The Influence of Compensation and Empowerment on Organizational Commitment

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Abstract: The purpose of this research is to understand and analyze: (1) Compensation; (2) Empowerment; (3) Organizational Commitment; and (4) The Influence of Compensation and Organizational Commitment on Organizational Commitment at Institution X in the City of Bandung, both simultaneously and partially. The research methods used in this study are descriptive surveys and explanatory surveys, with the unit of analysis being the employees within the X Institution in the city of Bandung, with a sample size of 30 people. The type of investigation is causality, and the time horizon in this study is cross-sectional. Based on the research results, it was found that Employee Compensation at Institution X in Bandung City is mostly rated quite well by the employees; Empowerment at Institution X in Bandung City can generally be considered good; Organizational Commitment at Institution X in Bandung City is currently rated good. Compensation and Empowerment simultaneously influence Organizational Commitment at Institution X in Bandung City. However, partially, Compensation dominantly influences Organizational Commitment more than Empowerment. Because Compensation more dominantly influences performance, it becomes the top priority in enhancing Organizational Commitment. therefore, Institution X in the city of Bandung is expected to provide adequate facilities to enhance the Compensation of its employees, so that they can work more professionally.

Keyword: Compensation, Empowerment, Organizational Commitment

INTRODUCTION

Human resources are one of the important factors in a company to achieve its goals and objectives, because human resources are one of the factors that determine the success or failure of a company in achieving its goals. One of the things that must be considered in managing human resources is the placement of employees. Managing Human Resources (HR) is very important to keep the business running. HR management provides employees with the credibility and capacity to complete tasks in accordance with responsibilities, thereby increasing the effectiveness of the organization to achieve goals (Dessler, 2015).

One of the interesting issues to study, especially in the aspect of human resource management is the issue of low organizational commitment in the company. According to (Rosyid & Darojat, 2022) Organizational commitment is a commitment created by all

individual components in carrying out organizational operations. This commitment can be realized if individuals in the organization, carry out their rights and obligations in accordance with their respective duties and functions in the organization, because the achievement of organizational goals is the result of the work of all members of the organization which is collective. When employees feel satisfied with what is in the organization, employees will provide maximum and best performance results. Likewise, employees who have a high commitment to the organization will do anything to advance the company because they believe and believe in the organization where the employee works (Hamsal, 2021).

One of the important factors that companies must pay attention to in order to obtain human resources that are in accordance with the needs of the company, the company is required to be able to offer compensation. (Widiyastuti, 2021) defines that compensation is an award received by employees, either in the form of money, goods, or other benefits, either directly or indirectly, in return for their contribution in carrying out their duties and responsibilities to the company. It cannot be denied that compensation in the form of both salary and income or other facilities is an attraction as well as the main motive for most prospective employees to join a particular company.

Meeting the needs of employees must also be carried out by every company or business entity, in accordance with Law No.13 of 2003 concerning Manpower in Article 1 paragraph 30. Wages are the rights of workers / laborers who are received and expressed in the form of money as compensation from employers or employers to workers / laborers who are determined and paid according to an employee agreement, agreement or legislation, including benefits for workers / laborers and their families for a job and / or services that have been or will be performed. However, in determining the amount of wages, employers are prohibited from paying lower than the minimum wage set by the local government (Article 90 paragraph 1 of Law no.13/2003). If the employer promises to pay a wage lower than the minimum wage, the agreement is null and void (Article 91 paragraph 2 of Law No.13/2003). Every worker/laborer has the right to obtain an income that meets a decent living for humanity (Article 88 paragraph 1 of Law No.13/2003).

At XYZ City Agency, compensation has become a crucial issue, especially in recent years. To understand employee perceptions of the compensation system in place, a pre-survey was conducted to measure employee satisfaction levels. The results of this pre-survey are expected to provide an initial overview of the aspects of compensation that require evaluation and improvement. The following table presents the results of the pre-survey on employee satisfaction with compensation at XYZ City Agency:

Table 1. Pre-Survey Results of Employee Compensation at XYZ City Agency

Dimensi	Indikator	SS (5)	S (4)	N (3)	TS (2)	STS (1)	Average Score
Direct Compensation	Appropriate salary provided by the company	1	3	5	9	7	2,20
	Clear bonuses	1	2	4	9	9	2,04
	Effective incentives	2	3	6	8	6	2,40
	Beneficial social security	2	4	7	7	5	2,56
Indirect Compensation	Life insurance, health insurance, and labor insurance protection programs	3	4	6	7	5	2,72
	Vacation, annual leave, and holidays	2	5	7	7	4	2,76
	Provide facilities that make it easier for employees	1	3	6	9	6	2,20

