

## THE INFLUENCE OF COMPENSATION AND LEADERSHIP ON EMPLOYEE TURNOVER

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**Abstract** - It is necessary to do this research because of the high employee turnover in the last several years. The aim of this research is to analyze the influence of compensation and leadership on employee turnover. The analysis unit of this research is the employees who have not worked in a company anymore. The population consists of 76 employees with 44 samples obtained from the use of slovin sampling technique and questionnaire as the research instrument. The method of quantitative analysis is used in this research with the tool of Multilinear Regression analysis, followed by determination analysis (*R Square*), partial hypothetical test (t test) and simultaneous hypothetical test (F test), alpha (error tolerance) five percents. Before spreading questionnaire, validity and reliability tests are carried out until all the questionnaires are said to be valid and reliable. To fulfill the criteria and requirements of Multilinear Regression analysis, classical assumption analysis such as normality test, homogeneity test, multicollinearity test, heterocedasticity test are done first. The tool aid for data processing is SPSS version 21.0. The result of this research is that the variable of compensation in partial has a significant influence on employee turnover, whereas the variable of leadership insignificantly influences employee turnover.

**Keywords:** compensation, leadership, turnover

### INTRODUCTION

Human Resources are the most important element of a company because they are the motor of the company's operation. Not only try to find quality human resources, every company in general will try to retain the human resources who are considered as competent. Prawironegoro and Utari (2016) state that the task of a leader is to develop, drive, direct and order his members to act for reaching the goal. One of the requirements an employee should fulfill is having technical skills in accordance with the job requirements that have been predetermined by the company. In addition to mastering technical skills, an employee should also has good personalities to be able to lead others since not all employees with above-average technical skills are able to lead others. The better the leadership is implemented, the better the company he leads. Unfortunately, the leadership style implemented by a leader may be accepted or rejected by the employees. Those who feel uncomfortable will make decision to adapt the condition by learning how to accept the leadership implemented or just make decision to leave the company and work for another company.

Providing balanced compensation with regard to the work load faced by the employees can enhance the motivation to work so that they can work more productively. Beside having rights to receive compensation, every employee also has rights to resign from a company by following the predetermined procedures. This makes employee turnover in a company inevitable. High employee turnover causes additional cost in the recruitment process and additional time necessary for new employee's on the job training. The problem is companies' high employee turnover where in one month there are one to two employee resignations from a same position. The turnover is dominated by the staff with tenure less than one year. This indicates some dominant causes that make employees tend to move to another company. This is also supported by the previous research done by Pangke (2011), which states that the reasons for employee resignation are the matters of wage surety and welfare, working environment, personality and mentality, domicile/boarding house, and family problem.

The research done by Wahyuni, et. al (2014) concludes that the most dominant factors influencing construction company employee's turnover intention are of external factors such as salary, incentive and

supervisor's attitude. Paripurna, Supartha, Subudi (2015), Agustini, Tenti (2014), Amany, Jovi (2016) in his [their] journal studies[study] the influence of leadership and job satisfaction on turnover intention and its impact on the employee's performance of PT Agung Automall Kuta. The research result concludes that leadership does not significantly influence employee's turnover intention. Sukron (2011), Sudita (2015) in their journal study the influence of leadership style, motivation, compensation, and job satisfaction on employee's turnover intention of PT Garudafood Putra Putri Jaya Pati. From the research it can be concluded that leadership style, motivation, compensation, and job satisfaction influence employee's turnover intention.

### **Problem Statement**

Based on the background, the author formulates the problems faced in research as follows:

1. Does compensation significantly influence employee turnover ?
2. Does leadership significantly influence employee turnover ?

## **THEORETICAL FRAMEWORK**

### **Employee turnover**

According to Mobley (2010) quoted by Tussoleha (2016), turnover is the resignation of an individual from an organization. Whereas according to Price (2012) quoted by Tussoleha (2016), turnover is the movement of an individual across the membership limitation of the current company. Noe (2011) divides turnover into two types, namely:

- a) Voluntary Turnover, that is the employee's decision to leave the company voluntarily. It is usually caused by the low attractiveness of the current job and the availability of alternative jobs.
- b) Involuntary Turnover, that is a dismissal reflecting the employer's decision to terminate the employment and it is beyond the employee's control.

