Work Insecurity and Compensation on Turnover Intention Mediated by The Job Satisfaction of Employees

Satya Brahmannanda a
IGA Manuati Dewi b

Article history:
Submitted: 27 June 2020
Revised: 18 July 2020
Accepted: 9 August 2020

Abstract
Among the challenges companies must face is to reduce the intensity of employee turnover. Companies need to improve and implement policies that can minimize turnover. The purpose of this study is to examine and explain the influence of job insecurity, compensation, and job satisfaction on turnover intention and examine the mediating role of job satisfaction in the influence of job insecurity and compensation on turnover intention. This research is quantitative associative research conducted at PT. True Partner Style. The total population is 98 employees with a sample of 79 employees. The data were obtained through a questionnaire using the 5-point Likert scale. The data analysis technique used was SEM-PLS. The results revealed that job insecurity has a positive and significant influence on turnover intention, compensation and job satisfaction has a negative influence on turnover intention, job insecurity has a negative influence on job satisfaction, compensation has a positive influence on job satisfaction, and job satisfaction was able to partially mediate the influence of job insecurity and compensation on turnover intention.

Keywords:
company; compensation; job insecurity; job satisfaction; turnover intention;

Corresponding author:
Brahmannanda, S.
Faculty of Economics and Business, Udayana University, Bali, Indonesia
Email address: brahma.satya@yahoo.com

a Faculty of Economics and Business, Udayana University, Bali, Indonesia
b Faculty of Economics and Business, Udayana University, Bali, Indonesia
1 Introduction

PT. Gaya Mitra Sejati is a company that specializes in fashion products, has eight branches with different names. Over the last four years, PT. Gaya Mitra experienced problems related to the high employee turnover rate. In 2016, the percentage of employee turnover was 8.3%, in 2017 it became 13.2%, in 2018 it became 14.2%, and in 2019 it became 12.3%. This percentage is considered high because according to Ridlo (2012), turnover must not be more than 10% per year. If it is greater, the turnover is categorized as high. Based on the interviews, the turnovers were caused by the dissatisfaction of employees towards their compensation and they felt insecure at work.

The high turnover rate reflects the discomfort felt by employees and it might have an impact on other employees who still work in the company. Saeed et al. (2014) stated that turnover is a dangerous problem for organizations because turnover leads to more spending on recruitment, selection, and hiring less experienced employees as replacements. Ismail (2015) found that turnover intention can be influenced by job insecurity and the compensation provided (Syed et al., 2015). Shoss (2017) stated that job insecurity threatens the continuity and stability of work. The insecure feelings of employees will lead them to have a greater desire for turnover. Dlamini (2017) stated that compensation is the payment given by the employer to employees for the services they have provided (time, energy, and skills). Syed et al., (2015) revealed that there is a negative and significant relationship between compensation and turnover intention in organizations. This proved that the greater the financial compensation, the less the intention of employees to leave the job because they feel more valued and more able to fulfill their needs (Lu et al., 2014; Lim & Loo, 2003; Fishman, 1980).

Ghayas & Siddiqui (2012) found that job satisfaction has a negative and significant influence on turnover intention. Salisu et al. (2015) revealed that the relationship between compensation and job satisfaction is positive and significant. Khan & Aleem (2014) stated that job satisfaction mediates the influence of compensation on turnover intention. Sabda & Kartika (2016) stated that job insecurity has a negative and significant influence on job satisfaction. Setiawan and Surya (2016) found that job satisfaction partially mediates the influence of job insecurity on turnover intention. Based on the employee turnover issues in PT. True Mitra Style and review of related studies, this research is conducted to examine and explain the influence of job security and compensation on turnover intention mediated by the job satisfaction of employees in PT. True Partner Style.

Literature Review and Research Hypothesis

The Expectancy Theory

The Expectancy Theory developed by Vroom (1964) stated that the expectations before an event and the subsequent evaluations after it determine people’s satisfaction towards the event. Vroom introduced three variables in the expectancy theory, namely valence, expectations, and instrumentality. Employees join an organization with some expectations. If those expectations are positively fulfilled, the employee will be satisfied. In their review, Jian & Klein (2009) explained that the expectancy theory is one of the basic theories forming the core of turnover and retention studies. Therefore, turnover may be related to employees’ expectations about their rewards, training, working conditions, and recognition.

