A new decade for social changes
The effect of compensation and work motivation on employee loyalty at Harbour BrightShoes

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Abstract. Human resources play an important role in the company as they exist. Loyalty in companies could increase when they could be able to build it themselves in their environment. Companies must conduct several approaches, such as providing appropriate compensation, motivation, and a convenient work environment. Companies engaged in services such as shoe laundry need some supporting factors to attract consumers to be interested in using the services that is offered by the company. Service quality is the main supporting factor for companies engaged in services where good service quality will certainly help companies to increase their customers. This study aims to determine the effect of compensation and work motivation on employee loyalty of Harbour Brightshoes and to obtain the results of an analysis of how much compensation affects employee loyalty of Harbour Brightshoes.

Keywords. Compensation, Work Motivation and Loyalty

Introduction

Changes in the environment from local to the global scope and economic growth that is rapidly growing have caused changes in almost every sector of life, one of which is businessmen. The company must be able to compete internationally as the necessity to adapt so the company won’t only refer to local or regional situations. The company is encouraged to change and advance the way they do business due to the emergence of the global economic condition. The emergence of this global economy is also encouraging every company to change and advance their way of doing business. The competitive conditions they face are getting worse, so if they are not able to compete, the door to bankruptcy will be wide open.

As well as businessmen who are engaged in services, these companies are increasingly developing themselves to meet the demands stemming from environmental changes and rapid economic growth which can also indirectly affect the needs of their consumers. A company engaged in the service sector is one example of a company that must move quickly and responsively in dealing with any changes that occur today.

To meet the needs, good quality in service should be provided by the company. Due to make it work, the company must pay close attention to various aspects, one of which is how loyal the company’s employees are. Companies must be able to manage their workforce well so that they’re willing to jointly advance the company to develop better and be able to face any
existing competition or obstacles. A good workforce that must be owned by a company must have a sense of belonging and loyalty to the company. In creating employee loyalty, there are things that should be provided by the company such as compensation and work motivation to the workforce as a form of appreciation. According to Rosidah and Sulistiyani (2009: 256), compensation is everything that is received by employees as remuneration (counter achievement) for their performance. According to Anoraga (1997), motivation is a thing or something that encourages someone to do something. Loyalty to the company will affect whether a company that is being run can develop or not, because without any workforce, the company cannot function as it should. Hasibuan (2009: 95) stated that: "Loyalty is loyalty reflected by the willingness of employees to maintain and defend the organization inside and outside of work from irresponsible undermining."

One way to build employee loyalty is to provide compensation and motivational encouragement from the company. Compensation is one of the obligations that must be given by the company to each of its employees in return for employee services provided to the company. However, not all compensation can increase the sense of belonging and responsibility of company employees. This can be accompanied by providing motivation to the workforce because based on studies conducted by Rachmawati (2006), Jaya (2012) and Saputra (2012) show that work motivation has a positive effect and can be used in predicting employee performance.

Recognizing the importance of human resources for companies to survive and make an improvement, companies must pay more attention to production employees. It is normal for the owner of the company to view humans as more than just company assets but also to see them as partners in business, so that these employees can always give their best contribution to the company.

In this case, one of the companies engaged in the service sector is Harbour Brightshoes which offers shoe laundry services. This company has been successfully known and in demand by the public, especially people in Bandung area, West Java. Harbour BrightShoes is a business engaged in shoe laundry services that was established in 2016 and located at Banteng Street No. 70. Harbour BrightShoes provides services such as shoe washing, re-colouring, shoe polish, un-yellowing or removing stains caused by oxidation (yellowing). Shoes are one of the fashion needs whose trends are developing rapidly among the people of Bandung. This is proven by the number of branded shoe companies expanding their market in Bandung. However, with so many varied shoe models, people tend to forget the importance of shoe care (for example: not caring about the condition of their own shoes). This could be due to time constraints or not knowing how to take care of the shoes properly. Along with the evolution of times, there are many people who care about shoe-care, therefore this shoe laundry business can be used as a business opportunity for businessmen who want to develop their business in this field.

**Literature review**

**Compensation**

The compensation system is the most influential factor in how and why people choose to work in another organization. According to Fillipo (2010:123) defines the compensation system as: "The adequate and equitable remuneration of persons for their contribution to organizational objectives." This means that fair and proper remuneration is given to employees for their contributions in achieving the organization's goals.