Source: Researcher Pre-Survey Results

Based on table 1, it can be seen that employees at XYZ City Agencies can be categorized as not good with the compensation provided, this can be proven by looking at the

results of the pre-survey. In the direct compensation dimension, the average score is 2.30, meaning that the wages received by employees are not appropriate and the indirect compensation dimension is obtained with an average score of 2.56, which means that other benefits such as insurance and facilities provided are not optimal. So that the average score of the overall results of the pre-survey compensation variable is 2.41 and is categorized as not good.

A company that can provide high compensation is believed to be able to make selected employees feel comfortable and at home to survive and pursue a career to the top position in the company even to retirement. Employees who feel satisfaction in terms of compensation are expected to make these employees have a high organizational commitment to the company. According to (Dessler, 2015) organizational commitment is defined as employee involvement in identifying and agreeing with the goals that the work unit or organization as a whole wants to achieve in a company. With high organizational commitment, the next expectation desired by the company is that the employee has high performance by optimizing the ability, integrity and loyalty possessed by the employee (Setiawan, 2020).

A factor that is no less important in influencing organizational commitment than compensation is empowerment. According to (Priyadi, 2019) Empowerment means that management plans to involve employees with the aim of increasing employee contributions and generating organizational commitment. According to (Desniari & Dewi, 2020) employee empowerment has an influence on the level of organizational commitment. This happens when the company provides support to employees to utilize the facilities and resources that have been provided. Through empowerment, employees feel that their existence in the organization is recognized, which in turn encourages an increase in their commitment to the organization.

METHOD

The methods used in this research are descriptive and verification methods with a quantitative approach. According to (Sugiyono, 2024) verification method is research that aims to determine the relationship between 2 (two) or more variables. Descriptive method is a method used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations. Meanwhile, according to (Kusumastuti et al., 2020) Quantitative research methods are approaches based on the philosophy of positivism, applied to study specific populations or samples. Sample selection is usually done with certain techniques, which are often random. Data is collected using research instruments, then analyzed quantitatively to test previously formulated hypotheses. The population in this study were all employees in the XYZ city agency, with the sampling method using saturated samples. Data collection techniques through questionnaires that will be filled in by employees at XYZ city agencies with the following indicators:

Tabel 2. Questionnaire data to be filled in by employees at XYZ city agency

No	Variabel	Dimensi	Indikator	Measurement Level
1	Compensation	Direct Compensation	Appropriate salary provided by the company	Ordinal
			Clear bonuses	
			Effective incentives	
			Beneficial social security	
		Indirect Compensation	Life insurance, health insurance, and labor insurance protection programs	
			Vacation, annual leave, and	

No	Variabel	Dimensi	Indikator	Measurement Level
			holidays	
			Provide facilities that make it easier for employees	
2	Empowerment	Desire	Provide opportunities for employees to identify problems that are occurring	Ordinal
		Self-confidence	Handing over responsibility for important tasks to employees	
		Credibility	Improve targets in every aspect of work.	
			Motivate individual initiative for change through active engagement	
		Accountability	Utilize training programs to assess employee performance	
		Komunikasi	Implement a transparent and open communication policy.	
3	Organizational Commitment	Affective Commitment	Pride in being part of the organization.	Ordinal
			A strong sense of emotional attachment to the organization.	
		Normative Commitment	A sense of moral responsibility to support the organization.	
			The feeling of being owed for the investment the organization has made, such as training or education.	
		Ongoing Commitment	Dependence on work for financial reasons or economic stability.	

This research uses SmartPLS software and uses the path analysis method. This method was chosen to identify the causal relationship between exogenous variables and endogenous variables. Verification analysis is a research method that aims to test research material and produce new scientific information, in the form of the status of the hypothesis formulated in the conclusion, namely whether the hypothesis is accepted or rejected (Sugiyono, 2024). Here are some types of tests that will be applied in this verification analysis.

