THE INFLUENCE OF MOTIVATION AND COMPENSATION ON EMPLOYEE TURNOVER INTENTION AT PT AJI

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Abstract: This study aims to determine the influence of motivation and compensation on employee turnover intention at PT AJI. The research employs a quantitative method. The sampling was conducted using the probability sampling method with a simple random sampling technique, resulting in a sample of 57 employees from PT AJI. Data collection was carried out using questionnaires distributed to the employees. The study's variables include the independent variables motivation (X1) and compensation (X2), as well as the dependent variable turnover intention (Y). The analysis tool used in this research is the Partial Least Squares (PLS) model. The results indicate that motivation and compensation collectively have a negative and significant effect on employee turnover intention at PT AJI.

Keywords: Motivation, Compensation, Turnover Intention, Employees.

INTRODUCTION

Companies require five main production factors: capital, machinery, labor, methods, and materials (5M); however, labor plays a pivotal role in operational activities. According to Law No. 13 of 2003, labor refers to individuals capable of producing goods or services. Given its critical role, effective human resource management (HRM) is essential. George R. Terry, as cited in Wijayanti & Wicaksana (2023), identifies four HRM functions: planning, organizing, implementing, and controlling.

According to Flippo in Wardhani (2024), one of the primary challenges in HRM is employee turnover, which reflects the resignation rate within a specific period. This aligns with Simamora's perspective in Fitrianti et al. (2020), which suggests that high turnover rates indicate organizational inefficiency and lead to negative consequences such as reduced productivity and increased costs. High turnover intention results in additional expenses for training new employees and affects the efficiency and smoothness of operations.

This phenomenon is also experienced by PT AJI, a service company providing cleaning, workforce, landscaping, and security services. This can be observed in the employee turnover data within the company, as follows::

Table 1
Employee Turnover Data of PT AJI

Year	Number of Employees Beginning of the Year	Number of Employees Log In	Number of Employees Exit	Number of Employees Year End	Percentage Turnover (%)
2021	133	18	7	144	5,05
2022	135	10	15	130	11,32
2023	130	14	18	126	14,06

Source: Primary Data PT AJI, 2024

Based on data from PT Atha Jaya, the turnover rate has consistently increased from 2022 to 2023, exceeding Gallup's ideal threshold of 10%. According to interviews with the company, the high employee turnover is attributed to offers of other jobs with higher salaries.

Two main factors suspected to influence turnover at PT AJI are work motivation and compensation. According to Utama & Basri (2023), motivation can originate from internal or external sources and positively encourages employees to stay in their roles. Purwati et al. (2020) state that a lack of motivation reduces employee enthusiasm and performance, which ultimately affects productivity. Strong motivation fosters a positive work environment and supports the achievement of company goals. Employee motivation can be observed through attendance data. When motivation is low, employees are more likely to skip work and be absent; conversely, high motivation leads to better attendance. The employee attendance data at PT AJI for 2023 is as follows:

Table 2.
PT AJIEmployee Attendance Report

Month	Number of Employees	Number of Employees Authorized	Number of Employees Sick	Number of Alpha Employees	Number of Absences	Percentage (%)
January	130	27	22	11	60	46,15
February	125	39	28	9	76	60,80
March	125	29	34	6	69	55,20
April	132	43	11	19	73	55,30
May	134	34	16	12	62	46,27
June	126	24	28	11	63	50,00
July	126	43	34	9	86	68,25
August	131	27	31	14	72	54,96
September	131	37	34	8	79	60,31
October	131	39	27	9	75	57,25
November	126	41	29	0	70	55,56
December	126	35	21	7	63	50,00

Source: Primary Data PT AJI, 2024

Based on Table 1.2 above, the percentage of employee absenteeism at PT AJI in 2023 fluctuated each month, but the overall absenteeism rate remained relatively high. This indicates that employees may be less motivated to work. Interviews conducted at PT AJI revealed that employee turnover intention is influenced by external job offers with better compensation, suggesting that the company's internal motivation strategies may not be strong enough.

Compensation is also significantly related to turnover intention, as shown by research from Asih (2021). According to the theory presented in the journal by Wijayanti & Anisa (2022), compensation is defined as the reward or result obtained by employees for their contributions to achieving organizational goals. Compensation can be in the form of money or goods, and when it is fair, employees are likely to feel more satisfied and productive. However, inadequate compensation can lead to dissatisfaction and, in extreme cases, may push employees to resign. At PT AJI, many employees have left because other companies offer higher compensation, which triggers low motivation and the desire to leave the company.