There are several main systems to calculate the amount of compensation or services to employees. Rivai (2009: 913) suggests several compensation systems as follows:
a. Time wage system, this system wages are calculated based on a fixed number of working hours. Payments can be given daily, weekly, or monthly.

b. Cutting wage system, wages are calculated based on the work performance of the employee.

c. Bulk wage system, wages are given to a group of workers and not to individual workers. This system is used for every job that is arranged.

d. Sliding scale wage system, this system usually adopts one of the following ways:
   1) The sliding scale wage system is related to the wage level and the selling price level produced by the company.
   2) The index wage system links the wage level with the level of the cost of living index number.

e. Profit-sharing wage system, this system implements that employee not only receives regular wages but also receive profits in a certain way that is obtained by the company.

f. Stelsel premium, where the level of wages is defined by the premium that is put forward.

Compensation systems usually cannot be used by organizations at the same time. Each organization will use one of the compensation systems according to the characteristics and needs of the organization itself. According to Rivai, Veitzal, and Jauvani (2009:742), there are 2 types of the employee compensation system, namely:

a. Financial compensation: consists of direct payments, salaries, wages, performance payments, incentive payments, profit-sharing bonuses, stock options, deferred payments, indirect payments, severance insurance protection, school children, pensions, overtime, festive allowance (THR), leave/sickness, maternity leave, and facilities (house and vehicle).

b. Non-financial: consists of careers, namely positions, promotion opportunities, recognition of work, innovation, special achievement, and the employee's work environment (namely: examinations, friendly, comfortable on duty, fun ad conducive).

Work motivation
According to Robbins (2008:222), motivation is the result of interaction between individuals and situations, each individual has a different basic motivational drive. Definition of motivation is described as a process to help an individual achieve their goals through the intensity, direction, and persistence that is given to them.

According to Moch As'ad (1999: 46), work is described as a task that is carried out to make some creations that can be enjoyed by the people concerned. One of the important driving factors that motivate people to work is the compulsion to fulfill their needs. Work contains some activities that ultimately aim to meet human needs such as social activity and producing something.

Loyalty
Loyalty is a condition when people tend to have the determination and ability to do such things with full awareness and responsibility such as obeying, implementing, and practicing something (Saydam, 2009:385). Loyalty must be proven in daily attitudes and behavior at work with strong determination and ability. According to Hasibuan (2009: 95) the willingness of employees to maintain the organization from the bad influence coming from irresponsible people from inside and outside of work people reflects loyalty. According to
Siswanto Sastrohadiwiryo (2008:31), the purpose of loyalty is for employees to do things with full awareness and responsibility such as obeying, enforcing and practicing something written and unwritten. This is proven by attitudes and behavior as well as making and carrying out tasks.

**Research methods**

This research uses descriptive and verification research method. Descriptive research method According to Sugiyono (2013: 53) is a problem formulation relating to the statement of the existence of independent variables and dependent variables (independent variables are variables that are not depending on other variables, while dependent variables are variables that are always paired with other variables).

The verification research method according to Sugiyono (2013:6) is a research method through the evidence to test the hypothesis of descriptive research results to show whether the hypothesis is accepted or rejected based on its statistical calculations.

The dependent variable used in this research is the loyalty of Harbour Brightshoes employees. The independent variables are compensation and work motivation of Harbour Brightshoes employees. The population used in this research is 39 employees.

**Results and discussion**

**Result**

Research Instrument Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>The results of Compensation Variable Validity Test</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training (X)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>0.799</td>
<td>0.2869</td>
</tr>
<tr>
<td>X2</td>
<td>0.839</td>
<td>0.2869</td>
</tr>
<tr>
<td>X3</td>
<td>0.788</td>
<td>0.2869</td>
</tr>
<tr>
<td>X4</td>
<td>0.823</td>
<td>0.2869</td>
</tr>
<tr>
<td>X5</td>
<td>0.804</td>
<td>0.2869</td>
</tr>
</tbody>
</table>

**Table 2**

<table>
<thead>
<tr>
<th>Variable</th>
<th>The Results of Loyalty Variable Validity Test</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance (Z)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z1</td>
<td>0.354</td>
<td>0.2869</td>
</tr>
<tr>
<td>Z2</td>
<td>0.812</td>
<td>0.2869</td>
</tr>
<tr>
<td>Z3</td>
<td>0.750</td>
<td>0.2869</td>
</tr>
<tr>
<td>Z4</td>
<td>0.785</td>
<td>0.2869</td>
</tr>
<tr>
<td>Z5</td>
<td>0.863</td>
<td>0.2869</td>
</tr>
</tbody>
</table>
Based on the results above, all statements that make up compensation, work motivation, and loyalty have an r-count value above the r-table value so that all statements are declared valid. In other words, all statements submitted to measure compensation, motivation, and loyalty have performed their measuring functions.