Based on this opinion, the author concludes that employee turnover is when an employee decides to quit working in a company for some reasons, whether to work in another company or for other reasons. According to Tussoleha (2016), there are some factors causing turnover:

- a) Internal factors from the individual
- b) Internal driving factors from the individual
- c) Internal factors from the company
- d) External factors out of the company

### **Compensation**

Sastrohadiworo (2015) as quoted by Sinambela (2016) says that compensation is the reward given by an organization to the work forces since they have contributed their energy and thoughts for the sake of advancing the organization and achieving the predetermined goals.

According to Kasmir (2016), compensation is the reward provided by a company for its employees both financial and non-financial. Whereas Rivai and Sagala (2011) as quoted by Sinambela (2016) define compensation as something received by an employee as the exchange of their contribution to the company. Based on the above mentioned opinions, the author concludes that compensation has several elements, namely:

- a) Reward
- b) Employee's contribution

According to Santoso and Masman (2016), based on its nature, compensation is classified into two:

- a) Direct Compensation. It is the compensation received directly and periodically, such as basic salary, holiday allowance, cash benefit, bonus and incentives.
- b) Indirect Compensation. It is the component received indirectly and not routinely. Usually what will be received "later" or "if" something happens to the employee, among others are transport facilities, parking facilities, health facilities.

### **Leadership**

According to Handoko (2012), leadership is the ability to influence (persuade) other people to achieve the goals enthusiastically. In another word, leadership is a human factor which binds a group of

people by motivating them to achieve the goal. According to Heidjrachman and Husna (2011), leadership style is any behaviour pattern which is designed to integrate the organizational goal and individual goal in order to achieve a certain goal. Based on those opinions, the researcher concludes that leadership is an effort to influence other people to achieve a goal together. According to Siagian (2015), there are several types of leadership;

- a) Autocratic type
- b) Paternalistic type
- c) Charismatic type
- d) Democratic type.

### Framework

Based on the theoretical background supported by previous researches, the framework of this research is as follows:

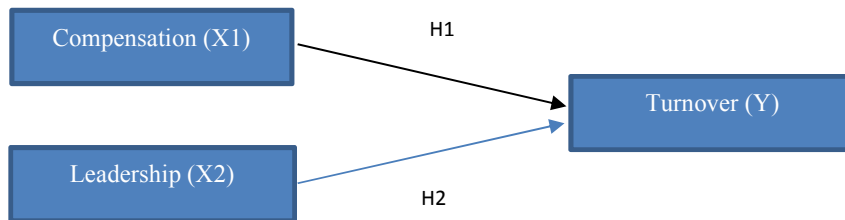


Figure 1. Framework

### Hypotheses

- H1: There is an influence of compensation on employee turnover
- H2: There is an influence of leadership style on employee turnover

### METHOD

The object of this research is an IT company in Jakarta, the analysis unit is the employees of an IT company in Jakarta. This research uses the method of survey to study the respondents' perception. The population of this research is 76 employees who have resigned and the sampling uses slovin method because not all the employees will be interviewed, and it gets 44 respondents as the sample. The sampling technique uses simple random sampling technique. The instrument used in this research is questionnaire. The data consists of secondary and primary data. Before collecting data through respondents, there have been validity test and reliability test on the questionnaires, until all the questionnaires are considered as valid and reliable.

The analysis uses quantitative analysis method with the analysis tool of Multilinear Regression, at the level of error 5% (0.05), and the tool aid for data processing is SPSS 21 application. Multilinear regression analysis only can be done if it has fulfilled the criteria and requirements of classic assumption such as normality test, multicollinearity test, and heterocedasticity test. The multilinear regression equation is  $Y = a + b_1X_1 + b_2X_2 + e$ . Where Y = turnover; a = Constant;  $b_1$  = Regression coefficient of  $X_1$ ;  $b_2$  = Regression coefficient of  $X_2$ ;  $X_1$  = compensation;  $X_2$  = leadership; e = error/other factors.

Multilinear regression analysis is followed by Determination (R Square) analysis to show how independent variables ( $X_1$  &  $X_2$ ) can explain and give contribution to dependent variable (Y). Then, it continues with partial hypothetical test (t test), simultaneous hypothetical test (F test) and inter-dimension correlation analysis. The criteria for hypothetical test are as follows:

- 1) If t statistic > t table, it means the independent variables ( $X_1$  &  $X_2$ ) partially influence the dependent variable (Y). If alpha (significance level) < 0.05, it means the independent variables ( $X_1$  &  $X_2$ ) partially and significantly influence the dependent variable (Y); and

- 2) If  $F \text{ statistic} > F \text{ table}$ , it means the independent variables (X1 & X2) simultaneously influence the dependent variable and if the alpha (significance level)  $< 0.05$ , it means the independent variables (X1 & X2) simultaneously and significantly influence the dependent variable (Y).

