

Factors Affecting Employee Retention at PT X in Tangerang, Banten Province, Indonesia

M. Tony Nawawi^{1*}

¹*Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia*

**Corresponding author. Email: tonyn@fe.untar.ac.id*

ABSTRACT

This research aims to determine the effect of training, work environment and compensation, on employee retention. This study used a sample of 100 respondents from PT X and used SmartPLS version 3.3.2 with a descriptive method. This study resulted that training had a positive and insignificant effect on employee retention, the work environment had a significant and positive effect on employee retention and compensation had a significant and positive effect on employee retention.

Keywords: *training; work environment; compensation; employee retention*

1. INTRODUCTION

The development of science and technology today is growing along with the progress of the times. The development of Human Resources (HR) starting in 2019 and thereafter will be the main influence of Indonesia's future development strategy, these strategic options are sought to accelerate the economic development needed to improve people's welfare. The goal of developing human energy resources is a key aspect in winning global competition, which has the consequence of continuing to be intense competition in the midst of uncertainty, this strategic step should have the full support of all stakeholders. Strengthening human resources leading to superior human beings has a close correlation with the increase in work productivity, in winning the competition in the midst of rapid changes in the world of business, political economy and culture. The development of superior human resources systematically is one of the strategies that must be raised by the industry in order to increase industrial excellence.

According to [1] explain that Human Resource Management is a policy, practice, and system that affects the nature, behavior and performance of employees. Employees are one of the main assets of the company and human resource management is assigned to manage all of these employees, train and improve their abilities, determine the amount of compensation they will receive, and evaluate their performance against the standards that have been inaugurated by management. [2] states the importance of linking human resource strategy with corporate strategy. With good management by management, employees will feel motivated and work hard to help the company achieve the goals that have been

inaugurated by the company's leaders, one of which is by paying full attention to employee performance.

This study [3] explains the decreasing level of employee retention is a challenge faced by the organization, along with the increasingly fierce competition and the mobility of employees who are very fast and skilled, this is the influence of globalization. Employee retention is generally used to retain employees who have the best performance that each industry has, when there are employees who have the decision to stay in the industry usually the main reason is because they feel safe in the industry and do not intend to move again.

Compensation is one of the factors that affect employee retention. If the organization does not provide adequate compensation, it will cause employees to leave the organization. According to [4] found that there is a significant relationship between compensation and employee retention.

Even though many factors influence employee retention in the study according to [5] that Training and Development has a significant influence on Employee Retention. This finding confirms that training and development is the most important in increasing employee retention rate which covers the practical importance of this study for policy makers and practitioners.

In addition, there are other factors that affect employee retention, namely the Work Environment. According to [6] work environment plays an important role in predicting employee retention.

The purpose of this study was to see the effect of training on employee retention, work environment on employee retention, and compensation on employee retention. According to social exchange theory, proper training, development and supervisor support, organized by an organization should theoretically be able to increase employee retention rates, as individuals and organizations

enter into exchange relationships where the provision of benefits creates an obligation to reciprocate [7]. According to [8] stated that a supportive work environment can encourage the level of employee interest in their work which in conclusion can increase their productivity. According to [9] explains that there are two interrelated theories, namely the theory of human capital, and the theory of social exchange. This human capital theory was developed by Becker who said that this theory aims to explain rationally the main decisions made by companies or individuals.

The model in this study can be described as follows:

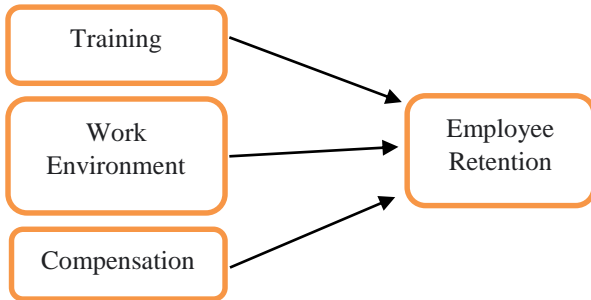


Figure 1. Research Model

Based on the understanding of the research model above, it is possible to formulate the hypothesis of this research as follows:

- H1: Training variable has a positive and significant effect on Employee Retention of PT X.
- H2: Work Environment Variables have a positive and significant effect on Employee Retention of PT X.
- H3: Compensation variable has a positive and significant effect on Employee Retention of PT X.

