

THE EFFECT OF COMPOSITION AND EMPLOYEE DEVELOPMENT ON THE JOB SATISFACTION AND EMPLOYEE PERFORMANCE

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ABSTRACT:

The purpose of this study was to determine the effect of compensation and employee development on the performance of public service employees either directly or indirectly through job satisfaction. The sample is determined by using two stage random sampling of 200 Civil Servants. Data were analyzed using Structural Equation Modelling (SEM). The results showed that the compensation significant effect on the performance of public service employees either directly or indirectly through job satisfaction, employee development while not significant effect on the performance of public service employees either directly or indirectly through job satisfaction.

Keywords: *Compensation, employee development, job satisfaction, performance.*

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1. Introduction

Performance of public services in Indonesia tend to run in place. Empirical studies show the state apparatus or government bureaucracy still shows a low degree of accountability, responsiveness, and efficiency in the public service (Dwiyanto, et al, 2002). The same is seen in East Nusa Tenggara province, where there are many public complaints against public services among other concerns procedures convoluted, there is no certainty of completion period, costs requirements are not transparent, the attitude of the officer who was unresponsive and etc.

The fact is partly due to the performance of Human Resources (HR) apparatus is not optimal as described by Suryanto, et al (2008) that employees of the public service have a level of professionalism that is low, service capabilities that are not optimal, low level of reliability, assurance, tangibility, empathy and responsiveness, not have the level of integrity as a government employee that does not have a holding capacity emotionally with the agency and its duties, the high abuse of authority, the welfare of the low and not associated with the level of education, achievement, productivity and discipline employees. These conditions result in low performance of civil servants in carrying out the tasks of public service.

Optimal performance of the apparatus that has not been thought to be caused by factors such compensation, employee development and job satisfaction. Compensation, in any organization, including government organizations is a very important factor. Because of the compensation received by the employee must conform achievement and service they provide to the organization either in the form of financial such as wages, salaries, incentive and non financial such as rewards and recognition (Werther & Davis, 1996; Fombrun, 1983; and Tichy et al., 1982). In an environment of government organizations every civil servant entitled to a salary that is fair and reasonable in accordance with the workload and responsibilities, and the payments made should be able to boost productivity and ensure the welfare (Article 7 of Law No. 43 of 1999). In fact, the salary system applied to employees perceived not spur the performance and productivity of labor (Kadarsiman, 2012). It is caused by a number that does not meet the needs of decent living and structures and to stipulate the salary is not associated with competence, work performance, and weight of each employee positions (Kadarsiman, 2012; Thoah 2010; Suryanto, et al, 2008).

Employee development is the process of developing the skills of employees through training and development, career development,

and organizational development for the purpose of improving the performance (McLagan, 1989; Swanson, 1994). Employee development is based on the premise that the organization is constantly changing to follow the dynamics of environmental change. Employees as part of an important organization must adapt in order to remain effective and productive in the change (McLagan, 1989; Swanson, 1994). Bureaucracy is changing and shifting of the paradigm of centralized to decentralized, from authoritarian to egalitarian and democratic, of the country's sovereignty to the sovereignty of the people, the larger organizations become lean but rich functionality, from rowing (all done alone) into steering (Osborne & Plastrik, 2000). This shift to achieve a smooth and integration of the tasks and functions of the bureaucracy towards increasingly reliable, professional, efficient, effective and responsive to the aspirations of the people of the quality of public services (Dwiyanto, 2008). It is believed to greatly affect the satisfaction, motivation and performance of human resource, when not to improve the skills, expertise, and knowledge through the development of human resources.

Job satisfaction is basically something individual. Each individual has a level of satisfaction varies according to the value system

2. Literature Review

2.1. Effect of Compensation to Performance

Compensation is the remuneration received by the employees in accordance with the achievement and service given to organizations both financial and non financial shape (Desler, 2005; Lawler, 2000; Martocchio, 2001). The form of financial compensation includes salary, incentives and facilities such as insurance, allowances, pensions and others. While non-financial compensation include the recognition, appreciation, praise, and so on (Desler, 2005; Lawler, 2000; Martocchio, 2001; Rival & Sagala, 2009).

