

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Companies are formed to achieve certain goals. Therefore, a company's success is demonstrated by its ability to achieve predetermined goals. In reality, companies actually only expect the best work from their employees. Employees work performance is the main thing that every company is demanded to achieve by the company from its employees. Employees work performance will have an impact on the employees concerned and the company, because high work performance will increase overall company productivity and vice versa, low employees work performance can reduce the level of quality and productivity of the company, which will ultimately have an impact on decreasing company income.

According to Wibowo (2015), in reality each organization applies a compensation system flexibly and freely in accordance with their respective conditions. Which system is deemed appropriate to provide compensation to workers in the hope of increasing performance and fostering job satisfaction.

Job satisfaction is a factor that will contribute to improving organizational performance. Job satisfaction is the results of attitudes that come from the work and special factors such as supervision, job security, job stability, and wages, opportunity for advancement, fair work assessment, social relations at work, and treatment of superiors.

Based on the research conducted by Septerina (2018), “Compensation and motivation effect to employees’ Job Satisfaction”. The results of the study indicate that compensation influences employees’ job satisfaction.

PT Amorindo Mitra Sentosa is one of the companies engaged in the sale of shoes distribution in Medan. And since 2002 PT Amorindo Mitra Sentosa was established. PT Amorindo Mitra Sentosa having its address at Jalan Bandung No. 96-98 Medan. PT Amorindo Mitra Sentosa is a family business company. PT Amorindo Mitra Sentosa has been led by 2 generations. The first generation named Mr. Sumardi Wijaya and now led by his first child, Mr. Aliang. PT Amorindo Mitra Sentosa distributes various types of shoes that aim to meet the needs and desires of consumers.

Based on interviews with some employees in Marketing Department, Human Resource Department, and Financial Department of PT Amorindo Mitra Sentosa, Medan there are employees who experience dissatisfaction at work. Many of the employees are having a disappointment with the amount of salary currently received where employees’ salaries do not match the workload and work risks faced by employees, dissatisfaction with the attitude of leaders such as injustice in giving penalties for employees who violate the work rules for example: employees who are not present or late at work, some of the employees get a reprimand, deduction of food allowances but there are employees who do not get sanctions for their absenteeism, strict supervision time that sometimes hinders employees from working and becomes a workload for the employees, and dissatisfaction with communication equipment that does not support employees in

working. This dissatisfaction problem caused an increase in employees' turnover at this company.

Table 1.1
Employees Turnover Data at PT Amorindo Mitra Sentosa, Medan
2017 - 2019

Year	Total of Employees Exit	Total of Employees Enter
2017	17	14
2018	24	16
2019	28	21

Sources: Compiled from various sources by the writer

According to Nuray (2017), Investigated the relationship between organization-level compensation decisions and job satisfaction and they examined how companies pay structures and pay levels relate to resource efficiency, patient care outcomes, and financial performance. It is observed that there are many approaches to incentive compensation such as cash bonuses, stock purchase and profit sharing and it is also examined that individual and group incentive concept can be associated with reward and compensation for business community.

As the result compensation is important for the employees to increase their satisfaction at work. By giving an amount of compensation to the employees it can reflect the size of employees working value. Also by having a compensation program it also helps the company to maintain their organization effort to their human resources so that it can maintain and increase the employees' loyalty and commitment to the organization

According to Edison, et al. (2016), Proper compensation raises the spirit of individuals to improve their expertise, even strengthen their commitment to the

company or organization, so that in the end it can improve individual performance and the performance of companies or organizations.

In terms of work, compensation at PT Amorindo Mitra Sentosa, Medan is lacking in providing compensation that satisfies its employees. The problem of compensation in this company is the date of receipt of salaries every month which is sometimes irregular as the company sets at the end of the month employees receive salaries while in practice employees sometimes receive salaries on the 1st to 5th, low incentives for marketing staff who do not match sales targets that are high, high employee work productivity but the salaries given are not meet the work load out, work time that exceeds but does not receive appropriate overtime pay some, and some employees still have salaries or wages that do not meet their position, education and work experience . Some of these problems cause employees to be bored at work and unable to get work performance in the company as seen from the increasing number of turnover of employees in the company.

From the background of this phenomenon, there is decreasing of the job satisfaction at PT. Amorindo Mitra Sentosa Medan. The writer has survey to the company and interviews some of the employees, which most of the employees complain about the compensation in the company. Therefore, the writer suspects that the compensation in the company is not fairly distributed to the employees and the writer decided to choose the title "**The Influence of Compensation on Employees' Job Satisfaction at PT Amorindo Mitra Sentosa, Medan.**"

1.2 Problem Limitation

In this study, which based on Darodjat (2015, p.72-173) indicators for compensation are Employees Work Productivity, Trade Unions or Employee Organizations, Position, and Education and Work Experience. Indicator for Job Satisfaction which based on Edison, et al. (2016) are Leadership, Competence on The Work, Management Policies, Awards, and Environmental Atmosphere. Problem limitation in this study only discusses the “The Influence of Compensation on Employees Job Satisfaction at PT Amorindo Mitra Sentosa, Medan”.

1.3 Problem Formulation

The problem formulations in this research are:

1. Is compensation an important factor at PT Amorindo Mitra Sentosa, Medan?
2. Has the employees at PT Amorindo Mitra Sentosa, Medan achieved the job satisfaction?
3. How does compensation influence employees' job satisfaction at PT Amorindo Mitra Sentosa, Medan?

1.4 Objective of the Research

The objectives of the research are as follows:

1. To discuss compensation is an important factor at PT Amorindo Mitra Sentosa, Medan.
2. To analyze the job satisfaction of employees at PT Amorindo Mitra Sentosa, Medan.
3. To examine the influence of compensation on employees job satisfaction at PT Amorindo Mitra Sentosa, Medan.

1.5 Benefit of Research

The benefits of research are as follows:

1.5.1 Theoretical Benefit

The result of this research are expected to be used as a reference for similar research in the future, especially concern about paying attention to the level of compensation to maintain the employees job satisfaction.

1.5.2 Practical Benefit

The results of this research are expected to provide benefits for:

1. Company

To improve compensation so as to increase employees job satisfaction.

2. Researcher

To know the influence of compensation towards employees' job satisfaction in the real life

3. Reader

To improve reader knowledge about how important the influence of the level of Compensation on Employees Job Satisfaction at PT Amorindo Mitra Sentosa, Medan