human energy sources for the industry. Employees share good work performance for the company, otherwise the company distributes appropriate compensation for work performance that has been distributed by employees to the company.

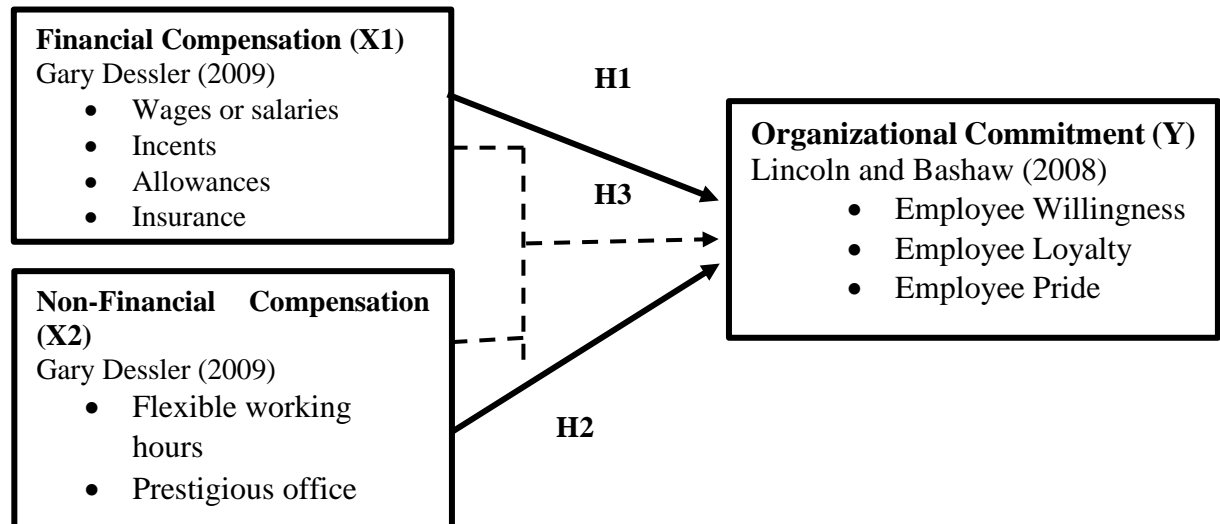
According to Hasibuan, compensation is all income in the form of money, direct or indirect goods received by employees as compensation for services provided to the company (in Putra, AR 2021).

The importance of compensation as an indicator in increasing a commitment to work is difficult to assess because employees' views regarding money or direct rewards seem very subjective and may be something that is very typical in the company, but basically there are allegations of injustice in giving wages/salaries. is a source of employee dissatisfaction with compensation and will ultimately lead to decreased levels of employee commitment. Compensation is divided into 2, namely financial compensation and non-financial compensation. Financial Compensation is compensation given to employees for their service to the industry. Compensation is a form of compensation paid to employees in the form of money for the services they have contributed to the industry (in Riyadi, S. 2021). While non-financial compensation is compensation that is given not in the form of money but in a kind of appreciation and provision of facilities to employees. Indarjanti revealed that non-financial compensation is also known as benefits, which are indirect rewards given to employees as members of organizations such as insurance, health insurance, payment for time off work, and pensions (in Rizal & Handayani, 2021).

Susanti and Palupingdyah (2016) suggest that employees have high organizational commitment if they have trust and accept organizational goals and values, are willing to work towards achieving organizational goals, and have a strong desire to remain as members of the organization Organizational commitment, defined as a situation where an employee sided with a particular organization and its goals and desire to maintain membership in the organization.

Organizational commitment is the condition or enthusiasm possessed by an employee in carrying out his work. Or it can also be said that organizational commitment is something that is achieved by a person in carrying out the tasks assigned to him in terms of quality and quantity. Morale is the behavior of a person in working with full vitality so that office goals can be achieved. To increase organizational commitment to employees, efforts are needed so that employees always have great enthusiasm in carrying out their duties.

## 2. RESEARCH METHOD



**Figure 1. Framework of Mind**

For Sugiyono (in Shodiq, 2020) a hypothesis is a temporary answer contained in the formulation of a research problem. It is said temporarily because the answers given are only based on relevant theories, not yet based on empirical facts obtained through information gathering. So the hypothesis can also be stated as a temporary answer to the research problem formulation.

Hypothesis:

**H1** : There is a partial effect of financial compensation on employee organizational commitment.

**H2** : There is a partial effect of non-financial compensation on employee organizational commitment

**H3** : There is a simultaneous effect of financial compensation and non-financial compensation on employee organizational commitment.

