

Role of Work Satisfaction as Mediating Variable in Relationship Between Organizational Commitment, Compensation and Employee Performance in Porcelain Industry

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ABSTRACT:

The objectives to be achieved in this study are to identify and analyze the effect of organizational commitment, job satisfaction and compensation on employee performance and to analyze the effect of compensation and organizational commitment on employee performance in the porcelain industry. Total population of 120 employees. Time of research conducted by researchers for 3 months. The research was conducted from March to May 2022. The data obtained from the results of the questionnaires will then be processed and analyzed with the aim of turning the data into information. Data processing and analysis was carried out using the SPSS version 23 program. The data analysis method used was multiple linear regression method. The result of the study is that organizational commitment has a positive and significant effect on employee performance. Job satisfaction has a positive and significant effect on employee performance. Organizational commitment and compensation simultaneously have a positive and significant effect on job satisfaction. Job satisfaction has a positive and significant effect on employee performance. Compensation has a positive and significant effect on job satisfaction. Organizational commitment has a positive and significant effect on job satisfaction. Organizational commitment and compensation simultaneously have a positive and significant effect on employee performance through job satisfaction.

Keywords: *organizational commitment, work satisfaction, compensation, performance, porcelain industry*

JEL Classification: L0; A3; J33; P47; L60.

INTRODUCTION

Business development in the manufacturing sector is currently growing rapidly. The increase in businesses engaged in manufacturing is inseparable from the needs of the community to fulfill their lives and there are quite a lot of demands. The manufacturing industry is considered more productive and can provide a broad chain effect so as to be able to increase the added value of raw materials, expand the workforce, generate the largest source of foreign exchange, and be the largest contributor to taxes and customs. The Ministry of Industry also recorded several sectors that had a proportion of performance above GDP nationally, including the base metal industry at 9.94%, the textile and apparel industry at 7.53%, and the transportation equipment industry at 6.33%. This is also influenced by the people's purchasing power for various types of products which is increasing, so that the production process will also increase according to demand. Indonesia has become the largest manufacturing industry base in ASEAN with a contribution of up to 20.27% on a national scale economy. The development of the manufacturing industry in Indonesia is currently able to shift the role from commodity-based to manufacturing-based. The government is trying to transform the economy so that it focuses more on the process of developing the non-oil and gas industry.

The porcelain industry is one of the manufacturing industries that has great potential to be developed in Indonesia. The Indonesian porcelain industry does not only serve domestic demand, it even caters more to foreign demand for porcelain. The Indonesian government is now prioritizing the porcelain industry for its development, both to meet the needs of the domestic and export markets. The porcelain industry is one of the sectors that is prioritized for development and continues to drive its competitiveness. One of the considerations for the porcelain industry to become a leading sector is because it is supported by the availability of raw materials in the form of natural resources (SDA). Examples include clay, feldspar, silica sand, dolomite, limestone and granite. The business opportunities in the porcelain industry are very promising for both local and international investors.

As technology advances in the porcelain industry, the Indonesian industry is required to prepare itself for increasingly fierce competition. In fact, the Indonesian porcelain business is able to compete in the era of free trade and expand overseas. The Central Bureau of Statistics recorded the export value of porcelain products in May 2017 at US\$31.4 million, up 7.68% compared to April 2017. The export value of porcelain for the January-May 2017 period was recorded at US\$148.06 million, or an increase of 7.76% compared to period January-May 2016 valued at US\$137.4 million. Of the many porcelain industry companies in Tangerang, there are 10 big companies with large market shares and good sales.

Based on data on employee years of service, the average length of service is more than 16 years, namely 75 people. Employees with 1-5 years of service are 4 people. Then employees with 6-10 years of service are 28 people. There are 13 employees with a working period of 11-15 years. This can indicate a fairly good level of organizational commitment within the company. Besides that, based on the results of interviews with 10 employees who were randomly selected, 7 out of 10 employees said that they stayed at the company even though they actually didn't like their jobs but they didn't want to leave because they were afraid of not getting a job. The next phenomenon is related to compensation issues, factors that can affect job satisfaction include fair and proper compensation programs, job security, flexible work schedules, and employee involvement programs. Providing better and more productive compensation will encourage employees to work better and more productively. Based on the results of pre-research interviews with 10 respondents, 3 out of 10 respondents stated that the basic salary they received was still below the UMR, especially for office boys and drivers. Referring to Government Regulation (PP) number 78 concerning wages for the UMP in DKI Jakarta in 2020, there has been a change from Rp. 3.9 million in 2019 to Rp. 4,276,349.