2. METHODOLOGY

The research design used in this research is descriptive research. According to [10] states that descriptive research is research that uses observations, interviews or questionnaires about the current state of the subject we are researching. The population to be taken in this study are employees of PT X in Tangerang. In this study, the sample will be taken from the population by non-probability sampling method by determining the sample using purposive sampling, in which this technique determines the sample with certain considerations or criteria based on the research objectives. [11]. The location of the research sample by taking a sample of 100 employees with a working period of more than 1 year. According to [11] states that the appropriate and ideal sample used in a study ranges from 30 to 500 respondents, therefore the researcher decided to use a sample of 100 respondents. Data collection was carried out using a questionnaire that was given a score of 1-5 in the form of a scale Likert. The data were analyzed using PLS-SEM where the data was processed using the SmartPLS (v3.3.2) software program. Statistical tests used in this study are validity and

reliability tests. Validity test can be divided into two aspects, namely: discriminant validity, and convergent validity. While the reliability test includes Cronbach's alpha and composite reliability. The analytical method in this study uses SEM (Structural Equation Modeling) with the Smart PLS version 3.3.2 program. The data analysis used is the outer model, the inner model consisting of the coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), and path coefficient.

3. DATA ANALYSIS RESULTS

The results of the subjective descriptive test in this study were 100 respondents, with the most characteristic number of respondents being female, with the highest age being 20-29 years, the most education being high school graduates, the most working period being 1-2 years .

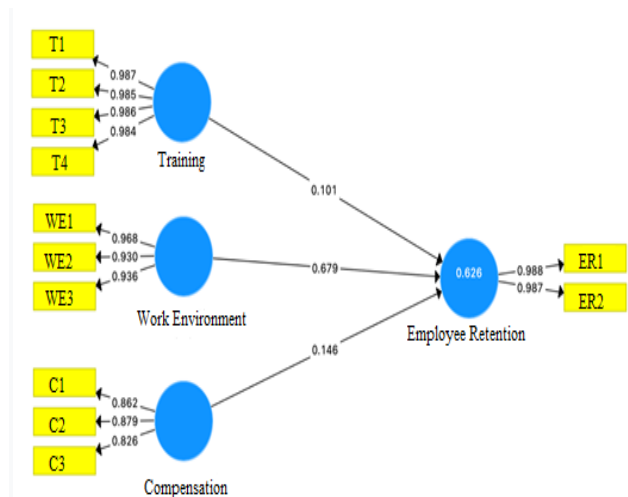


Figure 2. PLS Algorithm Results

Source: Data processed by SmartPLS version 3.3.2

Based on the results of the convergent validity analysis in the Figure 2 above, it is found that all variable statements have a loading factor > 0.7. So it can be concluded that the four variables in this study are valid.

The Average Variance Extracted (AVE) test results obtained from each variable are > 0.5 [12] by producing a Training and Development variable of 0.971, a Work Environment variable of 0.893, a Compensation variable of 0.733. and Employee Retention of 0.976. Therefore, it can be concluded that the four variables are valid.

The results of the Discriminant Validity Test (Cross Loadings) can be said to be valid. This is because the value of Cross Loadings on each construct is greater than the other constructs. For example, the K1 factor for the Compensation variable has a value of 0.862, where this value is greater than the loading factor in the Work Environment variable construct which is 0.363, the Training variable is 0.189 and Employee Retention is 0.426.