The type of research used is quantitative research, namely information obtained in the form of figures originating from institutions linked to PT. Vale Tbk in Sorowako Especially the Maintenance Department. This type of research uses field research, namely direct observation of the object under study, in order to obtain relevant information. The data sources for this research are primary data and secondary data where the data is collected directly from the field or positions sourced from people who are in the Maintenance Department of PT. Vale Tbk in Sorowako by giving questionnaires and google forms that match the variables. research and items related to compensation.

Data collection techniques in this study Observation or direct observation in the field, Questionnaires in the form of google forms and documentation. The data analysis technique is by carrying out validity and reliability tests, classical assumption tests (Normality, Multicollinearity and Heteroscedasticity), multiple linear regression tests and hypothesis testing (T test and F test).

### 3. RESULTS AND DISCUSSION

#### 3.1 Validity Test

Validity test is carried out to determine whether a questionnaire is valid or not for each of these variables. A questionnaire is said to be valid if the questions on the questionnaire can reveal something that the questionnaire wants to measure. Calculations in this research the authors use the SPSS (Statistical Product and Service Solution) drive. To ensure whether information is valid or not, it will be compared to the r count value (Corrected Item Total Correlation) with r table.

**Table 1. Test the Validity of Variables X1 and X2**

Variabel	Item	r-hitung	r-tabel	Nilai Sig.	Keterangan
<b>Kompensasi Finansial (X1)</b>	X1.1	0,410	0,254	0,000	Valid
	X1.2	0,635	0,254	0,000	Valid
	X1.3	0,708	0,254	0,000	Valid
	X1.4	0,687	0,254	0,000	Valid
	X1.5	0,710	0,254	0,000	Valid
	X1.6	0,686	0,254	0,000	Valid
	X1.7	0,564	0,254	0,000	Valid
	X1.8	0,567	0,254	0,000	Valid
	X1.9	0,613	0,254	0,000	Valid
	X1.10	0,631	0,254	0,000	Valid
	X1.11	0,688	0,254	0,000	Valid
	X1.12	0,736	0,254	0,000	Valid
<b>Kompensasi Non Finansial (X2)</b>	X2.1	0,898	0,254	0,000	Valid
	X2.2	0,818	0,254	0,000	Valid
	X2.3	0,886	0,254	0,000	Valid
	X2.4	0,841	0,254	0,000	Valid
	X2.5	0,867	0,254	0,000	Valid

**Table 2. Test the Validity of Variable Y**

Variabel	Item	r-hitung	r-tabel	Nilai Sig.	Keterangan
<b>Komitmen Organisasi (Y)</b>	Y1.1	0,660	0,254	0,000	Valid
	Y1.2	0,745	0,254	0,000	Valid
	Y1.3	0,749	0,254	0,000	Valid
	Y1.4	0,806	0,254	0,000	Valid
	Y1.5	0,827	0,254	0,000	Valid
	Y1.6	0,748	0,254	0,000	Valid
	Y1.7	0,625	0,254	0,000	Valid
	Y1.8	0,522	0,254	0,000	Valid
	Y1.9	0,679	0,254	0,000	Valid

#### 3.2 Reliability Test

The reliability test is a dimension of the stability and consistency of respondents in responding to issues related to the constructs of the problem which are a measure of a variable and are arranged in the form of a questionnaire. The reliability test can be tried together on all points of the problem. If the alpha value is 0.60 it can be said to be reliable. Reliability using Cronbachs Alpha method.

**Table 3. Reliability Test**

No.	Variabel	Cronbach's alpha	Reabilitas
1.	Kompensasi Finansial (X1)	0,861	Reliabel
2.	Kompensasi Non Finansial (X2)	0,905	Reliabel
3.	Komitmen Organisasi (Y)	0,871	Reliabel

### 3.3 Multiple Linear Regression Test

The analytical method used in this research is multiple linear regression analysis, namely analysis to identify the effect of the independent variables on the dependent variable.

$$Y = a + b_1X_1 + b_2X_2$$

Information :

Y = work commitment

a = Constant

b<sub>1</sub> = Regression coefficient of Financial Compensation

b<sub>2</sub> = Non-Financial Compensation regression coefficient

X<sub>1</sub> = Financial Compensation

X<sub>2</sub> = Non-Financial Compensation

**Table 4. Multiple Linear Regression Test**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.875	4.127		1.908	.061
	Kompensasi Finansial	.372	.111	.424	3.335	.002
	Kompensasi Non Finansial	.310	.198	.199	1.565	.123

a. Dependent Variable: Komitmen Organisasi

From the data processing above, a regression equation can be made, namely:

$$Y = 7.875 + 0.372 + 0.310$$

- A constant of 7.875 states that if there is no variable financial compensation (X<sub>1</sub>) and non-financial compensation (X<sub>2</sub>) then the value of organizational commitment (Y) is 7.875.
- The regression coefficient of the financial compensation variable (X<sub>1</sub>) is 0.372, meaning that if financial compensation increases by 1 unit, organizational commitment (Y) will increase by 0.372.

