

CHAPTER I

INTRODUCTION

1.1 Background of the Study

As business environment tends to be dynamic nowadays, the increasing of globalization, economic, technology along with social advancement has been creating a fierce competition among companies. Besides, lack of talented people is also considered as a crucial problem globally; which leads to competition among companies in terms of labor market. Therefore, it has been a crucial thing for company to do its best to maintain good relationship with its employees and retain them, although it is a challenging issue encountered by companies across the globe (Arachchillage et al., 2017).

Dessler (2013) in Mensah et al., (2017) stated that people – human resource – who is working currently in company is different from the past, as they are considered one of the assets within company which is very valuable so that company must maintain and develop in order to attain competitive advantage. According to Gupta and Shaw (2014), some researches stated that high quality employees who experience job satisfaction will be likely to remain loyal with the company they work with. From the statement above, it is known that human resource is one of the essential things in company.

To achieve company's objectives effectively and efficiently, company must have knowledgeable, highly skilled & experienced employees who can contribute to the company as much as possible. Company often attempts to satisfy these kind of employees to get their loyalty and dedication to company. One of the determinants of the maximum contribution of human resources is when employees feel satisfied with their job. In this case, compensation has been one of the major considerations in HRM for it is able to represents employees' job satisfaction.

According to Armstrong (2006) in Muguongo et al., (2015), job satisfaction is described as the reflection of people's feeling and behaviors toward their job. Job satisfaction can be seen when employees show positive or pleasing behavior, while job dissatisfaction can be seen when employees show negative or unfavorable behavior. Thus, each company should attempt to improve employees' satisfaction by providing a fair and rational compensation program. Because when employees feel satisfied with their job, it will automatically makes them more motivated to give the best out in terms of performance and productivity which impacts to the company itself. On the other hand, dissatisfied employees will be less productive, high absenteeism, less loyalty and usually not committed to do their best.

PT Kharisma Rasa Sayang is a North Sumatera tourism and travel company since 1997 which has attained its position in the market place by offering various kinds of travel needs through products and services both domestic and international packages options. In the other hand, PT Kharisma Rasa Sayang also acts as a travel consultant that offers standard in quality and services together with flexible and innovative package options in order to help customers to find the best options in their trips.

The products and services offered consists of domestic and international flight ticketing, worldwide hotels booking, tours, cruises, handling documents; other transportation such as train tickets, local bus rental; Wi-Fi router rental; and various kinds of entrance ticket. As to meet products' and services' needs that has been mentioned above, PT Kharisma Rasa Sayang cooperated with several local agents such as Medan, Jakarta, Yogyakarta, Makassar, Bangka Belitung and so on; and also overseas agents such as Malaysia, Thailand, China, Japan and other countries. The overall employees that working currently at PT Kharisma Rasa Sayang is 31 people. Some employees work in the office, while some work outside of the office.

Employees' job satisfaction and job dissatisfaction considered as one of the factors of employees' resignation. As writer realize that the number of employees resigned is quite concerning in term of amount, thus writer decide to research the number of employees resigned in the company every

year for the past 5 years from 2014 to 2018 and to investigate the reason of continuous resignation at the same time.

The following table & graphic are the gathered information of the number of employees who had resigned from 2014 to 2018. The result indicates that there are decreases and increases which converted into percentage.

Table 1.1 Number of Employees Resignation (Year 2014-2018)

Year	Number of Employee Resigned at PT Kharisma Rasa Sayang	%
2014	4	-
2015	2	-50%
2016	3	50%
2017	1	-66.6%
2018	2	100%

Source: Prepared by the writer (PT Kharisma Rasa Sayang, 2019)

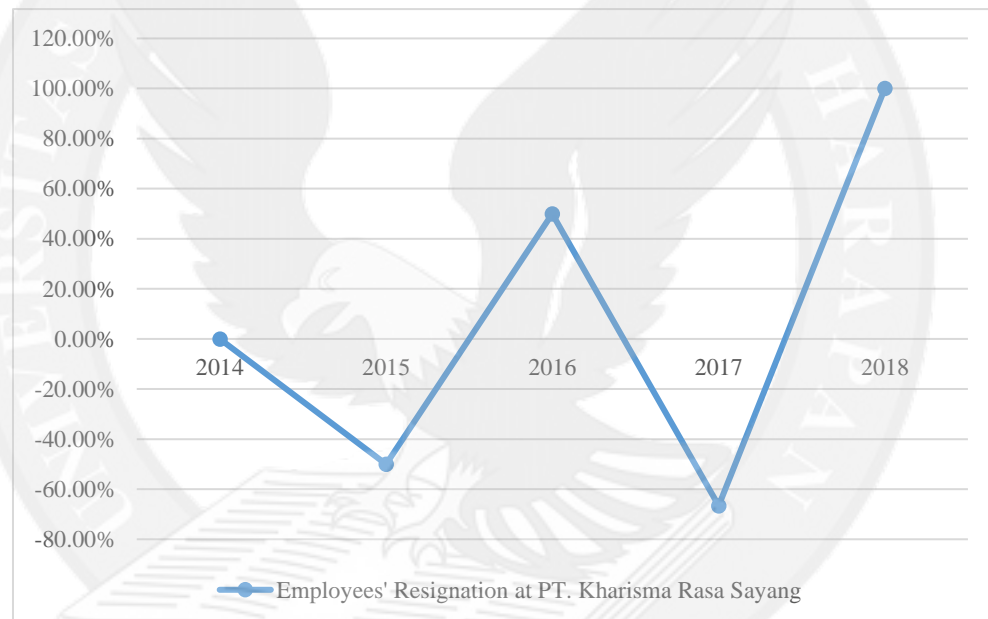


Figure 1.1 Employees Resignation at PT Kharisma Rasa Sayang Medan

Source: Prepared by the writer (PT Kharisma Rasa Sayang Medan, 2019)