The influence of job insecurity on turnover intention

Hu & Schaufeli (2011) stated that job insecurity has a positive and significant influence on the turnover intentions of employees in a company. Employees who feel insecure about their job in the future would prefer to look for other jobs that they feel are more secure. Similar results were also revealed by Ismail (2015), Shropshire & Kadlec (2012), and Halimah et al. (2016). Based on the findings in previous studies, the hypothesis formulated is as follows: H1: Job insecurity has a positive and significant influence on turnover intention

The influence of compensation on turnover intention

Cao et al. (2013) found that compensation is negatively and significantly correlated with turnover intention. They further explained that a compensation system that far deviates from employees’ expectations would lead to a high rate of employee turnover. Ayuninnisa & Saptoto (2015) and Endang (2005) revealed that salary satisfaction has a negative and significant influence on the turnover intention of employees in the company. This means that the higher the level
of salary satisfaction, the lower the likelihood of employee turnover. Similar results were also obtained by Syed et al. (2015) and Saleem & Gul (2013). Based on the results of previous studies, the following hypothesis can be formulated.

**H2:** Compensation has a negative influence on turnover intention

The influence of job insecurity on job satisfaction

Mahaputra et al. (2013) found that job insecurity has a negative and significant influence on job satisfaction. This means that job insecurity can lead to low job satisfaction. Reisel et al. (2010) also found that job insecurity has a negative and significant influence on job satisfaction, which means that the greater the job insecurity of employees, the lower their job satisfaction. Similar results were also revealed in the research conducted by Sabda & Kartika (2016). Based on these reviews, the third hypothesis is as follows:

**H3:** Job insecurity has a negative influence on job satisfaction

The influence of compensation on job satisfaction

Saqibusman et al. (2013) and Jamilu et al. (2015) revealed that compensation has a positive and significant influence on job satisfaction. Compensations that are not in line with or lower than the expectation of workers, would result in a decrease in job satisfaction. Emmanuel (2014) argued that there is a positive and significant relationship between compensation and job satisfaction. Similar results were revealed by Field & Adeoye (2014). Based on the discussed research findings, the formulated hypothesis is as follows:

**H4:** Compensation has a positive influence on job satisfaction

The influence of job satisfaction on turnover intention

Issa et al. (2013) found that there is a negative and significant relationship between employees’ job satisfaction and turnover intention. Khan & Aleem (2014) revealed that dissatisfied employees have a greater degree of turnover intention. Similar results were also obtained by Zahra et al. (2013), Saeed et al. (2014), Ghayas & Siddiqui (2012), and Fitriani et al. (2011) which showed that the higher the employee satisfaction, the lower their turnover intention. Based on the findings in previous studies, the hypothesis is formulated as follows:

**H5:** Job satisfaction has a negative influence on turnover intention

The role of job satisfaction in mediating the influence of job insecurity on turnover intention

Setiawan & Surya (2016) and Mira (2017) found that job satisfaction partially mediates the influence of job insecurity on turnover intention. High job insecurity is usually entailed by low job satisfaction, which may eventually increase employee turnover. Anisa (2018) also revealed that job insecurity influences turnover intention mediated by job satisfaction. Based on the results discussed, the hypothesis formulated is as follows:

**H6:** Job satisfaction mediates the influence of job insecurity on turnover intention

The role of job satisfaction in mediating the influence of compensation on turnover intention

Khan & Aleem (2014) revealed that job satisfaction mediates the influence of compensation on turnover intention. Rohmawati et al. (2016) also found that job satisfaction can partially mediate the influence of compensation on turnover intensity. This means that compensation has a direct influence on turnover intensity, which can be affected by job satisfaction as the mediator. Based on the review, the hypothesis is formulated as follows:

**H7:** Job satisfaction mediates the influence of compensation on turnover intention

Based on the literature review and hypotheses, the conceptual framework is presented in the following figure.
2 Materials and Methods

This research is categorized as associative quantitative research that discusses the relationship between motivation and intention. The study was conducted at PT. True Partner Style. The total population is 98 employees with a total sample of 79 employees, selected by using the probability sampling technique. The data were obtained through questionnaires which used the 5-point Likert scale. The data analysis technique used in this study is SEM-PLS. The construct of job insecurity in this study adapted and modified the indicators used in the research conducted by De Cuyper et al. (2010), compensation from the research by Roring (2017), job satisfaction from the research by (Martins & Procenca, 2012; Elman & Angela, 2002; Ferrie et al., 2005), and turnover intention from the research by Fah et al. (2010).

3 Results and Discussions

Characteristic of respondents

There was a total of 76 respondents in this study. In terms of their age, 63.1 percent, hence the majority of the respondents were at the age of 20 – 25 years old, which means that most of the employees in PT. Mitra Sejati Style is a young employee. In terms of their gender, the majority were women. 84.2 percent of the employees have a high school / equivalent educational background. In terms of their years of work experience, 68.4 percent of the employees have 1 – 3 years of work experience, which is most likely due to the high frequency of employee turnover, and young employees have a greater tendency to change jobs.

Instrument test results

In the instrument validity test, all the instruments have a correlation coefficients value of greater than 0.03, with a significance level of 0.05. This means that the instruments in this study are valid. From the reliability test, the Cronbach’s alpha values in this study are all greater than 0.70. Thus, all the instruments in this study are reliable.

