

Employee Engagement and Compensation on Employee Turnover Intention at a Local Café and Bar in Bali, Indonesia

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ABSTRACT

The purpose of this study was to determine the role of employee engagement in mediating the effect of compensation on turnover intention. 80 employees were assigned as samples using the saturated sampling method. Data was collected through interviews, observations, and questionnaires. The analysis technique used is path analysis. Based on the results compensation has a positive and significant effect on employee engagement. Compensation and employee engagement have a negative and significant effect on turnover intention; Employee engagement significantly mediates the relationship between compensation and turnover intention. The implication in this study is that the company should pay more attention to the compensation given to match the district minimum wage so that employees will feel bound to the company and the desire of employees to change jobs will be lower.

Keywords: compensation, employee engagement, turnover intention.

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I. INTRODUCTION

Bali is one of the most visited tourist destinations by tourists both from abroad and within the country. Based on Mastercard Global Cities Index 2019 data, Bali is included in the top 20 most visited cities in the world. This causes the tourism industry in Bali to be the most advanced industry among other industries. Currently, almost every area in Bali has various kinds of supporting facilities from the tourism industry such as hotels, villas, travel services, and many more. But in addition to accommodation/hotels or the like, tourists also need places to eat and drink such as restaurants, bars, and cafes with various forms of variation.

Food and beverage facilities have a very important role to support the services provided by destinations to tourists, therefore they need to be managed professionally. Restaurants and bars are physical components of tourism, which function as one of the tourism facilities that greatly support services. According to Suastuti (2012), restaurants have a significant role in determining tourist destinations. In this study, it was stated that as many as 20% of the tourists studied who visited a tourist area for the first time agreed that restaurants play a very important role in the selection of tourist destinations. Meanwhile, 46% of tourists who have had positive experiences at restaurants in these tourist destinations agree to return to visit at the next opportunity due to reasons to be able to return to enjoying service at the same restaurant. Therefore, business actors in this field need to know the quality of service standards desired by tourists to achieve tourist satisfaction.

The quality of restaurant service is highly dependent on good and competent employees or human resources. Human resources (HR) in the current era of globalization can be said

to be the main factor that plays an important role in achieving the success of a company. A company can develop and progress, of course, not only from capital factors and a strong business strategy but also from great human resources. Competition in the increasingly fierce world of work requires companies to continue to improve employee performance so that they can achieve company goals that will bring profits. The company can achieve the desired results or targets by the company's vision and mission, it requires a really strong spirit, effort, and performance from the workers and management within it. Therefore, retaining skilled employees is important for the company to maintain service quality of the company.

The usual way for companies to retain their employees is to reduce the level of employee turnover intention. According to Malek *et al.* (2018), Turnover Intention consists of two syllables, namely Intention (desire) is the intention that arises in a person or individual to do something, while turnover is the cessation of employees from their current place of work voluntarily, or moving from one workplace to another. High turnover intention certainly results in losses for the company because they have to recruit and retain new employees. New employees will also need a long time to adapt to the culture and environment of the company. According to Busari *et al.* (2017), several things can lead to turnover intention, namely, inappropriate salaries, working hours that are not by the provisions, unclear career development policies, and poor employee relations with their superiors.

According to interviews with HRD Single Fin Cafe and Bar, in 2020 as many as 10 people out of 90 employees resigned from the company. This is due to the impact of Covid-19 which causes companies to have to cut employee

salaries by 30%. While the results of interviews with 7 employees of Single Fin Cafe and Bar consisting of 3 waiters, 2 waitresses, and 2 cashiers, the factors that caused many employees to leave the company were the salary cuts so that they were not sufficient for their daily needs and the compensation was not given on time so they are no longer enthusiastic about going to work.

When employees are properly compensated, employees will feel valued by the company. In addition, the life needs of these employees will be met so that employees feel satisfied and their performance will increase. When employees are satisfied with the compensation received, a sense of engagement with the company will appear and the desire to leave the company will be lower. Memon *et al.* (2017) suggest that salary satisfaction is the key to increasing employee work engagement and avoiding employees' desire to change jobs.