## RESULT AND DISCUSSION

### Results of Validity Test

The result of calculation for the indicator of compensation variable is bigger than  $r \text{ table} = 0.30$ , so it can be concluded that the indicator of compensation variable is said to be valid. The result of calculation for the indicator of leadership variable is bigger than  $r \text{ table} = 0.30$ , so it can be concluded that the indicator of leadership variable is said to be valid. The result of calculation for the indicator of turnover variable is bigger than  $r \text{ table} = 0.30$ , so it can be concluded that the indicator of turnover variable is said to be valid.

The reliability test using SPSS program finds that the coefficients of Cronbach's Alpha for the variables of compensation, leadership and turnover have been above 0.6. Thus, it can be concluded that the three variables are reliable.

### Classic Assumption Test

#### 1. Normality Test

With normality test using *Kolmogorov-Smirnov* test, it can be found whether the data being used is normally distributed or not. If  $\text{Asymp. Sig (2-tailed)} > 0.05$ , then the data is normally distributed.

The decisions whether the data variable is normally distributed or not are as follows:

1. The  $\text{Asymp. Sig (2-tailed)}$  value of Compensation variable is  $0.818 > 0.05$ , then the data is normally distributed.
2. The  $\text{Asymp. Sig (2-tailed)}$  value of Leadership Style variable is  $0.807 > 0.05$ , then the data is normally distributed.
3. The  $\text{Asymp. Sig (2-tailed)}$  value of Turnover variable is  $0.124 > 0.05$ , then the data is normally distributed.

**Table 1.** Result of Normality Test

		X1	X2	Y
N		44	44	44
Normal Parameters <sup>a</sup>	Mean	3.836	3.659	3.761
	Std. Dev	.6929	.7660	.7738
Most Extreme Differences	Absolute	.095	.096	.178
	Positive	.095	.085	.178
	Negative	-.089	-.096	-.117
Kolmogorov-Smirnov Z		.633	.640	1.179
Asymp. Sig. (2-tailed)		.818	.807	.124

#### 2. Multicollinearity Test

Multicollinearity test is used to know the existence of linear relationship among independent variables in the regression model. The prerequisite that should be fulfilled in the regression model is that there is no multicollinearity. The symptoms of multicollinearity, among others, can be seen from the value of Inflation Factor (VIF) in the regression model. The bases for decision making are:

1.  $VIF > 10$  = there is a multicollinearity among independent variables
2.  $VIF < 10$  = there is no multicollinearity among independent variables

**Table 2.** Result of Multicollinearity Test

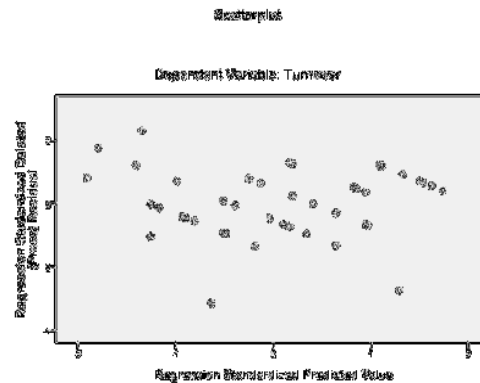
Model	Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
	B	Std. Error	Beta	Tolerance	VIF
1 (Constant)	.457	.433			
X1	.708	.202	.634	.300	3.335
X2	.161	.183	.159	.300	3.335

*Source: Data processing by IBM SPSS*

The test results in Table 2 show that the value of all independent variables have tolerance bigger than 0.1 and the VIF is less than 10. It means there is no symptoms of multicollinearity in the regression model because the figure of both VIFs is 3.335.

### 3. Heterocedasticity test

Heterocedasticity test in this research is done by seeing the scatterplot between the residual data that has been standardized (*SDRESID*) and the predictive result of dependent variable that has been standardized (*ZPRED*). The problem of heterocedasticity in the residual data.