Study Gupta & Shaw (1998) showed that the salary system is properly designed can have a positive impact on the performance of individuals, teams and organizations. Not only has a direct impact, but also can affect the performance of individuals through job satisfaction and motivation. Results of research Férin & Dirk (2003) show that the salary affect the individual's performance at work through psychological variables namely job satisfaction and motivation.

Incentives related to the performance of the individual. Study Wiscombe (2001) stated

that applies to him. The higher the assessment of the activities that are perceived according to the wishes of individuals, the higher the satisfaction with these activities (Rival, Sagala, 2009). Thus satisfaction is an evaluation that describes the feelings of a person for being happy or not happy, satisfied or not satisfied at work (Rival, Sagala, 2009; Wibowo, 2007). Employment in the government bureaucratic environment. Implementation of employment based on a clear division of labor, in accordance with the duties and functions of each staff in the organization, guidelines and standardized work, and execution of work consistent with the predetermined rules (Anwaruddin, 2006). These conditions give rise to a condition which makes employee is highly reactive in the negative sense, not independent, afraid to take the initiative, the death of creativity, paralyzed idealism, so that in turn is making mistakes, fear of the boss and cause an attitude defensive (Osborne and Plastrik, 2000). This is highly likely to cause dissatisfaction for employee well-being, which in turn will affect employee satisfaction and performance are concerned.

Therefore, this study will examine the influence of the factors compensation, employee development and job satisfaction to employee performance.

that the method of incentives will make employee race to improve work performance (performance) and healthy competition either within the group or organization (Wiscombe, 2001). Besides incentives can also indirectly affect the performance of employees as stated by Luo (2003).

Digman research (1990) shows that other compensation components namely the types of facilities such as insurance, allowances, pensions are directly related to the performance and loyalty of individuals. Another study suggests that these types of facilities are not directly related to individual performance but through other variables namely job satisfaction and work motivation (Barber, Dunham, Formisano, 1992).

Other compensation is non-financial compensation. Adeoti & Isiaka (2006) suggests that non-financial compensation is the equipment of organizations the most effective to increase the value, motivation, individual performance and building relationships with the organization's employees. Armstrong (1999) enter the awards, recognition, responsibility, as a component of

non-financial compensation which directly affects the performance of individuals. On the other hand Zinghein (2000) recognizes the importance of non-financial compensation, saying the work is more than a salary, but she

(non-financial compensation) will only meningkatkan job satisfaction and motivation to work, so that the non-financial compensation do not directly affect the performance.

2. 2. Effect of Employee Development to Performance

Employee development is the process of developing the skills of employees through training and development, career development, and organizational development for the purpose of improving the performance (McLagan, 1989; Swanson, 1994). Training aimed helping employees to fulfill their duties better this time, while the development represents an investment in future-oriented employee inside. Career development include the transfer and promotion.

Employee development influence on job satisfaction, motivation and performance of both direct and indirect (Fuller and Huber, 1998). Training has a significant influence on employee performance (Singh & Mohanty, 2012). Alliger, G. M (1989) in his study suggests that investment in training and development of employees can make them more productive or effective in their work. Aminuddin, et al (2008) in his study found that the recruitment, promotion, and training and development, has a significant relationship with job satisfaction, but at a moderate level.

Shehzad et al (2008) in his study found that the practice of the campaign carried out effectively connect significantly with motivation, satisfaction and performance. Another opinion matching dikemukakan by Kiyoshi Takahashi (2006) that an employee who quickly gained a higher position (promoted) in the organization,

contributed positively to performance as well as employee satisfaction. Fuller and Huber (1998) argues that the sale does affect almost the entire life of the organization, but in relation to the performance of employees, promotion of employees can be through other factors include job satisfaction and motivation (Fuller and Huber, 1998)

Relations personnel transfers, either directly or indirectly with the performance of employees has been noted in various studies. Plumbley (1985) suggests that the performance of employees, even the whole of life depends on the accuracy of organization competent staffing. A similar opinion was expressed by David E. Terpstra & Elizaberth Rozzel J. (1993) that staffing is positively correlated with the performance of depressed individuals are not only employees but also the overall organizational performance.

Lewis, et al (1998) noted that the personnel transfers and allocation of indirect jobs related to individual and organizational performance, but moderate by other variables, especially the job satisfaction and motivation. The same view expressed by Shankar Ganesan & Barton A. Weitz (1996), that the staffing is correlated to employee performance, but the correlation was with satisfaction and employee motivation.

