

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The world keeps evolving day by day and globalization makes everything easier and closer. The distance between nations has been narrowed. Both multinational and local companies are everywhere, and the market becomes bigger which also increases the demand for labors. This phenomenon creates opportunity for company to expand their business internationally and ability to approach the international market. Human resource is one of the factors that will affect management of business. Company must offer a fair reward system in order to attract employees working for their company.

Many of talented people choose to work overseas due to the better compensation being offered, including Indonesians. According to one of the alumni of ITB students, Ilen Kardani in her interview with detikfinance in 2013 at Menko Perekonomian office said that the most important things that affect Indonesian to work abroad is the level of income. Sally Raj, Managing Director of Robert Walters for Indonesia, stated in his interview published by Liputan6.com (2018), said that the difference on rate of wages is one of the factors that influence the decision of Indonesian workers preferring not to return working in Indonesia. Still, there are many workers who stay in Indonesia and work due to various factors. Companies need to attract these employees so that they can stay loyal in the company.

From those phenomena, we can see that compensation is one of the factors that influence people for working in one company. In order to attract employees especially the one who has exceptional capabilities and high commitment to the organization, company needs to develop a competitive and a fair reward system.

The researcher will conduct a research at PT Salim Ivomas Pratama TBK (SIMP) which is located at Lubuk Pakam, North Sumatra, Indonesia. It is an international company that is integrated in activities such as the entire supply chain starting from research development, seed breeding, oil palm cultivation, and milling as well as production and marketing of cooking oil, margarine and shortening products. SIMP also specializes in cultivating sugar cane, rubber, and other crops. SIMP is considered as one of the largest palm oil producers and also categorized as one of the leaders in producing cooking oil, margarine and shortening. SIMP also employs some expatriates in Jakarta. Their leading brands include Bimoli, Bimoli Special, Delma and Happy for the cooking oil, and Palmia and Amanda for margarine and shortening. In 2018, 85% of the products were sold to local customers and 15% were sold to overseas which include Asia, Europe and Africa.

Table 1.1 Employees data of PT Salim Ivomas Pratama TBK

Year	Head Count (Beginning)	Total New	Total Resign	HC (End)	Turn Over (%)
2018	286	40	15	311	5.03%
2017	286	13	13	286	4.55%
2016	321	19	54	286	17.79%
2015	323	19	21	321	6.52%
2014	242	95	14	323	4.96%

Source: SIMP (2019)

From the table above, the data was obtained through assistant of General Affair of PT Salim Ivomas Pratama Tbk via email interview. It can be seen that, in 2016, there was a high turnover rate which is 17.79%. But, a year later, it was decreasing to 4.55% in which the result was excellent with the same number of employees, which are 286 employees. In 2018, the turnover rate was increasing slightly to 5.03% with the total of 311 employees. Through this phenomenon, the writer wants to find out whether there is a relationship between total rewards and employee loyalty at PT Salim Ivomas Pratama TBK

In this study, the writer also wants to find out whether if the total reward being offered by the company will affect the employee loyalty. Also, the writer wants to find out what are the reasons of the employees to work in the company. The writer will pour it in a research paper in the form of thesis with the title of “**The relationship between total rewards and employee loyalty at PT Salim Ivomas Pratama TBK**”

1.2 Problem Limitation

There are some limitations on this study;

- 1) This study only covers employees' loyalty based on the compensation and benefit offered by the company; however, there are other factors that might affect the decision for them to work overseas.
- 2) Moreover, the research will be conducted by giving the subjects the questionnaires and doing some interviews via email therefore the result of the research might be different from the actual answer.

1.3 Problem Formulation

- 1) How is the relation between the total rewards and employee loyalty?
- 2) What are the types of the total rewards that have been implemented in the company?
- 3) What are the factors that contribute to the employee loyalty?

1.4 Objective of the Research

The purpose of this study:

- 1) To identify the total rewards that have been offered to the employees.
- 2) To analyze the relationship between the total rewards and employee loyalty.
- 3) To know in what factors that contribute to employee loyalty.

1.5 Benefit of the Research

The researcher believes that by doing this study, it will contribute to the society. The Benefit of this study will be divided into two which are theoretical benefit and practical benefit.

1.5.1. Theoretical Benefit

The benefit of the completion of this study is to have a better understanding about the relation of the total rewards given to the employees in determining employee loyalty. This research is expected to help improving the knowledge of the readers and writers who are interested in this similar or related topic in the future.

1.5.2. Practical Benefit

This study will give more information for companies about the importance of total rewards on employee loyalty so that the company can retain the talented employees and what strategies to be used in the future. For other researchers, this study can be used as references in the future researches. Also, this research is expected to give information to the government so that, in the future, they are able to make policies that can help employees for a better life.

1.6 System of Writing

CHAPTER I: INTRODUCTION

This chapter will discuss the background of the study on the relation between total rewards and employee loyalty. The limitation of the study, the problems formulation, and the objective of the research will be included in this chapter. Also, the benefit of the research which consists of both theoretical and practical will be identified as well.

CHAPTER II: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter comprises of the theoretical and literature reviews that is related with the total rewards and employee loyalty. It will also include the previous researches done by other writers in this area and develops the hypothesis and the framework of thinking for this research.

CHAPTER III: RESEARCH METHODOLOGY

This chapter consists of the methodology of the research design, as well as the information of the population and sample used in this research. It will also have the information on how to gather the data and the operational variable definition with the variable measurement. In this chapter, it will include the data analyzed method.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This chapter is the most important chapter since it will discuss the main issue of the research object and data analysis. This chapter will also state a comprehensive discussion on the results of the data quality and hypothesis testing.

CHAPTER V: CONCLUSION

The last chapter will cover the conclusion and the implication of the research. It will also include the recommendations regarding the research.