Measurement model

Convergent validity, Discriminant validity dan Composite reliability. All the indicators in this study have an outer loading value of more than 0.5, the average variance extracted (AVE) value of more than 0.50. The composite reliability and the Cronbach’s alpha values are greater than 0.70. It can be concluded that the model in this study has fulfilled the convergent validity, discriminant validity requirement, and has a good composite reliability value. The inner model test shows the R-square value, and the results are presented in Table 1.
Table 1
R-square

<table>
<thead>
<tr>
<th>Construct</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction (M)</td>
<td>0.651</td>
</tr>
<tr>
<td>Turnover Intention (Y)</td>
<td>0.797</td>
</tr>
</tbody>
</table>

Source: Computed data, 2020

With the $R^2$ value, it is possible to calculate the predictive relevance ($Q^2$) value. When the $Q^2$ value is greater than 0, it means that the model can explain the turnover intention (Y) variable with a percentage based on the $Q^2$ value itself. The predictive relevance value is calculated as follows:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$$

$$= 1 - (1 - 0.797)(1 - 0.651)$$

$$= 1 - (0.203)(0.349)$$

$$= 1 - 0.070$$

$$= 0.930$$

The results of this calculation show that the $Q^2$ value is 0.930. This indicates that the model is good and has a predictive relevance value of 93.0%. This means that 93% of the variation in the turnover intention variable can be explained by the variables used in the study, while the remaining 7% is explained by other variables not included in the model.

Hypothesis Test

The analysis results of the research model using the partial least square analysis is displayed in Figure 2.

The $R^2$ value of the dependent variable is used to evaluate the structural model. In Figure 2, the $R$ square value of the turnover intention (Y) variable is 0.797. This value explains that 79.7% of the variation in turnover intention (Y) is influenced by job insecurity (X1), compensation (X2), and job satisfaction (M), while the remaining 20.3% is influenced by other variables not included in the model. 65.1% of the job satisfaction variable (M) is influenced by job...
insecurity (X1) and compensation (X2), while the remaining 34.9% is influenced by variables not included in the model.

### Table 2
Path Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>Path Coefficient</th>
<th>t- Statistics</th>
<th>P Values</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Insecurity (\rightarrow) Turnover Intention</td>
<td>0.265</td>
<td>2.067</td>
<td>0.039</td>
<td>H1 is accepted</td>
</tr>
<tr>
<td>Compensation (\rightarrow) Turnover Intention</td>
<td>-0.448</td>
<td>2.680</td>
<td>0.008</td>
<td>H2 is accepted</td>
</tr>
<tr>
<td>Work Insecurity (\rightarrow) Job Satisfaction</td>
<td>-0.405</td>
<td>3.206</td>
<td>0.001</td>
<td>H3 is accepted</td>
</tr>
<tr>
<td>Compensation (\rightarrow) Job Satisfaction</td>
<td>0.480</td>
<td>3.592</td>
<td>0.000</td>
<td>H4 is accepted</td>
</tr>
<tr>
<td>Job Satisfaction (\rightarrow) Turnover Intention</td>
<td>-0.515</td>
<td>4.609</td>
<td>0.000</td>
<td>H5 is accepted</td>
</tr>
</tbody>
</table>

Source: Computed Data, 2020

### Table 3
Indirect Influence, Total Influence, and VAF Calculation of the Job Insecurity Variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Insecurity (\rightarrow) Turnover Intention (Indirect Influence)</td>
<td>0.209</td>
<td>2.501</td>
<td>0.013</td>
</tr>
<tr>
<td>Job Insecurity (\rightarrow) Turnover Intention (Total Influence)</td>
<td>0.474</td>
<td>2.950</td>
<td>0.003</td>
</tr>
<tr>
<td>VAF (\rightarrow) Indirect Influence / Total Influence (0.209/0.474)</td>
<td>0.441</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Computed data, 2020

### Table 4
Indirect Influence, Total Influence, and the VAF Calculation of the Compensation Variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation (\rightarrow) Turnover Intention (Indirect Influence)</td>
<td>-0.247</td>
<td>3.409</td>
<td>0.001</td>
</tr>
<tr>
<td>Compensation (\rightarrow) Turnover Intention (Total Influence)</td>
<td>-0.448</td>
<td>2.680</td>
<td>0.008</td>
</tr>
<tr>
<td>VAF (\rightarrow) Indirect Influence / Total Influence (-0.247/-0.448)</td>
<td>0.551</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Computed data, 2020