2.3. Effect of Satisfaction to Performance

Job satisfaction is an important concept (Mercer, 1997). In addition to receiving considerable attention from social scientists and leaders because they recognize the importance of the overall experience of an individual's life, in the field of organizational behavior job satisfaction is the attitude of the most important and frequently studied (Mitchell and Lason, 1987).

Locke (1976) identify job satisfaction as an emotional state that is happy or positive emotions derived from assessment work or work experience person. Satisfaction is the result of the employees' perception of how good a job they give the items considered important.

Greenberg and Baron (2003) suggested job satisfaction as a positive or negative attitude shown individual to their work.

From the perspective of the individual employee, job satisfaction is the desired result. However, from an organizational perspective, it is important to know how job satisfaction relates to other variables, such as employee performance (Luthan 2008, Kreitner and Kinicki, 2001). Meta analysis conducted Iffaldano & Muchinsky (1985) showed that job satisfaction and performance indicated a weak correlation (correlation estimates nearest 0.17). But the analysis of the conceptual, methodological, empirical and practical question and debate the

weak results. Meta-analysis is more complicated conducted by Judge and his team on 312 samples with combination of N 54.417 find the actual correlation to 0.30 (Judge et al., 2001) Thus, the final analysis shows a much stronger relationship between job satisfaction and employee performance (Luthan, 2008). According Luthan (2008), perhaps the best conclusion on the satisfaction and performance is because there is a definite link in it, but maybe not as big as the conventional wisdom assumes that employees who feel good as a more productive employee. According to Harter et al (2002) if satisfaction is defined and measured in terms of employee

engagement, then there is a significant relationship between satisfaction and performance such as productivity and customer satisfaction.

Other studies show an association between job satisfaction and performance is done by Rehman and Waheed (2011), Qureshi, et al (2011) and Dizgah, et al (2012). In principle, the study found that job satisfaction has a significant relationship with employee performance.

Various views on relations compensation, employee development, job satisfaction and performance on, if difisualisasikan will look like in figure 1.

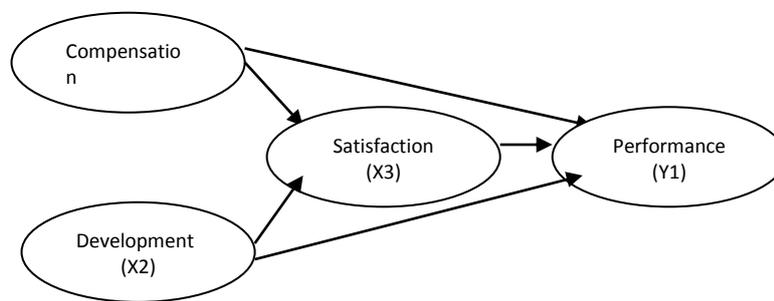


Figure 1. The conceptual model relationships compensation, employee development, job satisfaction and employee performance.

3. Hypothesis

From a conceptual model as in Figure 1, this study hypothesized as follows:

1. Compensation significant effect on the performance of employees, either directly or indirectly through job satisfaction.
2. Employee Development a significant effect on the performance of employees, either directly or indirectly through job satisfaction

4. Metode

4.1. Sample

This study was conducted on all Civil Servants who carry out the tasks of public service in the province of East Nusa Tenggara. The research sample is determined by using a two-stage random sapling (Sigit, 2003). First, sampling districts / cities, which at this stage were randomly assigned three districts / cities (1 city and 2 districts) respectively city of Kupang, districts of Kupang and districts of Alor. Election of three District / City is based on the following considerations: (1) the three districts / cities have public services relative intensity varies. City of Kupang NTT provincial capital intensity of public services have a relatively high compared to the other two districts; (2) Geographically Kupang district can represent districts that are the mainland with the city of Kupang, Alor

district while representing districts located not one mainland with the city of Kupang

Second, the sampling of employees which at this stage are set randomly sampled civil servants in the three districts / cities samples, with criteria: minimum term of one year, has at least class / space rank II, and the function of performing the duties of public service in two strata positions, namely (1) responsible for the employees who occupy leadership positions / vice chairman, chief / head of the field in his duties to act as the responsible execution of public services in their work unit; (2) Implementing, namely implementing employee / staff that works deal directly with public service tasks.