Reliability Test

### Tabel 3
The Results of the Reliability Test

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>CRONBACH’S ALPHA</th>
<th>CRISIS VALUE</th>
<th>CONCLUSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPENSATION (X1)</td>
<td>0.902</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
<tr>
<td>WORK MOTIVATION (X2)</td>
<td>0.953</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
<tr>
<td>LOYALTY (Y)</td>
<td>0.744</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Based on the reliability testing results in table 3, it can be concluded that the value of the reliability coefficient obtained by each variable is > 0.6 which indicates that the statements in the questionnaire measuring instrument can be used more than once and show consistency on each statement.

### Multiple Linear Regression Analysis

#### Tabel 4
Multiple Linear Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.237</td>
<td>1.792</td>
<td>1.806</td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td>0.049</td>
<td>.108</td>
<td>0.053</td>
</tr>
<tr>
<td></td>
<td>Work Motivation</td>
<td>0.803</td>
<td>.107</td>
<td>0.884</td>
</tr>
</tbody>
</table>

From the results in table 4, the formula of regression equation can be written as follows:

\[ Y = 3.237 + 0.049X1 + 0.803X2 \]

Description:
- \( Y \) = Employee Loyalty
- \( a \) = Constant
- \( X1 \) = Compensation
- \( X2 \) = Work Motivation

From the equation above, it can be explained the meaning and significance of the regression coefficient of each variable which is compensation and works motivation variable has a positive influence on employee loyalty.

552
Coefficient of Determination

**Tabel 5**
**Summary Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.849&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.721</td>
<td>.706</td>
<td>2.0</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Work Motivation, Compensation

Based on the result in table 5, the coefficient of determination is 0.721 or 72.1%. In other words, 72.1% of Compensation (X1), Work Motivation (X2), and Employee Loyalty (Y) and the remaining 20.1% are influenced by other factors not examined.

Simultaneous Test

**Tabel 6**
**The Results of the Hypothesis Test**

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>398.974</td>
<td>2</td>
<td>199.487</td>
<td>47.7</td>
</tr>
<tr>
<td>Residual</td>
<td>154.626</td>
<td>37</td>
<td>4.179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>553.600</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Kinerja_Pegawai

<sup>b</sup> Predictors: (Constant), Motivasi_Kerja, Pelatihan

The decisions are as below:

a. **Ho**: $\rho = 0$; There is no positive effect of compensation and work motivation on employee loyalty simultaneously

b. **H1**: $\rho \neq 0$; There is a positive effect of compensation and work motivation on employee loyalty simultaneously

1. Determine the level of significance
   The significance level taken for the study was 5%.

2. Determine the F-table
   To determine the F-table, it is necessary to know what df1 and df2 are. With the following formula, where k = the total number of research variables and n = the number of samples forming the regression, the results are obtained:
df1 = k - 1 = 3 - 1 = 2
df2 = n – k = 34 – 3 = 31

From the calculation of df1 and df2, by reviewing the list of percentage points of the
distribution of F-tables for a probability of 0.05, the compiler gets 2 as df1 (the numerator) and
31 as df2 (the denominator). Thus, F-table intersects at point 3.30, for the effect of
compensation and work motivation on employee loyalty.

3. Determine F-Count

Based on the results shown in table 6, the compiler gets F-count value of 47.735 which
means the value is bigger than F-table 3.30 (47.735 > 3.20). In other words, H0 is rejected and
H1 is accepted. This means compensation dan work motivation have a simultaneous and
significant effect on employee loyalty.

From the results of the first ANOVA test above for the effect of compensation and
work motivation on employee loyalty. obtained an F-count of 47,735 with a significance level
of 0.000 or it could be less than 0.05. Therefore, a regression model is used to predict employee
loyalty.