1) Path Analysis

This research uses the path analysis method. This method was chosen because it allows to identify cause-and-effect relationships, both directly and indirectly, between exogenous variables and endogenous variables. In this study, the authors aim to analyze and confirm the influence of work environment, work culture, and work motivation on employee performance. According to (Sugiyono, 2024) path analysis is part of a regression model used to analyze the cause-and-effect relationship between one variable and another. This technique involves the use of correlation, regression, and pathways to identify influences that lead to intervening variables.

2) Path Analysis Testing Technique

According to (Ghodang, 2020) description of path analysis, as follows :

a. Basic concept Path analysis is one of the methods in the regression model used to analyze the cause-and-effect relationship between one variable and another. In this method, the

effect of the independent variable on the dependent variable can be either direct or indirect. In other words, path analysis takes into account both types of influence.

b. Path Diagram. Path diagram is a graphical representation used to describe the structure of the causal relationship between independent, intervening, and dependent variables. The path diagram model is compiled based on the variables studied. In this study, the variables analyzed include Compensation (X1), Empowerment (X2), and Organizational Commitment (Y). The following path analysis model in the study can be seen in Figure 1.
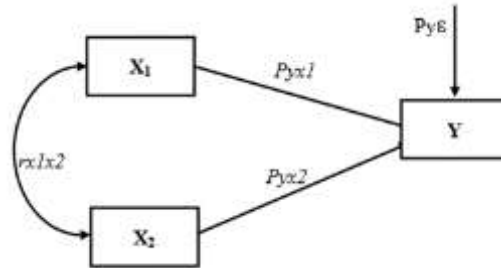

Figure 1. Structure Diagram of the Relationship Between Compensation and Empowerment to Organizational Commitment

RESULTS AND DISCUSSION

To reveal the influence of a variable or a set of variables on another variable, Path Analysis can be used. In this path analysis, the extent of the influence of one variable on another, both directly and indirectly, can be determined. Before making a decision regarding the magnitude of the influence of one variable on another, hypothesis testing is first conducted, either as a whole or individually.

To determine whether the independent variables, namely the Influence of Compensation and Empowerment on Organizational Commitment at Institution X in the City of Bandung, are conducted using path analysis and the software used is SPSS release 12. The steps taken include calculating the correlation between variables, resulting in the table below (Table 3):

Table 3. Correlation Matrix Between Variables

Correlations		Organizational Commitment	Compensation	Empowerment
Pearson Correlation	Organizational Commitment	1.000	.362	.333
	Compensation	.362	1.000	.334
	Empowerment	.333	.334	1.000
Sig. (1-tailed)	Organizational Commitment	.	.000	.000
	Compensation	.000	.	.000
	Empowerment	.000	.000	.
N	Organizational Commitment	30	30	30
	Compensation	30	30	30
	Empowerment	30	30	30

Source : SPSS Output

Next, based on the results of the correlation matrix calculations, the path coefficients, the overall influence from X1 to X2, and the path coefficients of other variables outside the X1 to X2 variable can be calculated as shown in Table 4 below.

Table 4. Path Coefficient

Path Coefficient X$_1$ to X$_2$	px_1x_2	0.334
Path Coefficient X$_1$ to Y	pyx_1	0.362
Path Coefficient X$_2$ to Y	pyx_2	0.333

Source : SPSS Output

The calculation results for the multiple determination coefficient (R2 Y.X1, X2). Correlation coefficient (R Y.X1, X2), determination coefficient of other variables against Y (P2 Y Є), and path coefficient of other variables against Y (P Y Є), are detailed in Table 5 below:

Table 5. Multiple Determination Coefficients, and Path Coefficients of Other Variables

Multiple Determination (R^2)	R^2 $_{Y.X1, X2,}$	0.432
Multiple Correlation Coefficient	R $_{Y.X1, X2,}$	0.589
Determination of Outsider Variable to Y	P^2 $_{Y Є}$	0.568

Source : SPSS Output

This means that the influence of variables X1 and X2 together on variable Y is 0.432 or 56.8%. Variables X1 and X2 together affect Y, and the remaining 0.432 or 643.2% is influenced by other variables not included in the study.

Based on the theoretical framework that there is an influence between Compensation and Empowerment on Organizational Commitment at Institution X in Bandung City, the overall hypothesis will be tested in the form of Table 6 as follows:

Table 6. Results of Simultaneous Testing of X1 and X2 on Y

ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	57.883	2	103.801	57.883	.000[b]
1	Residual	34.009	27	.534		
	Total	92.892	29			

A. Dependent Variable: Organizational Commitment
B. Predictors: (Constant), Empowerment, Compensation

Source : SPSS Output

From Table 4 above, it can be seen that the F-count value is 57.883 with a significance level of 0.00, which is smaller than 0.05. Therefore, it can be concluded that the simultaneous test results are proven or significant, and further analysis can be continued with partial testing.