According to information in the table which provided by PT Kharisma Rasa Sayang Medan, it can be assumed into several conclusions. In 2014, the table indicates the highest number of employees who resigned from the company during the past five years, which are 4 employees. In 2015, the table indicates the third highest number of employees who were resigned from the company during the past five years, which is 2 employees, with the decreasing percentage of 50% from the previous year in 2014.

In 2016, the table indicates the second highest number of resigned employees during the last five years, which is 3 employees, with the increasing percentage of 50% from the previous year in 2015. In 2017, the table indicates the lowest number of resigned employees during the last five years, which is only 1 employee, with the decreasing percentage of 66.6% from the previous year in 2016. In 2018, the table indicates the same number of employees who were resigned from the company in 2015, which is 2 employees, with the increasing of 100% from the previous year in 2017.

Employees who work at PT Kharisma Rasa Sayang in 2017 is considered as the year when employees feel most satisfied as the number of employee resigned is the lowest number during the last 5 years. Whereas employees who work at PT Kharisma Rasa Sayang in 2014 is considered as the year when employees feel most dissatisfied as the number of employees resigned is the highest number during the last 5 years.

Based from the interval year of 2014 to 2018, the company has at least one employee resigned every year. The number of employees resigning from this company has posed as a critical problem either in term of operational or efficiency. That figure reflects how satisfied employees are on that company.

As Gupta and Shaw (2014) stated that employees are usually remain with the company they work with when they feel satisfied on the job. In this case, compensation plays a significant role in influencing job satisfaction because of two reasons. The first reason is an important instrument in fulfill individual's needs and the second reason is that employees often see pay as a reflection of company's concern for them. (Muguongo, Muguna, & Muriithi, 2015)

Regarding the essential of the significant role of employees for company and compensation is an essential instrument in employees' job satisfaction, thus writer desire to conduct this research to analyze whether it is compensation that contributes to employees' satisfaction. The title is "**The Impact of Compensation towards Employees' Job Satisfaction at PT Kharisma Rasa Sayang**".

1.2 Problem Limitation

Due to limitation of time and budget, this research only aims to examine the overall staffs at PT Kharisma Rasa Sayang who have been assigned to deliver their tasks overseas through travel trips and also staffs who work in the office at PT Kharisma Rasa Sayang Medan. This research focuses on compensation, as the independent variable whose dimensions are direct and indirect financial compensation, and its impacts towards employees' job satisfaction, as dependent variable, whose dimensions are the work itself, salary or wages, promotion opportunity, supervision, co-workers and working condition.

1.3 Problem Formulation

Based on what has been stated in the background of study, the research questions will be as the following:

- a. How is the compensation being provided by PT Kharisma Rasa Sayang?
- b. How satisfied are employees at PT Kharisma Rasa Sayang?
- c. Does compensation have impact towards employees' job satisfaction at PT Kharisma Rasa Sayang?

1.4 Objective of the Research

Based on what has been stated in the problem formulation, the objectives of the research will be as the following:

- a. To describe the compensation being provided by PT Kharisma Rasa Sayang.
- b. To evaluate how satisfied of the employees at PT Kharisma Rasa Sayang.
- c. To investigate whether compensation has impacts towards employees' job satisfaction at PT Kharisma Rasa Sayang.

1.5 Benefit of the Research

The benefit of the research will be as following:

1.5.1 Theoretical Benefit

The findings from this research would enhance the theories, especially on compensation and employees' job satisfaction in a company that also deals with international alliance and customers.

1.5.2 Practical Benefit

The results of this research is intended to be beneficial as suggestions for the performance that has implemented and able to become considerations for the future.

- a. For the writer, this research is to improve the knowledge and to expand the insights that related to the impact of compensation towards employees' job satisfaction at PT Kharisma Rasa Sayang.
- b. For the company, the results of this research would be able to help them improving the compensation and employees' job satisfaction in workplace.

For other researchers, this research is intended to be reference materials as well as additional data to conduct further research that related to management and human resources area.

1.6 System of Writing

The following is the system of writing in this research:

Chapter I Introduction

This chapter explains about background of the study, problem limitation, problem formulation, objective of the research, benefit of the research and systems of writing.

Chapter II Literature Review and Hypothesis Development

This chapter explains about theoretical background, previous research, hypothesis development, research model and framework of thinking.

Chapter III Research Methodology

This chapter explains about research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method.

Chapter IV Data Analysis and Discussion

This chapter explains about general view of "research object", data analysis and discussion.

Chapter V Conclusion

This chapter explains about conclusion, implication and recommendation.