Based on the results of observations and pre-interviews with 10 employees, researchers obtained data that indicated that existing facilities were not in accordance with the wishes of employees, especially physical work facilities. This was shown from the 10 respondents who were interviewed, 6 people stated that the color layout of the room made them less enthusiastic about working because the colors were already dull. As well as the equipment provided by the company is still inadequate, such as computers that are often damaged, which hinders the work process.

Meanwhile, in terms of employee performance, based on the annual sustainable reports published by the company in 2020 and 2021, based on the results of interviews conducted, it shows that the Employee Engagement Index (EEI) data is at a score of 4.1 or the same as the achievement in 2019. None significant increase in score on the Employee Engagement Index (EEI). On the other hand, with a scale range of 1-5, this

value indicates that employees enjoy the working atmosphere at PT. IKAD and feel bound as an integral part of the company. Based on the background mentioned above, the objectives to be achieved in this study are to know and analyze the effect of organizational commitment, job satisfaction and compensation on employee performance and to analyze the effect of compensation and organizational commitment on employee performance.

LITERATURE REVIEW

Organizational Commitment

Organizational commitment is seen as a value orientation towards the organization which shows that individuals really think about and prioritize their work and organization. Individuals will try to give all the effort they have in order to help the organization achieve its goals. Robbin and Judge (2015) stated that organizational commitment is a condition of an employee who is in favor of a particular organization and its goals and desire to defend itself in that organization. Suparyadi (2015) states that organizational commitment is an attitude of liking the organization and trying optimally for the benefit of the organization in order to achieve its goals. Meanwhile, Sopiah (2011) states that organizational commitment is the desire of members of the organization to maintain membership in the organization and are willing to work hard for the achievement of organizational goals. Yusuf and Arif (2015) stated that commitment to tasks and work is undoubtedly the ability to encourage someone to achieve success or to reach peak achievements. Commitment starts from caring, someone who doesn't care about his duties and work is impossible for his work to be completed properly as a consequence of his actions, he will not succeed well or may not win to compete in achieving the best standards. Commitment is a feeling of identification, loyalty and involvement shown by workers towards the organization or organizational unit. Commitment to the organization involves three attitudes, namely feelings of identification and feelings of involvement in organizational tasks (Wibowo, 2014).

Compensation

Handoko (2012) states that compensation is something employees receive in return for their services to the company. An employee appreciates a hard work and will show loyalty to the company and compensation reflects the size of their work among the employees themselves, their families and society. Mathis, et al. (2011: 48) states that one way to improve work performance, motivate and improve the performance of employees is through compensation. Hasibuan (2012) argues that compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company. The explanation of compensation in money is that employees are paid with a certain amount of money, while compensation in kind is compensation paid in kind to employees. Milkovich (2011) states that compensation relates to all forms of financial remuneration and tangible services, as well as benefits received by employees as part of an employment relationship. Sari et al. (2016) stated that satisfaction with compensation is a condition where the expectation of compensation is in accordance with the reality of compensation received by employees. Dessler (2016) argues that employee compensation is any form of payment or reward given to employees and arising from the employee's employment.

Work Satisfaction

Every employee who works expects to get satisfaction with the results of the work produced from the place of work. Job satisfaction for each individual has its own standard or measure because each individual is different. This level of satisfaction is of course in accordance with what the employee has produced with reciprocity from the company. Hasibuan (2012) stated that job satisfaction is a pleasant emotional attitude and loves his work. This attitude is reflected by work morale, discipline and work performance. Job satisfaction is enjoyed on the job, off the job, and in and out of a combination of workers. Job satisfaction is seen as something relative, which is different from objective thinking and behavioral desires. Robbin and Judge (2015) state that job satisfaction is "a general attitude toward one's work that shows the difference between the amount of rewards workers receive and the amount they should receive." Panggabean (2010) states that job satisfaction is the degree of harmony between what is expected and what can be obtained, or between needs and rewards. Meanwhile, Handoko (2012) states that job satisfaction is a pleasant or unpleasant emotional state with

employees looking at their work. Completion time is a reflection of a person's feelings towards his work. This can be judged by the positive attitude of employees towards work and everything in their environment.