**Figure 2.** Result of Heterocedasticity Test

From the scatterplot shown in the figure above, it can be seen that the data does not make a certain pattern and the data dots do not concentrate only above or below the figure 0 but they spread above and under it. Thus, it can be concluded that there is no problem of heterocedasticity in the residual data.

### Multilinear Regression Test

Multilinear regression test is to know the description about the influence of two or more X variables as independent variables with Y as dependent variable. In this research, multilinear regression analysis is done to know the coefficient of regression or the influence on the dependent variable, that is employee turnover (Y), while the independent variables are compensation (X1) and leadership (X2). This research uses multilinear regression analysis because it has more than one independent variable.

**Table 3.** Results of Multilinear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.457	.433		1.058	.296
X1	.708	.202	.634	3.497	.001
X2	.161	.183	.159	.877	.386

a. Dependent Variable: Turnover

Source: Data processing by IBM SPSS

Based on Table 3, it can be obtained the formula of multilinear regression equation for the influence of independent variables (compensation and leadership) on the dependent variable (employee turnover) as follows:

$$Y = a + b_1x_1 + b_2x_2 + e$$

$$Y = 0.457 + 0.708 X_1 + 0.161 X_2 + e$$

The multilinear regression equation can be interpreted as follows:

- The constant 0.457 is the intersection of regression line with the Y axis showing the employee turnover of PT IT Group Indonesia when the independent variables, namely compensation (X1) and leadership (X2), are equal to zero (0).
- The variable of compensation (X1) has positive coefficient of regression, meaning that if the variable of compensation (X1) increases one unit then the employee turnover in PT IT Group Indonesia will increase equal to the coefficient of regression, that is 0.708, with the assumption that the other independent variable is constant.
- The variable of leadership (X2) has positive coefficient of regression, meaning that if the variable of leadership (X2) increases one unit then the employee turnover in PT IT Group Indonesia will increase equal to the coefficient of regression, that is 0.161 with the assumption that the other independent variable is constant.

## Hypothetical Tests

### 1. Coefficient of Determination Test (R<sup>2</sup>)

Coefficient of determination test is done to measure how far the regression model can explain the dependent variable. *R Square* is used to measure the regression line's goodness of fits. The results of this test can be seen from the value of *Adjusted R Square* in the following table:

**Table 4.** Results of Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772 <sup>a</sup>	.596	.576	.5037

a. Predictors: (Constant), Leadership, Compensation  
b. Dependent Variable: Turnover

Source: Data processing by IBM SPSS

In Table 4. the coefficient of determinant or the value of Adjusted R square ( $R^2$ ) is 0.576 or 57.6% which means the contribution of employee turnover can be explained by the variables of compensation and leadership. And the rest of 42.4% is explained by other variables not studied in this research.

### 2. Simultaneous Test (F Test)

F test is the test model used to know whether the result of regression analysis is significant or not, or in another word, the predicted is appropriate or not. The significance used here is 0.5.

The criteria of test are:

- a. If the value of  $\text{sig} > 0.5$  then  $H_a$  is rejected, meaning that the independent variables compensation and leadership simultaneously do not have significant influence on dependent variable employee turnover.
- b. If the value of  $\text{sig} < 0.5$  then  $H_a$  is accepted, meaning that the independent variables compensation and leadership simultaneously have significant influence on dependent variable employee turnover.

**Table 5.** Results of Simultaneous Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.341	2	7.671	30.232	.000 <sup>a</sup>
	Residual	10.403	41	.254		
	Total	25.744	43			
a. Predictors: (Constant), Leadership, Compensation						
b. Dependent Variable: Turnover						

Source: Data processing by IBM SPSS

Based on the table above, the significance value of F is 30.232 with probability of  $\text{sig } 0.000 < 0.05$ . It can be concluded that the independent variables, namely compensation and leadership, simultaneously influence the dependent variable, namely employee turnover.

### 3. Partial Test (t Test)

T test is used to know whether the independent variables in partial have real influence or not on the dependent variable. The significance used here is 0.05. If the probability  $< 0.05$  then  $H_0$  is rejected and  $H_a$  is accepted, meaning that the independent variables (compensation and leadership) in partial have significant influence on the dependent variable (employee turnover).