Employee engagement is positive thinking, namely thinking about getting things done related to work. A positive relationship between the company and employees needs to be established to improve employee performance. When employees have a good relationship with the company, the employee will give the best for the company. On the other hand, if the employee does not have a good relationship with the company, the employee will not give the best for the company (Rusdin, 2015). When employee engagement increases, it will decrease employee turnover intentions.

II. LITERATURE REVIEW

A. Social Exchange Theory

The theory that underlies this research is the social exchange theory. A person who benefits from another person will feel obliged to pay through positive behavior, attitude, effort, and dedication. The relationship between turnover intention, employee engagement, and compensation can be explained by Social Exchange Theory, that when organizations can make employees bound while working in the organization by providing proper compensation, employees will feel obliged to repay the organization in the form of loyalty (Yin, 2018).

B. Research Hypothesis

Memon *et al.* (2017) suggest that salary satisfaction is the key to increasing employee work engagement. Pasya (2018) found that there was an influence between compensation on work engagement. However Wulandari (2016) shows that the compensation variable does not directly affect employee engagement.

H1: Compensation has a positive and significant effect on employee engagement

Santhanam *et al.* (2017), Chepchumba & Kimutai (2017) stated that to reduce turnover intention, companies must meet the needs of their employees in the form of proper compensation. Silaban & Syah (2018) also state that compensation has a significant effect on turnover intention. However, Sandy (2019) found that compensation had no significant effect on employee turnover intention.

H2: Compensation has a negative and significant effect on turnover intention

Bitha & Ardana (2017) proves that work engagement has a significant influence on turnover intention. Zhang (2018) state that turnover intention can be reduced by creating good employee engagement. Simone *et al.* (2018) state that work engagement can reduce the tendency of employees to change jobs.

H3: Employee engagement has a negative and significant effect on turnover intention

Zhang (2018) found that turnover intention can be reduced by creating work engagement and fair compensation. When employees are satisfied with the compensation they get, a sense of attachment to the company will appear and the desire to leave the company will be lower. Memon *et al.* (2017) suggest that salary satisfaction is the key to increasing employee work engagement and avoiding employees' desire to change jobs. However Zakaria & Astuty (2017) found that employee engagement was unable to mediate the effect of compensation on turnover intention.

H4: Employee engagement mediates the effect of compensation on turnover intention

III. METHODOLOGY

Based on the problem formulation that has been described, this research is classified as associative research. Compensation in this study is measured by indicators are Salary, Incentives, Allowances, and Facilities provided to employees. Indicators to measure employee engagement in this study are Vigor; Dedication; absorption). In this study, indicators of turnover intention include employee thoughts to leave the organization; Desire to find a new job and Desire to leave the organization in the coming months

The sample in this study were all employees of Single Fin Cafe and Bar, totaling 70 employees. The sampling technique in this study used a saturated sampling technique. Data collection methods used in this study were interviews and questionnaires. Statements in the questionnaire were measured using a Likert scale. using a value range of 1 to 5. The analysis used to answer the hypothesis is path analysis.

IV. RESULTS AND DISCUSSION

TABLE I: SUMMARY OF PATH ANALYSIS RESULTS

| Substructure 1 | | | | | |
|---------------------|--------|-----------|--------|--------------------|-------|
| | B | Std Error | Beta | t value | |
| | | | | t _{count} | Sig. |
| (Constant) | 15.304 | 1.500 | | 10.203 | 0.000 |
| Compensation | 0.551 | 0.090 | 0.568 | 6.088 | 0.000 |
| R Square | | | 0.322 | | |
| F Sig. | | | 0.000 | | |
| Substructure 2 | | | | | |
| | B | Std Error | Beta | t value | |
| | | | | t _{count} | Sig. |
| (Constant) | 40.738 | 2.355 | | 17.301 | 0.000 |
| Compensation | -0.246 | 0.113 | -0.168 | -2.183 | 0.032 |
| Employee engagement | -1.100 | 0.116 | -0.726 | -9.457 | 0.000 |
| R Square | | | 0.693 | | |
| F Sig. | | | 0.000 | | |