The number of samples is determined by reference to the view Hair, et al (2006) that the appropriate sample size is between 100-200 samples for engineering Maximum Likelihood (ML), and suggested that the minimum sample size is 5-10 times the number of parameters to be estimated. In this research model parameters are

Table 1. Sample distribution by District / City

estimated to amount to 23, so that the minimum sample sizes ranging from 115-230. Given the estimation technique used is the maximum likelihood, the number of samples that are considered in the study of 200 people, with details of each district / city as a sample in Table 1.

| No | District/City | Employee Positions | | Number of Sample |
|----------------------------|---|-------------------------------|------------------|------------------|
| | | Leadership (Person in Charge) | Employee (Staff) | |
| 1 | City of Kupang : | | | |
| | - Department of Hygiene and the City | 1 | 10 | 11 |
| | - Department of Population and Civil Registration | 1 | 10 | 11 |
| | - Office Services and Licensing | 1 | 10 | 11 |
| | Office of Kecamatan | 3 | 15 | 18 |
| | Office of Kelurahan | 5 | 16 | 20 |
| Sub Total 1 | | 11 | 61 | 72 |
| 2 | District of Kupang : | | | |
| | - Department of Hygiene and the City | 1 | 8 | 9 |
| | - Department of Population and Civil Registration | 1 | 8 | 9 |
| | - Office Services and Licensing | 1 | 8 | 9 |
| | Office of Kecamatan | 3 | 13 | 16 |
| | Office of Kelurahan | 5 | 16 | 21 |
| Sub Total 2 | | 11 | 53 | 64 |
| 3 | District of Alor : | | | |
| | - Department of Hygiene and the City | 1 | 8 | 9 |
| | - Department of Population and Civil Registration | 1 | 8 | 9 |
| | - Office Services and Licensing | 1 | 8 | 9 |
| | Office of Kecamatan | 3 | 13 | 16 |
| | Office of Kelurahan | 5 | 16 | 21 |
| Sub Total 3 | | 11 | 53 | 64 |
| Sub Total 1 + 2 + 3 | | 33 | 167 | 200 |

4.2. Measurement

a. Compensation

Compensation means any form of awards given to employees in exchange for services they provide to the organization in the form of financial and non-financial (Desler, 2005; Lawler, 2000). The indicators used are: Salaries, Allowances, Facilities Work, Respect, Recognition

b. Employee

development

Employee development in question is an attempt to develop the competence of employees for the purpose of performance enhancement (McLagan 1989; Swanson; 1994;). Indicators used consists of education, training, promotion and transfer.

- c. Job satisfaction
Job satisfaction in question is a sense of satisfaction or dissatisfaction felt by employees in work (Smith, Kendall and Hulin, 1969). Indicators used include the work itself, supervision, co-worker, responsibilities.
- d. Employee performance
The performance of employees in question are the work as a manifestation of an employee doing one's duty corresponding position in the organization. Indicators used include Productivity / quantity of work, quality of work, timeliness, knowledge about jobs, skills on the job, ability organize

work, cooperation, communication, initiative, creativity (Mondy et al, 1995, Furtwengler, 2002, Mitchell, 1978 Bernadin & Russell, 1993, Rafianto, 1986).

Overall these variables were measured using a 1-5 Likert scale (strongly disagree to strongly agree). Statistical analysis showed nilia Cronbach Alpha is above 0.7 which indicates that the measuring instrument from all constructs / variables are reliable (Nunnally, 1994) as presented in Table 2. To determine the causal relationship between variables used models Structural Equation Modeling (SEM)

Table 2. Results of reliability test instruments

| Constructs / Variable | Cronbach alpha |
|--|----------------|
| Compensation Salary, Allowances, Facility Work, Respect, Recognition | 0,846 |
| Employee Development Education, Training, Promotion, and Transfer. | 0,894 |
| Job Satisfaction Work itself, Supervision, Co-workers, Responsibility | 0,950 |
| Employee Performance Productivity / quantity of work, Quality of work, Timeliness, Knowledge of the j skills on the job, Ability to organize work, Cooperation, Communication, Initiati Creativity | 0,779 |

5. Result

In this section, there are two types of tests to be performed: suitability test structural models (overall model fit) and structural parameter estimation test, namely the causal relationships among constructs or independent-

depeneden variables that exist in structural models.