- c. The regression coefficient of the non-financial compensation variable (X2) is 0.310, meaning that if non-financial compensation increases by 1 unit, organizational commitment (Y) will increase by 0.310.

### **3.4 Discussion**

#### **a. Effect of Financial Compensation on Organizational Commitment**

Based on the results of the study, it shows that financial compensation (X1) has a coefficient value of 0.457 (positive value) and a tcount of  $4.653 > 2.002$  (ttable) and a Sig. of  $0.000 < 0.05$ . Based on the results of the study it can be concluded that financial compensation (X1) has a positive effect on organizational commitment (Y), so that H1 is accepted.

The results of this study are in line with the results of research conducted by Slamet Riyadi in 2010, namely that financial compensation has an effect on employee commitment in private companies in East Java. In this study, it was concluded that the strategy used by the company in retaining its employees included spending money to raise salaries, giving bonuses and implementing skills development/improvement programs. Compensation is closely related to added value for a system that is built in an organizational environment. A good compensation system will be implemented successfully if it fulfills a sense of justice for employees who work under such a system.

#### **b. The Effect of Non-Financial Compensation on Organizational Commitment**

Based on the results of the study, it shows that non-financial compensation (X2) has a coefficient of 0.635 (positive value) and a tcount of  $3.392 > 2.002$  (ttable) and a Sig. of  $0.001 < 0.05$ . Based on the results of the study it can be concluded that non-financial compensation (X2) has a positive and significant effect on organizational commitment (Y), so that H2 is accepted.

This research is in line with the research that was attempted by Arif Rahman Putra and Rahayu Mardikaningsih which were carried out in 2022. The results of the research are the same as this study, namely non-financial compensation has a significant effect on organizational commitment. The main topic of the research is that intrinsic compensation is important for the development of organizational commitment. Organizations can meet the needs of employees by providing opportunities for achievement and by identifying their achievements, if any, as having a significant impact on commitment. Therefore, managers need to develop an intrinsic compensation system that focuses on individual interests or self-esteem, to integrate people's goals and organizational goals and to design challenging jobs.

#### **c. Effect of Financial Compensation and Non-Financial Compensation on Organizational Commitment**

Based on the results of the study showing that financial compensation (X1) and non-financial compensation (X2) simultaneously affect organizational commitment (Y). the results of the F test show that the f-count value is 12.320, this value is greater than the f-table ( $12.320 > 3.16$ ). The significant value in the F test is 0.000 which shows that the value is less than 0.05 ( $0.000 < 0.05$ ). it can be concluded that all the independent variables (X) in this study jointly or simultaneously affect the dependent variable (Y).this shows that the better the financial or non-financial compensation given to employees will increase their commitment. Some studies report that job satisfaction and employee commitment tend to influence each other and generally people who are relatively satisfied with their jobs are more committed to the organization, people who are committed to the organization are more likely to find greater satisfaction.

The results of this study are in line with the results of research by Nadhifa Faisal and I Gusti Ayu ManuatiDewi which was conducted in 2019 where the research also obtained results that the work environment and compensation jointly or simultaneously affect organizational commitment. This research shows that the organizational commitment of individuals is an indicator of employee turnover more than just an indicator of job satisfaction. Employee commitment is a better predictor because it shows a more global response rate when compared to job satisfaction as a small part of the organization. A high level of commitment will have implications for: 1) individual acceptance of goals and values in the organization, 2) willingness to be part of the organization,

#### **4. CONCLUSION**

Based on the results of the analysis and discussion that have been presented previously, it can be concluded that financial compensation and non-financial compensation have a positive and significant effect on organizational commitment to employees of the Maintenance Department of PT. Vale Tbk in Sorowako. It can be said that financial compensation and non-financial compensation will increase organizational commitment to employees in the company. The two independent variables, namely financial compensation and non-financial compensation, have a significant effect on the dependent variable, namely organizational commitment.

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