This presents a challenge for the company in retaining employees to prevent turnover intention from increasing. This study aims to examine the impact of motivation and compensation on employee turnover intention at PT AJI, with the hope of developing strategies to help the company reduce turnover rates and improve employee job satisfaction.**.**

LITERATURE REVIEW

1. Motivation

    Nasution et al. (2019) define motivation as the drive that influences an individual to act in order to achieve goals. According to Ulfaturrosida & Swasti (2022), motivation is also interpreted as an internal drive that encourages employees to work at their best to achieve company goals. Ardiansari & Haryani (2018) identify the indicators of motivation as physiological needs, safety needs, social needs, esteem needs, and self-actualization needs.

2. Compensation

    Hasibuan (2016) states that compensation is the earnings received by workers as a reward for their contributions, which can be in the form of money, goods, or other benefits, either directly or indirectly. According to Hanggraini (2012), compensation includes all forms of rewards given by the company in recognition of the performance and services provided by employees. Muzakki (2019) in the journal by Octaviaa et al. (2023) mentions that the indicators of compensation include salary, incentives, allowances, and benefits.

3. Turnover Intention

Turnover intention refers to an individual's decision to leave their job voluntarily, meaning the company must find a replacement (Jariyah & Swasti, 2022). This decision is made personally, not due to termination by the company. As a result, the company must bear the costs of recruitment, selection, and training for new employees (Sabardini, 2022). According to Mobley (in Noor, 2022), the indicators of turnover intention include thoughts of leaving the company, the intention to look for another job, and the intention to resign from the company.

RESEARCH METHOD

This study uses a quantitative approach with the SEM-PLS (Structural Equation Modeling Partial Least Squares) method. Data were collected using a questionnaire distributed to employees of PT AJIto gather responses regarding the variables of motivation, compensation, and turnover intention. The sample was determined using probability sampling, specifically the simple random sampling method, with a sample size of 57 respondents. Data processing involved validity and reliability tests, descriptive analysis, normality testing, Partial Least Squares (PLS) analysis, regression, and hypothesis testing, all performed using PLS software. This study measures validity and reliability using the loading factor, AVE, and composite reliability values, and evaluates the structural model through the R-Square and Q-Square values to test the relationships between the variables

RESULT AND DISCUSSION
RESULT
1. **Hasil Uji Outer Model**
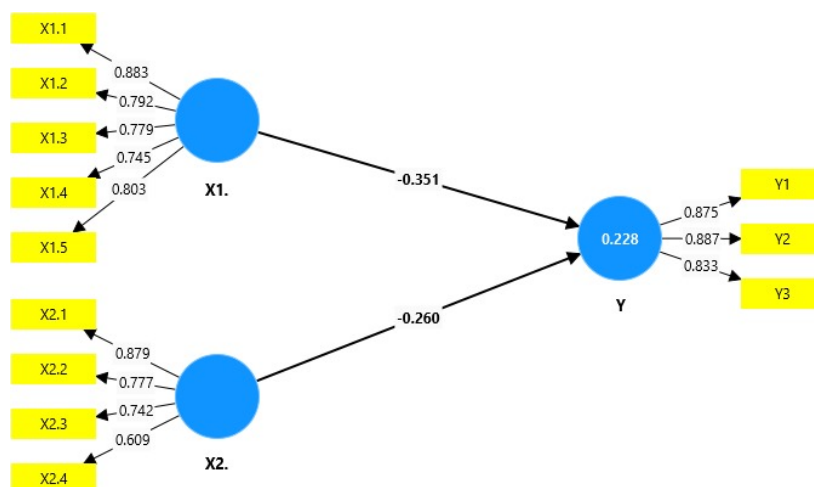
Figure 1.
Outer Model Testing
Source: Primary data processed, 2024

Table 3.
Outer Loading

	Compensation (X2)	Motivation (X1)	Turnover Intention (Y)
X1.1		0.883	
X1.2		0.792	
X1.3		0.779	
X1.4		0.745	
X1.5		0.803	
X2.1	0.879		
X2.2	0.777		
X2.3	0.742		
X2.4	0.609		
Y1			0.875
Y2			0.887
Y3			0.833

Source: Primary data processed, 2024

The test results show that most of the indicators have loading factor values above 0.7, indicating they are valid, except for the indicator X2.4. However, the loading factor value of 0.609 falls within the range of 0.5 to 0.7. According to Ghozali, this indicator can still be considered valid, although its validity level is relatively low.

