

THE EFFECT OF PAY SATISFACTION ON TURNOVER INTENTION MEDIATED BY ORGANIZATIONAL COMMITMENT

Noly Hendry

University of Lambung Mangkurat
noly.hendry@gmail.com

Zakhyadi Ariffin

University of Lambung Mangkurat
zarifin@ulm.ac.id

Abstract

This study aims to analyze the effect of salary satisfaction on turnover intention mediated by organizational commitment on employees at PT Nusantara Food Asia. The main problem faced is the high turnover intention of employees due to dissatisfaction with salary, which has an impact on productivity and the sustainability of company operations. This study uses a quantitative approach with a survey method through a questionnaire, where the population consists of 67 permanent employees. The variables analyzed include salary satisfaction as an independent variable, organizational commitment as a mediating variable, and turnover intention as a dependent variable. Data analysis was carried out using the Partial Least Square (PLS) method. The results showed that salary satisfaction has a significant effect on decreasing turnover intention, both directly and through increasing organizational commitment. Employees who are satisfied with compensation show higher commitment and tend to have lower turnover intentions. This study provides recommendations for companies to increase salary satisfaction and organizational commitment to reduce turnover intention. Fair and competitive compensation strategies and strengthening organizational culture are expected to increase employee retention and company stability.

Keywords: Pay Satisfaction, Turnover Intention, Organizational Commitment..

INTRODUCTION

In the industrial world, especially the service and food industry, employee turnover is one of the biggest challenges that companies must face. High turnover rates can affect the productivity and stability of the company, especially if the employee turnover process occurs continuously. This phenomenon not only harms the company financially, but also reduces the effectiveness of existing employees, considering that they often have to bear additional workloads. From an organizational psychology perspective, job satisfaction and organizational commitment are two interrelated factors that greatly influence employee turnover. Job satisfaction consisting of various elements such as pay satisfaction is very important because, as expressed by Mohd Said et al. (2020), pay satisfaction not only affects individual performance but also affects the overall dynamics and stability of the organization.

Job satisfaction, especially salary satisfaction, is an important concept in human resource management, especially because of its role in increasing employee loyalty.

According to research Wilson, Rwothumio, and Amwine (2021), to retain quality employees, companies must show balanced loyalty by providing fair and appropriate compensation. For employees, salary is not just income to meet their needs, but also a measure of how much the company values their contribution. When employees feel fairness in terms of the salary they receive, they tend to show stronger attachment and avoid the intention to leave the organization.

In the context of the food and beverage (F&B) industry, the issue of salary satisfaction is becoming increasingly crucial. The F&B industry is one of the sectors that requires high interaction between employees and customers, which means that the quality of service is greatly influenced by the level of employee satisfaction and motivation. Based on data from Databoks (2023), the salary range for F&B workers in Indonesia aged 15-45 years ranges from 1,503,740 to 2,618,495 rupiah. Although the nominal figure seems significant, many employees in this sector feel that their salaries are not commensurate with the increasing cost of living or the increasing workload. This indicates the importance of ensuring that salary satisfaction is met to maintain workforce stability in F&B companies.

Handoko (1998) said that one of the administrative goals of compensation is to maintain the sustainability of the existing workforce. If companies fail to provide competitive compensation, they risk losing quality employees. In a challenging work environment such as the F&B industry, employee turnover can mean more than just losing one person. This turnover has an impact on team productivity and even damages the morale of other employees. Dissatisfaction with salary is one of the main reasons that encourages employees to leave, as expressed by (Singh and Loncar 2010). PT Nusantara Food Asia, as one of the F&B companies in Jakarta, faces this phenomenon directly. Observation results at the company show that the majority of employees are dissatisfied with the compensation they receive. As many as 60% of employees stated that they were dissatisfied with their salaries, while 15% stated that they were not satisfied at all. These numbers are very high, considering that only 25% of employees are satisfied with the salaries they receive. This phenomenon illustrates significant dissatisfaction with the company's compensation policy, which in turn can affect turnover intention or employee intentions to leave the company. Prolonged dissatisfaction can have a negative impact on the productivity and sustainability of the company's operations.