Meanwhile, the results of the causal relationship or the direct influence of X1 and X2 on Y can be seen in Table 7 below.

Table 7. The Influence of Variables X1 and X2 on Y and the Influence Outside Variables X1 and X2

Path Coefficient		
Explanation	**Influence**	**%**
Influence X1, X2 to Y	0.432	43.2
Outside Influence X1, X2	0.568	56.8
Total		100

Source : SPSS Output

From the test results, it can be determined that Compensation and Empowerment towards Organizational Commitment at Institution X in Bandung City is 43.2%, while the remaining 56.8% is influenced by other factors not examined by the author, namely work climate, commitment, work culture, and work environment. However, when viewed partially,

Compensation dominantly influences Organizational Commitment rather than commitment. From the results of the hypothesis testing, a causal relationship diagram of variables X1, X2 to Y can be illustrated as follows:
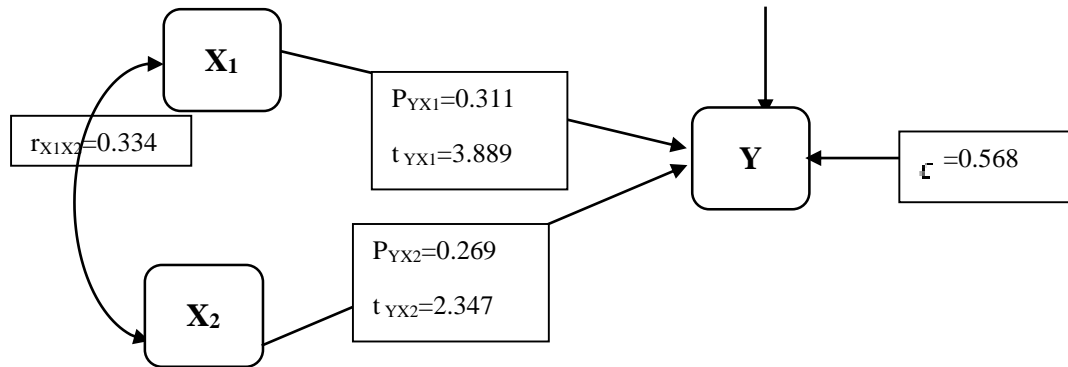

Figure 2. Causal Diagram between Compensation (X1) and Empowerment (X2) on Organizational Commitment (Y)

As shown in figure 4.1 above, it is evident that Compensation dominantly affects Organizational Commitment with a path coefficient of 0.311 and a t-value of 3.889, with a t-table value at the significance level $\alpha(0.05) = 1.67$, compared to Empowerment with a coefficient of 0.269 and a t-value of 2.347, with a t-table value at the significance level $\alpha(0.05) = 1.67$. Both variables have been proven to affect Organizational Commitment.

CONCLUSION

Based on the research conducted to determine the influence of Compensation and Empowerment on Organizational Commitment at Institution X in the City of Bandung, the following conclusions can be drawn:

1. The compensation at Institution X in the city of Bandung does not yet meet the needs of the organization, in the sense that compensation is one of the factors that has a significant impact on the sustainability of the organization, but there are several elements/indicators that are considered less appropriate.

2. Empowerment at Institution X in the City of Bandung is generally considered to be in line with the state of the organization. Some indicators have quite high values. However, there are several indicators with low values that need to be improved.

3. Employees of Institution X in the city of Bandung have high Organizational Commitment, with some employees exhibiting very high Organizational Commitment. From various indicators, overall, the values are good and high.

4. Compensation and Empowerment simultaneously affect Organizational Commitment at Institution X in the city of Bandung, and their influence is positive. However, partially, Compensation has a more dominant influence on Organizational Commitment than Empowerment. And partially, the influence of Compensation and Empowerment on Organizational Commitment is as follows:

a. Compensation affects Organizational Commitment, so if the Compensation is appropriate, then Organizational Commitment will also increase.

b. Empowerment affects Organizational Commitment, so if the Empowerment possessed by members aligns with the organization's expectations, Organizational Commitment will also increase.

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