Table 4.
Cross Loading Result

	Compensation (X2)	Motivation (X1)	Turnover Intention (Y)
X1.1	0.272	0.883	-0.403
X1.2	0.164	0.792	-0.278
X1.3	0.240	0.779	-0.281
X1.4	-0.015	0.745	-0.242
X1.5	0.118	0.803	-0.371
X2.1	0.879	0.171	-0.265
X2.2	0.777	0.141	-0.218
X2.3	0.742	0.178	-0.321
X2.4	0.609	0.110	-0.054
Y1	-0.239	-0.492	0.875
Y2	-0.378	-0.303	0.887
Y3	-0.234	-0.151	0.833

Source: Primary data processed, 2024

The test results above indicate that the cross-loading values show a higher correlation between the construct or variable and its indicators compared to the correlation with indicators from other constructs. All constructs or latent variables have demonstrated good discriminant validity, where the indicators within a construct block are more dominant than the indicators from other blocks..

Table 5.

Average Variance Extracted (AVE)

	Average variance extracted (AVE)
Compensation (X2)	0.575
Motivation (X1)	0.643
Turnover Intention (Y)	0.749

Source: Primary data processed, 2024

The test results show the Average Variance Extracted (AVE) values for each construct in this study. The AVE values for compensation (X2) and motivation (X1) are 0.575 and 0.643, respectively, while for Turnover Intention (Y), it is 0.750. All of these AVE values are above 0.5, indicating good convergent validity. This means that the variance explained by the indicators of each construct exceeds 50%, making these indicators reliable for representing the latent variables. The measurement model in this study is valid and can be used for further analysis.

Table 6.
Composite Reliability

	Composite reliability (rho_a)	Composite reliability (rho_c)
Compensation (X2)	0.788	0.842
Motivation (X1)	0.886	0.900
Turnover Intention (Y)	0.892	0.899

Source: Primary data processed, 2024

Hasil pengujian menunjukkan semua nilai Composite Reliability berada di atas ambang batas 0,7, menunjukkan konsistensi internal yang baik untuk setiap konstruk. Indikator-indikator yang digunakan dalam pengukuran konstruk tersebut dapat diandalkan dan memberikan hasil yang konsisten, sehingga model pengukuran ini valid dan layak untuk analisis lebih lanjut.

2. Hasil Uji Inner Model

Tabel 7.
R Square

	R-square	R-square adjusted
Turnover Intention (Y)	0.228	0,200

Source: Primary data processed, 2024

The R-Square value of 0.228 indicates that 22.8% of the variation in the dependent variable, Turnover Intention (Y), can be explained by the independent variables, Motivation (X1) and Compensation (X2). This suggests that the influence of the independent variables on Turnover Intention is relatively small. An R-Square value below 0.3 is considered low, meaning there are likely other factors outside the model that may play a more significant role in explaining Turnover Intention.
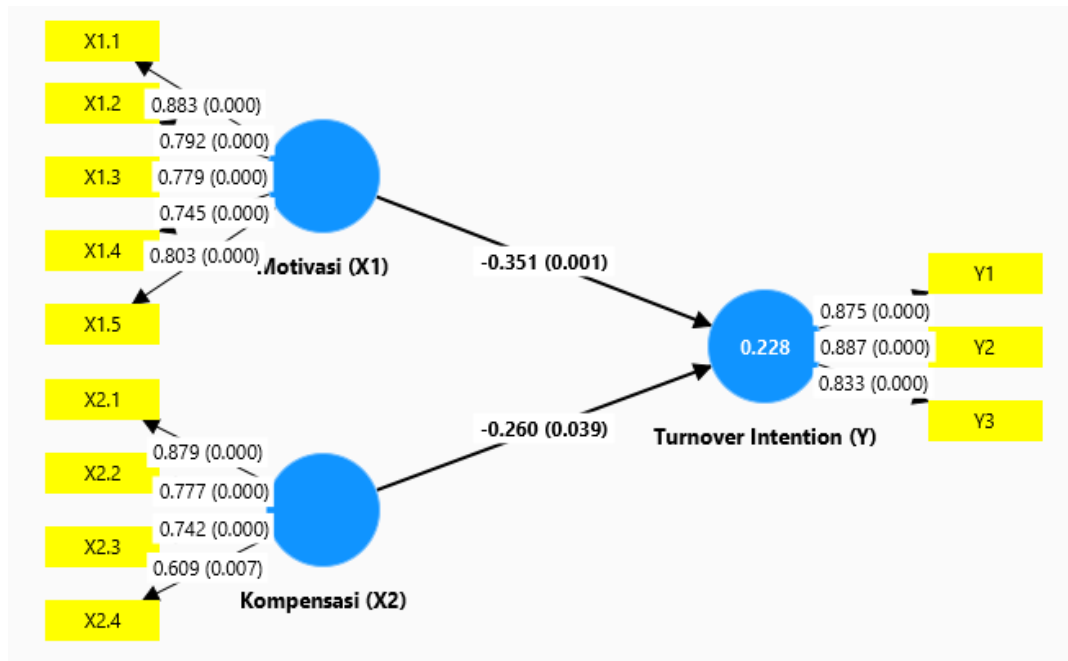
3. Hypothesis Test Results