### Tabel 8
Partial Test (T-test)

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode 1</td>
<td>B Std. Error Beta T Sig.</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.237 1.792 1.806 .079</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>0.049 .0.108 0.053 0.452 .654</td>
<td></td>
</tr>
<tr>
<td>Work Motivation</td>
<td>0.803 .0.107 0.884 7.504 .000</td>
<td></td>
</tr>
</tbody>
</table>

To determine the t table, it is necessary to first know what df is. With the following
formula, where k = the total number of research variables and n = the number of samples
forming the regression and a significant level of 5% or 0.05, the results obtained:
a. Df = n-k = 34 – 2 – 1 = 31
b. Two-sided significance level = 0.05; 2 = 0.025

From the calculation of df and the two-sided significance level, by reviewing the point
list of the distribution points of the distribution table, the researcher got 31 as df and 0.025 as a
two-sided significance level. Therefore, the table intersects at the point 2.0399

a. Testing the Training Hypothesis on Employee Performance based on the
results in table 4.5 above, it can be concluded that the value of t-count (4.52) > t-table 2.0399.
Based on the hypothesis testing criteria, H0 is rejected and H1 is accepted. That means
compensation has a significant effect on employee loyalty at Harbour Brightshoes.

b. The results of Hypothesis Testing of Work Motivation on Employee
Performance based on the calculation above show that the value of t-count (7.504) > t-table
(2.0399). Based on the criteria for testing the hypothesis, H0 is rejected and H1 is accepted.
That means work motivation has a significant influence on employee loyalty at Harbour
Brightshoes.
The Effect of Compensation and Work Motivation on Employee Loyalty at Harbour BrightShoes

Based on the calculation, the first hypothesis test shows that there is a significant effect between training and employee performance with a t-count value shown is (4.52) > t-table (2.0399). This is related to the theory written by Budi Widjaja (2004) that says low employee loyalty is caused by a compensation system that does not guarantee work peace. That means compensation has effects on employee loyalty, this is in line with the research of Andromike Maineldi (2014) which determines that compensation has effects on employee loyalty at PT. Jatim Jaya Perkasa Plantation Banjar Balam Indragiri Hulu.

The calculation of the second hypothesis test shows that motivation affects employee loyalty with a t-count of (7.504) > t-table (2.0399). That means H0 is rejected and H1 is accepted. In other words, work motivation has a significant effect on employee loyalty at Harbour Brightshoes. The researcher is related to previous research by Ikhram et al (2014) that an increase in motivation will be followed by an increase in employee loyalty because there is a significant effect between motivation and employee loyalty. The calculation of the third hypothesis shows that compensation and work motivation have effects on employee loyalty by 72.1% and the remaining 20.1% is influenced by other factors not examined in this study. The results of the hypothesis test show the calculated F value = 47,735 where the result is greater than the F table (47,735 > 3.30). That is, H0 is rejected and H1 is accepted. Based on table 4.5, the compiler gets the F-count value of 47,735 which is bigger than F table 3.30 (47.735 > 3.30), In other words, H0 is rejected and H1 is accepted. That means there is a simultaneous effect and significance of compensation and work motivation on employee loyalty. The results of the study are related to previous research by Diana Lavinia (2018) that motivation in working has a role in the relationship between compensation and employee loyalty.

Conclusion and suggestions

Conclusion

According to the results and discussion above, it can be concluded that there is a significant effect between compensation and work motivation on employee loyalty at Harbour Brightshoes. In other words, there is a simultaneous significant effect of compensation and work motivation on Employee Loyalty at Harbor Brightshoes.

Suggestions

a. Theoretically

Develop human resource management science by doing an in-depth understanding by comparing the theories obtained in college with the realities in the field directly.

b. Practically

1) For Writers

Adding insight into knowledge, especially relating to the preparation of research reports on 'The Effect of Compensation and Work Motivation on Employee Loyalty' so that the authors get an idea of how to apply the knowledge that has been gained in college to be applied in the field.

2) For The Organization

Harbour Brightshoes Shoes Laundry should be able to pay attention to the results of the questionnaire that shows the result of the low category which is the compensation variable, where there are still problems that arise regarding the provision of salaries, bonuses, and facilities for employees who still feel like it's inappropriate. The solution is that the organization
needs to pay more attention to the factors for providing compensation in the form of salaries, bonuses, or facilities that can be obtained by employees to form a loyal attitude of employees to help achieve organizational goals according to predetermined targets.

Harbour Brightshoes Shoes Laundry should be able to pay attention to the results of the questionnaire that shows the low category which is the Work Motivation variable, where the organization is still found lacking in giving appreciation for the finished works by the employees. The solution is that the organization needs to pay more attention to employees by giving them some rewards after completing their work so they become more enthusiastic and motivated to carry out their duties.

3) For Further Research

Meanwhile, for further researchers, research can be developed by examining the effect of other variables that have not been studied such as Work Environment, Employee Training, Leadership Style, or Workload that can affect Employee Loyalty.

References


