

CHAPTER I

INTRODUCTION

1.1. Background of the study

In an organization, employees are individuals from a group who work together to develop the objectives of the organization utilizing their skills and talents. Hence, the most valuable asset of an organization is its employee. Because retaining employees in their jobs is pivotal and sometimes impossible for any organizational productivity and its competitiveness.

According to the writer, an organization invests time and money to fully train their employees. Therefore when employees aren't being serious at work, the organization is totally at loss. Because the employees can leave whenever they want.

Compensation is beyond an employee's standard paid wages. It is a useful tool utilized by management for a variety of purposes to contribute to the organizational productivity and existence of the organization. In order to attract and retain qualified employees, an organizations need to be innovative in giving rewards, for instance bonuses, overtime pay, commissions. It can lead to job satisfaction, and loyalty. The function of compensating employees is to award employees for performing an organizational task and also providing services for

employers that each individual's will receive different types of rewards based on the task performed.

According to Nakshita R (2019), Compensation is a systematic approach to provide monetary value to employees in exchange for work performed by them. Compensation may achieve several purposes assisting in recruitment, job performance and job satisfaction.

According to Milkovitch and Newman (2005) the "Compensation is all forms of financial returns, tangible services and benefits employees receive as part of an employment relationship." The phrase "financial returns" refers to an individual's base salary, as well as short- and long-term incentives. "Tangible services and benefits" are such things as insurance, paid vacation and sick days, pension plans, and employee discounts.

By setting an equal or balance pay with other project, for instance career development, flexible work schedule, lovely work surroundings, comfortable work-life balance, it could improve job satisfaction for employees. The result shown by an employee are such as reduced absence, less conflicts within colleagues, increased productivity and also they will show positive attitude.

The writer is encouraged to conduct a research on examining the job satisfaction performed by each employee and also the compensation provided by this company. Compensation provided or given by this company doesn't seem to be fair to a few employees there. As a result, deteriorate job satisfaction such as low productivity, increase in absenteeism, which caused the company's sales also

decreasing. The research of this is conducted at CV. Bina Mas Distribusi which is located at Jl. B. Z. Hamid Komp. Seroja No. 13, Medan, North Sumatera. CV. Bina Mas Distribusi was established in 1998 and is a company that is engaged in consumer goods distribution. Product with consumer goods category isn't always about food, snack, nevertheless the products also includes cosmetics, drinks to body care products. These categories of products are always sold quickly as the price is affordable and are necessities.

Here is the position of each employee that is working at CV. Bina Mas Distribusi

Table 1.1 Employee Position Data

No.	Position	Number of Employee
1	Manager	1 Person
2	Finance Supervisor	1 Person
3	Warehouse Supervisor	1 Person
4	Administration staff	3 Person
5	Finance staff	1 Person
6	Sales or Marketing staff	3 Person
7	Warehouse staff	28 Person
	TOTAL EMPLOYEES	38 Person

Source: CV. Bina Mas Distribusi (2021)

Table 1.2 Sales Report

Year	Sales (IDR)
2017	40.883.112.309
2018	43.180.184.202
2019	42.505.226.878
2020	41.318.805.466

Source: CV. Bina Mas Distribusi (2021)

Each individual or position is compensated differently. For a supervisor or higher position are compensated every month, however staff are compensated

every one year. Sales was increasing since 2017 to 2019. Nevertheless, 2018 to 2019 sales were not increasing as much as 2017 to 2018. It was due to decrease in job satisfaction such as employee don't feel satisfied with his or her job, low salary or compensation, which result in low productivity.

Table 1.3 Employee Bonuses Data

Position	Compensation (IDR)			
	2017	2018	2019	2020
Manager	12.000.000 – 13.000.000	14.500.000 – 16.000.000	13.800.000 – 15.000.000	12.500.000 – 13.500.000
Finance Supervisor	3.000.000 – 4.000.000	4.000.000 – 5.000.000	3.500.000 – 4.500.000	3.000.000 – 4.000.000
Warehouse Supervisor	2.000.000 – 3.000.000	2.000.000 – 3.000.000	2.500.000 – 3.500.000	2.000.000 – 3.000.000
Administration staff	1.000.000 – 1.500.000	1.500.000 – 2.000.000	1.500.000 – 2.000.000	1.000.000 – 1.500.000
Finance staff	1.500.000 – 2.000.000	1.500.000 – 2.000.000	1.500.000 – 2.000.000	1.000.000 – 1.500.000
Sales or Marketing staff	1% from sales target	1% from sales target	2% from sales target	1% from sales target
Warehouse staff	50.000 – 100.000 / month			

Source: CV. Bina Mas Distribusi (2021)

In addition, the writer also did an interview with a few employees regarding the compensation provided by CV. Bina Mas Distribusi. An administration and finance staff were being interviewed by the writer regarding bonuses and overtime pay. Based on each individual information, Bonuses are given every one year, but the amount are not as much as what we have contributed for this company. Moreover working hour doesn't apply in this company, in other words you can work until very late and no overtime pay or bonuses is provided,

also you can work during holiday season, such as Christmas day, Labors day or any other special event.

Based on the background stated above, the writer are interested in conducting a research about, **“THE INFLUENCE OF COMPENSATION TOWARDS JOB SATISFACTION AT CV. BINA MAS DISTRIBUSI”**.

1.2. Problem limitation

The findings of this study must be found in the light of some limitations. The writer conducted a study on the compensation as independent variable (X) and how it influences the job satisfaction as the dependent variable (Y). The sample size was adequate therefore it was challenging to identify significant relationship from the data. The second limitation concerns the limited access to data. The writer faced the problem of having limited access to the organization's data such as employee's salary, wages, and bonuses.

1.3. Problem formulation

Here are the problems of formulation that the writer has found during the research for *skripsi*:

1. How is the compensation provided at CV. Bina Mas Distribusi?
2. How is the job satisfaction shown at CV. Bina Mas Distribusi?
3. Does compensation influence job satisfaction at CV. Bina Mas Distribusi?

1.4. Objective of the research

Here are some objectives of the research that the writer can make to solve the problems that have been found, which are as follows:

1. To identify whether the compensation provided at CV. Bina Mas Distribusi is adequate.
2. To identify the job satisfaction at CV. Bina Mas Distribusi.
3. To identify the influence of compensation towards job satisfaction at CV. Bina Mas Distribusi.

1.5. Benefit of the research

1.5.1. Theoretical benefit

Generally compensation is money. Compensation is given to employee in return for the work performed by them to the organization. Human resources are the one who is responsible for each and every decision taken in giving compensation. Employees should be managed properly. In order to motivate and to maintain the work performed by employees, an organization has to provide compensation so they could maintain their standard.

1.5.2. Practical benefit

The practical benefits of this research are:

1. This research is expected to provide the standard of a company's compensation management.
2. This research is expected to provide the reader how compensation could effects work performance.
3. This research is expected to provide references for other researches regarding compensation.