Suitability structural models were evaluated using eight indices conformance to limit acceptance of each index as in Table 3.

Table 3. Test results of the structural model spesific variable compensation, employee development, job satisfaction and employee performance.

| Compliance of index | Acceptance limits | Computational result | Explanation |
|---------------------|-------------------|----------------------|-------------|
| Chi Square | small expected | 1816,342 | Poorly |
| Probabilitas | ≥ 0,05 | 0,000 | Poorly |
| CMIN/DF | ≤ 2,00 | 3,548 | Marginal |
| GFI | ≥ 0,90 | 0,879 | Marginal |
| AGFI | ≥ 0,90 | 0,937 | Good |
| TLI | ≥ 0,95 | 0,951 | Good |
| CFI | ≥ 0,95 | 0,923 | Marginal |
| RMSEA | ≤ 0,08 | 0,082 | Good |

Two indices, respectively chi-square and categorized probability is not good, because it has numbers that are beyond the limits of acceptance. CMIN / DF, GFI and CFI are three index categorized marginal because the numbers

are not much different from the acceptance limit. While the index AGFI, TLI and RMSEA categorized either, as included in the acceptance limit. Overall, therefore, can be said to be the model fits the data. This is in accordance with

the recommendation Jaccard and Wan (1996) that the suitability of a model specified by the model of at least three criteria.

Further analysis of the relationship between the constructs in the structural model can be seen in Table 4.

Table 4. Causal relationships between variables compensation, employee development, job satisfaction and employee performance.

| Variable relationship | Loading Factor | S.E | C.R | P | Expl. |
|---|----------------|-----|-----|-----|---------|
| Job satisfaction ← Compensation | 0,484 | 0,2 | 2,4 | 0,0 | Sig |
| Job satisfaction ← Employee development | 0,259 | 0,1 | 1,9 | 0,0 | Not Sig |
| Employee performnace ← Compensation | 0,245 | 0,1 | 2,1 | 0,0 | Sig |
| Employee performnace ← Employee development | 0,139 | 0,0 | 1,8 | 0,0 | Not Sig |
| Employee performnace ← Job satisfaction | 0,095 | 0,0 | 1,9 | 0,0 | Sig |

Of the five causal relationship, there are two relationships that have C.R value less than 1.96 and the value of p greater 0.05 and the relationship between employee development and job satisfaction (0.052), and the development of employees with employee performance (0.058). While other relationships have value C.R and a P value in accordance with the criteria specified (C.R value ≥ 1.96 and p-value ≤ 0.05). Thus it can be said that the relationship between the constructs employee development and job satisfaction, and employee development with employee performance in structural model is not

significant. From these results, the hypothesis Employee Development a significant effect on the performance of employees, either directly or indirectly through job satisfaction declined.

While the relationship between the construct of compensation and job satisfaction, compensation with employee performance and job satisfaction and employee performance is significant. Thus the hypothesis that compensation significant effect on the performance of employees, either directly or indirectly through job satisfaction received.

6. Discussion

The analysis results by testing the structural model shows that compensation positive and significant effect on job satisfaction. This suggests that the compensation is one factor that plays an important role in determining the level of job satisfaction an employee. The higher the compensation received, will drive the higher satisfaction of an employee at work. Conversely, if the lower compensation, job satisfaction will also decrease. These findings, theoretically consistent with the view that is shown working behavior of employees rely on compensation. The level of work behavior in the form of satisfaction, motivation, and even performance tends to be repeated by employees, one of which is determined by the compensation factor (Robbins and Coulter, 2003). Newman and Hodgetts (1998) has a unidirectional view that financial compensation is an important award and the effect on satisfaction, motivation and performance of employees. Besides, the non-financial compensation can be an effective organization equipment to satisfy, motivate and

improve employee performance (Adeoti & Isiaka, 2006). Therefore, to improve job satisfaction, one of the factors that need attention to improved financial compensation is the compensation that includes salary and benefits as well as non-financial as working facilities, rewards and recognition.