From the two independent variables applied to the regression model in the table above:

- a. Compensation ( $X_1$ ) has the value of significance ( $0.001 < 0.05$ ), then  $H_0$  is rejected, meaning that in partial, compensation ( $X_1$ ) positively and significantly influences the variable of employee turnover (Y).
- b. Leadership ( $X_2$ ) has the value of significance ( $0.386 > 0.05$ ), then  $H_0$  is accepted, meaning that in partial, leadership ( $X_2$ ) does not significantly influence the variable of employee turnover (Y).

## RESULT AND DISCUSSION

### 1. The Influence of Compensation on Employee turnover

From t test, the coefficient to know the influence of compensation ( $X_1$ ) on employee turnover (Y) it is found  $\text{sig}$  as  $0.001 < 0.05$ , then in partial there is a significant influence of compensation on employee turnover. This is in line with the research done by Elisa Putri Kumalasari (2016), entitled *Pengaruh Kompensasi dan Beban Kerja terhadap Turnover Karyawan pada PT JVC Electronic Indonesia*. The research shows that compensation influences employee turnover.

This is also stated by Indri Dwi Astriani (2015) in her thesis entitled *Pengaruh Kompensasi dan Kepuasan Kerja terhadap Turnover Karyawan Perjanjian Kerja Waktu Tertentu PT Danischa Farma*. The research concludes that compensation and job satisfaction influence employee turnover.

Another research showing similar result is the one carried out by Roni Ardiyansyah Sukron (2011) in his journal which is entitled *Pengaruh Gaya Kepemimpinan, Motivasi, Kompensasi, dan Kepuasan Kerja Terhadap Keinginan Berpindah Karyawan PT Garudafood Putra Putri Jaya Pati*. The research concludes that leadership style, motivation, compensation, and job satisfaction influence employee's intention to leave the company.

The same thing happens to the research object where the amount of compensation, both directly and indirectly, positively influences employee turnover. This shows that employee turnover will keep increasing although the amount of compensation increases. This result contradicts the theory saying that compensation should negatively influence employee turnover where the higher the

compensation provided the lower the degree of employee turnover will be. The difference happens due to the possibility that other indicators are not involved in the research.

## **2. The Influence of Leadership on Employee Turnover**

From the t test, the coefficient for knowing the influence of compensation (X1) on employee turnover (Y) results in  $\text{sig } 0.386 > 0.05$ . Then, in partial there is no significant influence of leadership on employee turnover. This is in line with the research carried out by Yudo Astiko (2012), *Analisis Pengaruh Leadership dan Keadilan Kompensasi terhadap Kepuasan Kerja Serta Dampaknya pada Turnover Intention Tenaga Keperawatan (Studi Di Rumah Sakit Panti Wilasa Citarum Semarang)*. The research shows that leadership does not influence employee turnover.

This is also stated by I Gede Diatmika Paripurna, I Wayan Gede Supartha, Made Subudi (2015) who study the influence of leadership and job satisfaction on the turnover intention and its impact on the employee performance of PT Agung Automall Kuta. The research concludes that leadership does not significantly influence employee's turnover intention.

Another research showing the similar result is the one carried out by Tesha Jovi Amany (2016) who studies the influence of work stress, satisfaction with salary and leadership on the auditor staff's turnover intentions in Public Accountant Office. The research concludes that leadership style does not influence employees to leave the company. The same thing happens to the research object where leadership does not influence the degree of turnover because the leadership implemented in the company is still acceptable for the employees.

## **CONCLUSION**

### **a. Conclusions**

After having made analysis on the research results concerning the influence of compensation and leadership style, conclusions can be made as follows:

- a. The result of t statistic test for the variable of compensation (X1), it is found that the variable of compensation partially influences employee turnover.
- b. The result of t statistic test for the variable of leadership (X2), it is found that the variable of leadership partially does not influence employee turnover.

### **b. Suggestions**

Based on the conclusions above, in this article the author give suggestions as follows:

#### **1) For the company**

- a. Based on the result of questionnaire, the company is expected to be able to provide compensation in accordance with each employee's competence as well as bonus and incentive based on the performance.
- b. Based on the result of questionnaire, the management is expected to more involve the employees and listen to their opinions in making decisions.

#### **2) For the following researchers**

This research is expected to be able to contribute information concerning the influence of compensation and leadership style on employee turnover. It is also expected to be beneficial in the development of Human Resource Management science, especially in relation with the influence of compensation and leadership style on employee turnover in the future.

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