Performance

Handoko (2012) states that performance is the same as work performance, namely the process used by organizations to evaluate or assess employee performance with consideration of certain things. Efendi (2014) argues that performance is the result of work produced by employees or real behavior that is displayed according to their role in the organization. In this case performance is the result achieved by a person both in quality and quantity in accordance with the responsibilities given to him. Simamora (2014) states that the work of an employee is the implementation of several things owned by employees including the level of education, initiative, work experience, compensation and job satisfaction. Employee performance is the level of work results of employees in achieving the job requirements given.

RESEARCH METHOD

This research was conducted at PT. IKAD located in Central Jakarta Municipality, with a population of 120 employees. Time of research conducted by researchers for 3 months. The research was conducted from March to May 2022. The data obtained from the results of the questionnaires will then be processed and analyzed with the aim of turning the data into information. Data processing and analysis was carried out using the SPSS version 23 program. The data analysis method used was multiple linear regression method. The validity test was carried out by comparing the r-count value with the r-table value for the degree of freedom (df) = n-2 with an alpha of 0.05. If the r-count is greater than the r-table and the r-value is positive, then the item or question is said to be valid. The method used to test the reliability of the questionnaire in this study was to measure reliability with the Cronbach Alpha statistical test. To find out whether the questionnaire is reliable, a questionnaire reliability test will be carried out with the help of the SPSS 23 program. The evaluation criterion for the reliability test is if the alpha coefficient is greater than the 70% or 0.7 significance level, then the questionnaire is reliable. If the alpha coefficient is less than the 70% or 0.7 significance level, the questionnaire is not reliable. To obtain the path coefficient value of each Independent variable, the correlation between variables is first calculated using the Pearson Product Moment correlation formula.

To test the effect partially used t test, t test is used to determine whether or not there is influence of each independent variable individually on the dependent variable with a significance level (alpha) of 5% (0.05). If the probability t value is greater than alpha 0.05 then there is no partial effect of the independent variable on the dependent variable, whereas if the probability t value is less than alpha 0.05 then there is a partial effect of the independent variable on the dependent variable. In addition, you can also compare the t-count value with the t-table. If t-count is greater than t-table, it can be said that the independent variables partially affect the dependent variable. Meanwhile, if the t-count value is smaller than t-table, the independent variable partially does not affect the dependent variable (Ghozali, 2012: 98).

RESULT AND DISCUSSION

Based on the gender category, the respondents were dominated by men with 57%, then the remaining 43% were women from the total number of respondents. That means employees of PT. IKAD respondents in this study were dominated by male sex with a percentage of 57%. Based on the age category, it is known that the respondents in this study were dominated by the ages of 41-45 years as much as 35% where this age range was for employees who were of a mature age with quite a long work experience. then the age range is 36-40 years as much as 27% where this age range is employees who are already productive in their work and guiding those who are more junior, besides that with an age range of 31-35 years there are 18% where with this age range there will be more his work experience. The rest at the age of >50 as much as 14% at that age employees have occupied functional positions. Based on the category of educational background, the data shows that the number of respondents with the last education level of high school was 12% and the number of the last education level was Diploma (D3) was 30% and the remaining respondents were with the last education level bachelor (S1) by 45% and the number of the last education level was the masters (S2) amounted to 13%. Based on the length of service category, the data shows that the number of respondents with a working period of > 16 years is 61%

being the majority and 6-10 years of service is 21%, 11-15 years of service is 15%, the rest are respondents with a working period of 1 -5 years as much as 3% of the total number of respondents. This means that the number of employees who are respondents is dominated by employees with tenure of > 16 years when viewed as a percentage of 61%.