Besides effect on job satisfaction, the results of the analysis also showed that compensation is positive and significant influence on employee performance. This means that the higher the compensation received, will push the higher performance of an employee and vice versa. The results of this study are consistent with the view Wiscombe (2001), Luo (2003), Barber, Dunham, Formisano, (1992), O'Halloran (2000) and Bilal Jamil & Naintara Sarfaraz Raja (2011). Wiscombe (2001) argued that proper compensation will make employees clashing thus increasing motivation, satisfaction, and performance of competition is healthy both in groups and organizations. Luo (2003) argues, compensation, in addition to increasing the

productivity of the organization, at the individual level will greatly help to improve job satisfaction, motivation and performance of employees. Barber, Dunham, Formisano (1992) noted that when the organization contributed to the attention to the things that help ensure and improve well-being, good facilities, benefits and even regarding the existence of the employee in old age (retirement), it will increase the attention of employees on the job you are responsible they replied. This will increase their motivation and performance in the organization. O'Halloran (2000) suggests the non-financial compensation as an award related to the professional development of employees influence on motivation, satisfaction and performance. While Bilal Jamil and Naintara Sarfaraz Raja (2011) argues that the compensation and performance evaluation positively and significantly correlated with the performance of employees both in the public and private organizations.

Employee development not significant effect on job satisfaction. The results of this study differ with the views Shezad et al (2008), Kiyoshi Takahashi (2006), Clark and Oswald (1996), Nada Trunk Sirca, et al, (2012) and Aminuddin, et al (2008). Shezad et al (2008) argued that the development of employees in the form of promotion is significantly associated with satisfaction, motivation and performance. Kiyoshi Takahashi (2006) says that the speed gain higher positions in the organization contribute to the satisfaction, motivation and performance of employees. While Clark and Oswald (1996) argued that the development of employees in the form of promotion has a more significant impact on satisfaction and motivation rather than a fixed income. Sirca, et al, (2012) explains that the development of employee moderately associated with job satisfaction. In a similar vein Aminuddin, et al (2008) suggested that the recruitment, promotion, and training and development, has a significant relationship with job satisfaction, but at a moderate level. Therefore, the effectiveness of staff development in East Nusa Tenggara province to be repaired, restyled and improved. That can be done partly by way of fixing program further study, training, transfer and promotion of employees. It is important to remember the dimensions mentioned the development of perceived low or

not meeting the expectations of public service employees in East Nusa Tenggara province.

In addition no significant effect on job satisfaction, testing shows that employee development is also not significant effect on employee performance. These findings led the study of different positions with the view of some scholars, among others that can be noted is McLagan (1989), Swanson (1994) and Armstrong (2009). McLagan (1989) state employee development as integrated use of training and development, organizational development, and career development is to improve the effectiveness of individuals, groups and organizations In the same vein Swanson (1994) human resource development is a process of developing human expertise (employees) through organizational development, and training and development of personnel for the purpose of improving performance. Besides Armstrong (2009) suggested that human resource development opportunities associated with the determination of learning, development and training to increase the performance of individuals, teams and organizations.

Theoretically views which say that job satisfaction has a relationship with the employee's performance has been noted by scholars, among others that can be noted is Iffaldano & Muchinsky (1985), Judge, et al., (2001) and Harter et al (2002). Iffaldano & Muchinsky (1985) suggests that the relationship between the gratification of employee performance and indicates a weak connection. Judge, et al., (2001) says between job satisfaction and performance have a strong relationship. While Harter et al (2002) suggested, if satisfaction is defined and measured in terms of employee engagement, then there is a significant relationship between job satisfaction and performance. The results of this study are consistent with pandangan-view of the above, namely job satisfaction and significant positive effect on employee performance. This suggests that job satisfaction is one factor that plays an important role in determining the level of performance of an employee. The higher the job satisfaction of an employee, the higher the performance. Conversely, if the job satisfaction is low, will certainly reduce the employee's performance as well.

7. CONCLUSION

From the above presentation, it can be concluded that (1) the compensation significant effect on the performance of employees, either directly or indirectly through job satisfaction. Variable compensation should be maintained and improved so that the performance of employees in the activities of public services can be more optimally; (2) the development of employees not exhibited significantly affect the performance of

employees, either directly or indirectly through job satisfaction. Development of employees in the public sector should be corrected and improved to make it more meaningful for peningkatakan public service employee performance; (3) Job satisfaction is an important instrument for variable compensation in predicting employee performance.

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