The influence of job insecurity on turnover intention

Based on the data presented, the path coefficient of job insecurity on turnover intention is 0.265 and the t-statistics value is 2.067. The path coefficient shows that job insecurity has a positive influence on turnover intention. This proves that the greater the degree of job insecurity, the higher the turnover intention of employees. This result is in line with the research conducted by Ismail (2015), Benjamin et al. (2009), Hu & Schaufeli (2011) which revealed that job insecurity has a positive and significant influence on the turnover intention of employees. The greater the degree of job insecurity in a firm, the higher the turnover intention of employees, which will eventually require the firm to recruit new employees again.
The influence of compensation on turnover intention

Based on the data in the table, the path coefficient of compensation on turnover intention is -0.448 and the t-statistics value is 2.680. The path coefficient shows that compensation has a negative influence on turnover intention. This proves that with a higher level of compensation, the employees will have a lower turnover intention. This result also agrees with Syed et al. (2015), Cao et al. (2013), as well as Ayuninnisa & Saptoto (2015) who revealed that dissatisfaction towards compensation is the cause of employee turnover in companies.

The influence of job insecurity on job satisfaction

Based on the data presented, the path coefficient of job insecurity on job satisfaction is -0.405 and the t-statistics value is 3.206. The path coefficient indicates that job insecurity has a negative influence on job satisfaction. This proves that the higher the job insecurity, the lower the job satisfaction of employees. This study conforms to the findings of Reisel et al. (2010), Witte (2005), and Chirumbolo (2005) which showed that a high level of job insecurity leads to low job satisfaction and this will negatively affect the work performance of the organization.

The influence of compensation on job satisfaction

Based on the presented data, the path coefficient of compensation on job satisfaction is 0.480 and the t-statistics value is 3.592. The path coefficient shows that compensation has a positive influence on job satisfaction. This proves that with higher compensation, the job satisfaction of employees will also be higher. This result is in line with the results obtained by Saqibusman et al. (2013), Jamilu et al. (2015), and Field & Adeoye (2014) which revealed that compensation has a positive and significant influence on job satisfaction. This means that if workers are not satisfied with their compensation, their job satisfaction will also be low, vice versa.

The influence of job satisfaction on turnover intention

Based on the presented data, the path coefficient of job satisfaction on turnover intention is -0.515 and the t-statistics value is 4.609. The path coefficient indicates that job satisfaction has a negative influence on turnover intention. This proves that if the level of job satisfaction is high, employees will have a lower degree of turnover intention. This result is consistent with the findings obtained by Issa et al. (2013), Saeed et al. (2014), and Zahra et al. (2013) which showed that job satisfaction has a negative and significant influence on turnover intention. The organization must pay attention to the satisfaction of its employees to reduce the employees’ turnover intention.

The role of job satisfaction in mediating the influence of job insecurity on turnover intention

Based on the calculation, the VAF value is 0.441. This means that the role of job satisfaction as a mediator has a VAF value of 44.1%. This result indicates that job satisfaction has a role as a partial mediator in the relationship between job insecurity and turnover intention. This means that the lower the job insecurity of employees, the higher their job satisfaction which will eventually reduce the turnover intention of PT. True Partner Style employees. This result agrees to Mira (2017) and Setiawan & Surya (2016) who found that job satisfaction partially mediates the influence of job insecurity on turnover intention.

The role of job satisfaction in mediating the influence of compensation on turnover intention

Based on the calculation results, the VAF value is 0.551. It can be interpreted that the role of job satisfaction as a mediator has a VAF value of 55.1%. This result indicates that job satisfaction has a role as the partial mediator in the influence of compensation on turnover intention. This means that the more attractive the compensations offered by PT. Mitra Sejati style, the higher the job satisfaction of its employees, and this will lead to a decrease in the level of turnover intention. This result is consistent with the research conducted by Rohmawati et al. (2016) and Khan & Aleem (2014) who found that job satisfaction can partially mediate the influence of compensation on turnover intention.
4 Conclusion

The results of this study prove that job insecurity has a positive and significant influence on turnover intention, compensation and job satisfaction have a negative influence on turnover intention, job insecurity has a negative influence on job satisfaction, compensation has a positive influence on job satisfaction, and job satisfaction can partially mediate the influence of job insecurity and compensation on turnover intention. From the results, companies are expected to provide and describe clear career paths in the form of contracts in every employee recruitment, provide benefits following the agreements between the firm and the employee, and approach employees so that they feel comfortable at work. This study also has several weaknesses. First, the scope of the research is limited to examining the employees who work at PT. Style of True Partners, therefore the results cannot be used for generalization purposes. This research was only conducted over a certain period, while the environment is known to be dynamic and changes may occur over an extended period. Other researchers may attempt to conduct this study in other areas or different companies. Future studies may examine other variables that influence turnover intention to gain greater insights about how to reduce the turnover intention of employees.

Conflict of interest statement
The authors declared that they have no competing interests.

Statement of authorship
The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

Acknowledgments
We are grateful to two anonymous reviewers for their valuable comments on the earlier version of this paper.
References


Title of manuscript is short and clear, implies research results (Authors)