Composite Reliability test found that the results are reliable. This is because the value of all variables is > 0.60 (Hair et al, 2019), with the value of the Compensation variable of 0.891, the Work Environment variable of 0.961, Training of 0.988 and Employee Retention of 0.993. The result of the Coefficient of Determination Test (R²) shows that the Employee Retention variable has a value of 0.626. So it can be explained that the percentage of Organizational Commitment from Job Satisfaction is 62.6%.

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Table 2 T-Statistics and P-Values - Test Results

| Variables | Original Sample | Sample Mean | Standard Deviation | T-Statistics | P-Values |
|---------------------------------------|-----------------|-------------|--------------------|--------------|----------|
| Compensation → Employee Retention | 0.146 | 0.150 | 0.073 | 1.994 | 0.047 |
| Work Environment → Employee Retention | 0.679 | 0.677 | 0.080 | 8.498 | 0.000 |
| Training → Employee Retention | 0.101 | 0.097 | 0.063 | 1.608 | 0.108 |

Source: Data processed by SmartPLS version 3.3.2

Based on Table 2, Training has a positive and insignificant effect on Employee Retention, which means H₁ is rejected. Work Environment has a positive and significant effect on Employee Retention, which means H₂ is accepted. Compensation has a positive and significant effect on Employee Retention, which means H₃ is accepted.

4. DISCUSSION

The results of statistical testing using the t-statistical test indicate that the variable Training & Development has a positive and insignificant effect on Employee Retention. This is in accordance with previous research by [13] which states that training has a significant relationship to employee retention. In addition, research according to [14] which

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Table 1 Path Coefficient Test Results

| Variable | Employee Retention |
|------------------|--------------------|
| Compensation | 0.146 |
| Work Environment | 0.679 |
| Training | 0.101 |

Source: Data processed by SmartPLS (version 3.3.2)

Based on table 1 that compensation has an effect on employee retention by 14.6%, the work environment has an effect on employee retention by 67.9%, and training affects employee retention by 10.1%.

states that there is a relationship between Training and Development and Employee Retention. Then previous research by [15] also stated that there is a relationship between Training and Employee Retention.

Work environment variables have a positive and significant impact on employee retention. This is in accordance with the research [14] which found that there is a positive relationship between the work environment and employee retention. This is also found by [16] also stated that the work environment has a significant relationship to employee retention. This is in accordance with [6] which states that the work environment has a significant positive relationship to employee retention.

Compensation has a positive and significant effect on employee retention. This is supported by previous research conducted by [15] which explains that there is a positive and significant relationship between compensation

and employee retention. In addition, research according to [17] also states that compensation has a significant positive effect on Employee Retention. Then previous research by [18] found that compensation has a significant and positive relationship to employee retention.

5. CLOSING

Based on the results of data testing that has been carried out in this study, it shows that there is a positive and insignificant effect between Training and Employee Retention. The work environment variable has a positive and significant effect on employee retention; Compensation has a positive and significant effect on employee retention

From the results of these studies, researchers get some suggestions that can be given to the company is to overcome the boredom of employees in the company. This is related to the variable indicator of Training, namely "Dynamic environmental needs" is the lowest value. Feelings of boredom and boredom often have a negative effect on employee creativity so that they can contribute ideas or innovations that benefit the company as a whole. Therefore, companies must be able to overcome this problem by offering character and creative development facilities to employees.

On the other hand, for the Work Environment variable, the indicator "Stay in the organization" is the lowest value. For this reason, companies must be able to build close relationships between employees and the company. One of the best ways according to researchers is to respect and respect each other. This attitude can be reflected in the ease with which employees can give their expectations to the company. Then for the variable of Employee Compensation and Retention with, the indicators "Job Size" and "Encourage Employees" are the lowest values. Therefore, the company provides incentives or salaries that are in accordance with the workload. This can keep employees in the company in the long term.

For further research. Researchers expect to consider comprehensively on one company or other variables to measure Employee Retention variables so that they can give different results in order to get other ways that can retain employees in a company.

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