Figure 2
PLS Model Analysis of Motivation and Compensation on Employee Turnover Intention of PT AJI
Source: Primary data processed, 2024

Table 8.
p value

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Compensation (X2) -> Turnover Intention (Y)	-0.260	-0.288	0.126	2.069	0.039
Motivationi (X1) -> Turnover Intention (Y)	-0.351	-0.369	0.104	3.360	0.001

Source: Primary data processed, 2024

The test results show that compensation has a negative relationship with Turnover Intention, as indicated by the path coefficient of -0.260 and a p-value of 0.039, which is less than 0.05. This suggests that compensation significantly influences Turnover Intention. Similarly, motivation has a negative relationship with Turnover Intention, with a path coefficient of -0.351 and a p-value of 0.001, which is also less than 0.05, indicating that motivation significantly affects Turnover Intention

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DISCUSSION

The Effect of Motivation on Turnover Intention

This study shows that motivation has a significant negative effect on the turnover intention of employees at PT AJI, supporting the hypothesis that the higher the motivation, the lower the employees' desire to quit. Conversely, lower motivation increases the potential for turnover intention. These findings are consistent with Winoto's (2019) research, which emphasizes the important role motivation plays in reducing the desire to leave the company. One of the most influential indicators of motivation is physiological needs, which include basic needs such as food, shelter, and health. Employees feel that PT AJI provides adequate income and benefits to meet these needs, creating a sense of security and job satisfaction.

The fulfillment of physiological needs not only serves as a basic motivation but also plays a crucial role in creating a stable and productive work environment. When basic needs are met, employees are more focused on their tasks, feel appreciated, and are committed to the company. This stability reduces turnover intention and enhances employee loyalty. Additionally, the compensation and facilities provided by the company contribute to their well-being, as Purwanti et al. (2020) highlight, stating that meeting the basic living needs through compensation is a key factor in motivating employees. With this approach, PT AJI has successfully created a mutually beneficial relationship between the company and its employees.

The Effect of Compensation on Turnover Intention

The study shows that compensation has a significant negative effect on turnover intention among employees at PT AJI, supporting the hypothesis that the higher the compensation provided, the lower the employees' desire to quit. Conversely, lower compensation increases the potential for turnover intention. This finding aligns with Saputra et al. (2022), which shows that compensation plays an essential role in reducing employees' desire to leave. Descriptive analysis identifies salary as the most influential indicator in the compensation variable. For employees, salary is not only a reward for their work but also the primary source for meeting life needs, such as food, housing, transportation, education, and health. Adequate salaries provide financial security, allowing employees to focus more on their work and be more productive.

The importance of salary as a primary indicator in the compensation variable is closely related to employees' perception of recognition for their contributions. The higher the salary received, the greater the sense of being valued, which increases motivation and loyalty to the company. On the other hand, low compensation or compensation that is not commensurate with the workload can lead to dissatisfaction and may even drive turnover intention. Therefore, to retain a loyal and reliable workforce,

PT AJI needs to ensure competitive and adequate salaries. This is supported by Yousuf & Saqib's (2021) research, which found that satisfaction with salary is significantly correlated with a decrease in the desire to switch jobs. By meeting employees' financial needs, the company can create a stable, comfortable, and productive work environment, which in turn increases employee satisfaction and loyalty

CONCLUSION

The conclusion of this study shows that both motivation and compensation have a significant negative impact on turnover intention among employees at PT AJI. First, motivation directly influences employees' decisions to stay or leave the company; the higher the motivation felt by employees, the more likely they are to remain. Conversely, low motivation increases the likelihood that they will consider leaving their job. Second, compensation also has a significant impact, where the higher the compensation received, the lower the employees' desire to leave the company. On the other hand, inadequate compensation can reduce the likelihood of employees quitting. Therefore, both motivation and compensation are key factors that companies need to focus on in efforts to reduce employees' turnover intention.

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