Based on the results obtained from the regression coefficient analysis, the regression equation is as follows $Z = 17,200 + 0.572X_1 + 0.381X_2 + 0.612Y$. The constant value shows the value of the employee's performance (Y). This means that if the variables of organizational commitment, compensation and job satisfaction are considered constant, then the value of employee performance is 17,200. Organizational commitment is directly proportional to employee performance. This can be seen from the regression coefficient on the organizational commitment variable (X1) of 0.572. This means that there is a unidirectional relationship between organizational commitment and employee performance. Where the better organizational commitment that is owned, it will further improve employee performance. Compensation is directly proportional to employee performance. This can be seen from the regression coefficient on the compensation variable (X2) of 0.381. This means that there is a direct relationship between compensation and employee performance. Where the better the compensation obtained then the employee's performance will increase. Job satisfaction is directly proportional to employee performance. This can be seen from the regression coefficient on the job satisfaction variable (Y) of 0.612. This means that there is a direct relationship between job satisfaction and employee performance. Where the better the job satisfaction obtained, the higher the employee performance. Based on the path analysis of model 2 in the form of multiple regression analysis with the independent variables organizational commitment (X1) and compensation (X2) and the dependent variable in the form of job satisfaction (Y) which in the full path analysis these variables become intervening variables, a regression equation is obtained as follows : $Y = 3,500 + 0.381X_1 + 0.447X_2$. The constant value (a) shows the value of job satisfaction (Y). This means that if the organizational commitment and compensation variables are considered constant, then the value of employee job satisfaction is 3,500. Organizational commitment is directly proportional to job satisfaction. This can be seen from the regression coefficient on the organizational commitment variable (X1) of 0.381. This means that there is a unidirectional relationship between organizational commitment and job satisfaction. Where the better organizational commitment that is owned, it will further increase job satisfaction. Compensation is directly proportional to job satisfaction. This can be seen from the regression coefficient on the compensation variable (X2) of 0.447. This means that there is a direct relationship between compensation and job satisfaction. Where the better the compensation obtained, the higher the job satisfaction.

The results of the t test for the variable organizational commitment (X1) on employee performance (Y) show a significant value of 0.000, this value is less than 0.05 ($0.000 < 0.05$) and t-count is greater than t-table ($4.101 > 1.662$). This shows that the hypothesis in this study accepts H_a and rejects H_0 . Thus, it means that organizational commitment has a partially significant effect on employee performance. The results of the t test for compensation variable (X2) on employee performance (Y) show a significant value of 0.017, this value is less than 0.05 ($0.017 < 0.05$) and t-count is greater than t-table ($2.093 > 1.662$). This shows that the hypothesis in this study rejects H_0 and accepts H_a . Thus means that compensation partially significant effect on employee performance. Thus it can be concluded that compensation has a significant effect on employee performance. The results of the t test for the variable job satisfaction (Y) on employee performance (Z) show a significant value of 0.006, this value is less than 0.05 ($0.006 < 0.05$) and t-count is greater than t-table ($6.680 > 1.662$). This shows that the hypothesis in this study rejects H_0 and accepts H_a . Thus, it means that job satisfaction has a partially significant effect on employee performance. The results of the t test for compensation variable (X2) on employee performance (Y) show a significant value of 0.001, this value is less than 0.05 ($0.001 < 0.05$) and t-count is greater than t-table ($4.634 > 1.662$). This shows that the hypothesis in this study rejects H_0 and accepts H_a . Thus, it means that compensation has a partially significant effect on job satisfaction. The results of the t test for the variable organizational commitment (X1) on job satisfaction (Y) show a significant value of 0.015, this value is less than 0.05 ($0.015 < 0.05$) and t-count is greater than t-table ($3.059 > 1.662$). This shows that the hypothesis in this study rejects H_0 and accepts H_a . Thus, it means that organizational commitment has a partially significant effect on job satisfaction. Based on the results of the f test, the f-count value ($10.082 > f$ -table value is 2.680), the significance value of t ($0.000 < \text{error rate } (0.05)$), then H_0 is rejected and H_a is accepted, so it can be concluded that organizational commitment and compensation are together significantly influence employee performance through job satisfaction. Because the f-count value ($26.515 > f$ -table value (2.680) and the significance value t

(0.000) < error rate (0.05), then H_0 is rejected and H_a is accepted, so it can be concluded that organizational commitment and compensation are jointly equally significant effect on job satisfaction.

CONCLUSION

The conclusion of this study is that organizational commitment has a positive and significant effect on employee performance. Job satisfaction has a positive and significant effect on employee performance. Organizational commitment and compensation simultaneously have a positive and significant effect on job satisfaction. Job satisfaction has a positive and significant effect on employee performance. Compensation has a positive and significant effect on job satisfaction. Organizational commitment has a positive and significant effect on job satisfaction. Organizational commitment and compensation simultaneously have a positive and significant effect on employee performance through job satisfaction. The advice given is that future researchers can use this research as a reference, with different research methods or models and on different objects. As well as for further research it would be better to use even more samples so that the calculation results are more accurate. Based on the results of the questionnaire filled out by respondents, it can be seen that organizational commitment has the most significant and positive effect on employee performance, so it needs to be studied specifically and it is hoped that companies can further increase organizational commitment.

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