CHAPTER I

INTRODUCTION

1.1. Background of the Study

Human resource in general will be motivated working with high productivity for their performance if the employee's need as social creature can be fulfilled adequately. Those needs have backgrounds, experiences, hopes, desires, psychological formations and ambitions which are different for each individual. Compensation can have profound implications on the approach and mindset of employees in their work.

Compensation is very important for employees and also organization because compensation is the source of income for the employees and their families. Compensation also is an image of social status for employees. Level of income has a large effect on determining life standard (Mangkunegara,2013:84). Good compensation guarantees employee satisfaction so they will work optimally.

Thereby, good compensation is capable to guarantee satisfaction of organizations members which in turn enable organization to obtain, look after and employ a number of people with various positive behaviors, attitudes and work productively for their job performance to achieve organization's goals. Compensation is a reward from company to the employees because of their contribution effort and mind.

Compensation from a company is assumed to have a big effect on employees' job performance. The influences especially push employee to work more seriously. Thereby compensation may be related with employees' job performance.

According to Hasibuan (2013:117-118), "compensation is expenditure and expense for company. Company expects

1

compensation which is paid to employees will return in larger labors capacity from employees. So, the value of employees' job performance has to be higher than compensation paid by the company, so that the company gets a guaranteed profit".

Garuda Plaza Hotel is a family owned business that was established since 1978 whose family members are involved, and the majority of ownership or control of the business belongs to them. Garuda Plaza Hotel is a building that is located in the heart of Medan, Jl. Sisingamangaraja No.18 Medan. Garuda Plaza Hotel has two kind of business includes, Hotel and Convention.

Table 1.1 Revenue per Year at Garuda Plaza Hotel Medan

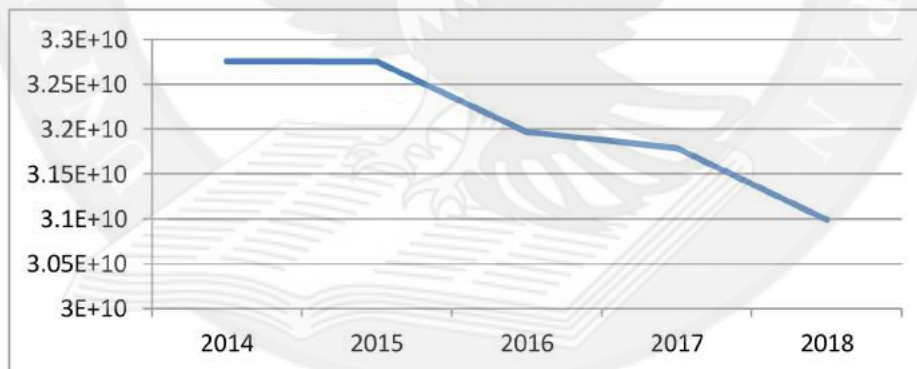| Year	Revenue per year
2014	Rp.32.755.247.834
2015	Rp.32.750.363.797
2016	Rp.31.967.943.892
2017	Rp.31.788.872.857
2018	Rp.30.988.898.837

Source: Garuda Plaza Hotel Medan (2019)

Figure 1.1 Revenue per Year at Garuda Plaza Hotel Medan
Source: Prepared by the Writer (2019)

The table 1.1 and Figure 1.1 shows that the table of revenue per year at Garuda Plaza Hotel Medan has been keep decreasing in recent 5 years which made the company could not afford to increase employees' compensation every year. One of the reasons for the revenue decrease is the complaint from customers which the service is not optimal by the staff. The verbal complaints from guests conveyed

to the manager is they wait too long at the reception desk for taking the hotel room key card when they want to check-in or the housekeeping has not finished cleaning the room so they should wait for a while when they wanted to check-in. This shown that job performances of employee at Garuda Plaza Hotel Medan currently is still low.

Based on the description above the writer feels interested in conducting a research on the problem of compensation entitled: **"The Impact of Compensation towards Employee's Job Performance at Garuda Plaza Hotel Medan"**

1.2 Problem Limitation

Due to the writers limited time, ability, and resources, the writer draws limitation to this research by only covering the problem of compensation, job performance, and the influence on employee's job performance at Garuda Plaza Hotel Medan.

1.3. Problem Formulation

Based on the background study at Garuda Plaza Hotel Medan, questions obtained on the mentioned problems that occurred are:

1. What is the employee's job performance at Garuda Plaza Hotel Medan?
2. Does compensation impact toemployee's job performance at Garuda Plaza Hotel Medan?

1.4. Objective of the Research

1. To describe the employee's job performance at Garuda Plaza Hotel Medan.
2. To measure the impact of compensation towards employee's job performance at Garuda Plaza Hotel Medan.

1.5. **Benefit of the Research**

The benefits of this study are divided into two, namely theoretical and benefits practically.

1.5.1 **Theoretical Benefit**

Theoretically, to writer and reader, the result of this research is expected to be a reference or input for the development of communication science and increase the study of management, especially to determine the effect of compensation on employee's job performance.

1.5.2 **Practical Benefit**

Practically, to the company, the results of this study are expected:

1. Helping Garuda Plaza Hotel Medan solve its problems, increase revenue and influence consumers to stayover night at the hotel.
2. For others this research is also expected to assist other parties in presenting information to conduct similar research.

1.6. **System of Writing**

This research report is compiled as follows:

CHAPTER I INTRODUCTION
This chapter elaborates background of study, problem limitation, problem formulation, objective, and benefits of the research, and systems of writing.

CHAPTER II LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
This chapter describes definition of compensation, the importance of compensation, factors influencing compensation, compensation indicators, definition of employee's job performances, factors influencing employee's job performance, benefits of employee performance, improve employee performance, indicators of employee

performance, hypothesis development, research model, and framework of thinking.

CHAPTER III RESEARCH METHODOLOGY
This chapter explains research design, population and sample of research, data collection method, operational variable definition and variable measurement, and data analysis method.

CHAPTER IV DATA ANALYSIS AND DISCUSSION
This chapter elaborates the general view of the company, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion about research.

CHAPTER V CONCLUSION
This chapter describes the conclusion, implication and recommendation of the research.