A. Indirect Influence

The effect of compensation (X) on turnover intention (Y) with employee engagement (M) as a mediating variable is:

$$\text{Indirect effect} = 1 \times 3 = 0.568 \times (-0.726) = -0.412$$

B. Total Influence

The total effect of compensation variable (X) on turnover intention (Y) with employee engagement (M) as an intermediary variable:

$$\text{Total effect} = 2 + (\beta_1 \times 3) = -0.168 + (-0.412) = -0.580$$

C. Direct Influence

test results sig. F structure II of 0.000 which is smaller than the significant value of 0.05 shows that compensation and employee engagement have a simultaneous effect on turnover intention.

Sobel Test

$$Z = \frac{(0.568)(0.726)}{\sqrt{(0.726^2 \cdot 0.090^2) + (0.568^2 \cdot 0.116^2) + (0.090^2 \cdot 0.116^2)}} = 4.416$$

D. Hypothesis Test Results

1) Compensation on employee engagement

The effect of compensation (X) on employee engagement (Z) is 0.568 with a sig.t value comparison of 0.000 less than the significant value used (0.000 < 0.05). It shows that compensation has a positive and significant effect on employee engagement (H1 is accepted). This means that the amount of compensation received by employees can affect employee engagement with the organization or company, so the higher the compensation received by employees, the higher the level of employee engagement.

2) Compensation on turnover intention

The effect of compensation (X) on turnover intention (Y) is -0.168 with a sig.t value comparison of 0.032 which is less than the significant value used (0.032 < 0.05). It shows that compensation has a negative and significant effect on turnover intention (H2 is accepted). This means that the higher the compensation received by the employee, the lower the employee's desire to leave the organization.

3) Employee engagement on turnover intention

The effect of employee engagement (Z) on turnover intention (Y) is -0.726 with a sig.t value comparison of 0.000 less than the significant value used (0.000 < 0.05). It shows that employee engagement has a negative and significant effect on turnover intention (H3 is accepted). This means that the level of employee engagement can affect the employee's desire to leave the organization. The more employees feel attached to the company, the employees will be more reluctant to leave the company and look for a new job.

4) Employee engagement mediates the effect of compensation on turnover intention

Based on the results of the Sobel test, the results of the tabulation $Z = 4.416 > 1.96$, which means that the employee

engagement variable significantly mediates the relationship between compensation and turnover intention. This means that the higher the compensation received by the employee, the higher the level of employee engagement so that it will reduce turnover intention (H4 is accepted).

E. Research Implication

Based on the research that has been done, it can be seen that theoretically, this research as a whole supports several pre-existing theories. This study is expected to be a reference for other studies that research with the same object by providing empirical contributions about the relationship between compensation variables, employee engagement, and turnover intention. The results of the study provide a practical contribution to the Single Fin Café and Bar, Badung, Bali, and other companies that employee turnover intention can be minimized by providing proper compensation and increasing employee engagement with the company.

F. Research Limitations

The number of respondents is only 80 people and only discusses the behavior of the employees of Single Fin Café and Bar, Badung, Bali so that the results of this study cannot be generalized to other companies. The results of this study are only valid at the time of the study so they cannot be generalized in the following years. There are still many other variables that can affect turnover intention outside the model described in this study.

V. CONCLUSION

To reduce the level of employee turnover intention, management should increase employees' sense of attachment to the company, such as by giving appreciation to employees who have worked well, being objective and non-discriminatory towards employees, and always creating good relationships within the company. In addition, management should pay attention to the compensation given so that it is by the minimum wage and by the positions and duties of employees.

For future researchers, it is necessary to consider examining other variables, factors, and indicators outside of compensation and employee engagement to determine turnover intention. Such as job satisfaction, communication, organizational commitment, and others.

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