The high turnover intention among PT Nusantara Food Asia employees seems to be inseparable from their dissatisfaction with the salary system. As explained by Susetyo (2016), dissatisfaction with salary often motivates employees to look for job opportunities elsewhere. When employees feel that the salary they receive is unfair or not commensurate with the workload they bear, they tend to look for other, more profitable jobs. This can certainly be a big burden for the company, especially if this turnover occurs periodically and in large numbers. In the case of PT Nusantara Food

Asia, employee turnover has shown significant fluctuations in the last five years, with an alarming spike in 2023 reaching 17%, far above the normal turnover limit according to Gillis (1994), which is between 5% and 10%.

In addition to salary satisfaction, organizational commitment is also a factor that can influence turnover intention. This commitment includes the extent to which an employee feels bound to the organization and has a desire to continue to contribute. Meyer and Allen (1997) explains that organizational commitment is a form of emotional and psychological attachment between employees and the company. Employees who have high commitment will be more likely to strive to achieve organizational goals and reduce their intention to leave. At PT Nusantara Food Asia, this commitment is expected to be one of the factors that can help reduce turnover rates, although challenges related to salary satisfaction must still be overcome.

Organizational commitment also affects employee work motivation. In his research, R. Mowday et al. (2013) he found that employees who have a high level of commitment tend to show better performance, higher productivity, and lower absenteeism compared to those who do not have such commitment. In fact, highly committed employees are often willing to face various challenges in their work without having to think about changing jobs. On the other hand, employees who feel unattached to the organization or are not appreciated by the company are more likely to have the intention to leave their jobs, as explained by Abet et al. (2024).

Companies can reduce turnover intention by increasing salary satisfaction and organizational commitment. This has been proven by previous studies. Tran (2017) showed that pay satisfaction is negatively related to turnover intention, where principals who are satisfied with their salaries are less likely to leave their jobs. Jolly et al. (2021) also found a negative correlation between salary satisfaction and turnover intention in hotel employees in America. Similar research conducted Ali Memon et al. (2017) in Malaysia found that salary satisfaction plays an important role in reducing turnover intention in oil and gas industry employees. In addition, research related to organizational commitment shows that this commitment acts as a mediator between salary satisfaction and turnover intention. Research conducted Nam (2024) in Vietnam, Widhy et al. (2021) Indonesia, and Li et al. (2020) China found that high levels of commitment can help reduce turnover intention in various industrial sectors. This study supports the view that increasing organizational commitment can be one solution to overcome high turnover, especially when salary satisfaction factors are difficult to increase quickly or evenly.

Research related to pay satisfaction, organizational commitment, and turnover intention has mostly been conducted outside Indonesia and focuses more on other industries, such as education, hospitality, and oil and gas. This study aims to fill this gap by examining the same phenomenon in the F&B industry in Indonesia, specifically at PT Nusantara Food Asia. In addition, this study will also examine the effect of pay

satisfaction on turnover intention through organizational commitment, with the hope of providing a deeper picture of the dynamics of the workforce in the F&B industry in Indonesia. Through a better understanding of these factors, companies are expected to be able to design more effective policies to reduce turnover. Considering that high turnover rates not only burden companies financially but also damage the morale and productivity of existing employees, the results of this study are expected to provide practical solutions for PT Nusantara Food Asia and similar companies to improve employee retention.

RESEARCH METHODS

This study uses a quantitative approach that emphasizes the measurement of variables through numbers and statistical analysis to test relevant theories. This study was conducted at PT Nusantara Food Asia, Jakarta, with all employees as the unit of analysis, focusing on the relationship between pay satisfaction, turnover intention, and organizational commitment as a mediating variable.

The population of the study included 67 permanent employees in the company. Sampling used a saturated sampling technique, so that the entire population became the research sample. In the data collection process, the researcher used primary data collected through a questionnaire. The main variables studied included salary satisfaction as an independent variable, organizational commitment as a mediating variable, and turnover intention as a dependent variable.

The salary satisfaction variable is defined as the employee's perception of fairness in the compensation received, which is measured using a scale Heneman & Schwab (1985) with 18 indicators and a five-point rating scale. Organizational commitment, which includes emotional, continuance, and normative commitment, is measured using a scale from Mowday & Porter (2014) using 15 indicators and a six-point scale. Turnover intention refers to the employee's desire to find another job, which is measured using a scale Michaels & Spector (1982) with three indicators and a five-point scale.

Data analysis was conducted using the variance-based Partial Least Square (PLS) method, which is an ideal choice given the limited sample size. The PLS technique is effective in overcoming sample size limitations and aims to predict and explain variance in dependent variables. According to Ghazali (2014), PLS allows researchers to focus on the purpose of predicting and understanding variable variance, and is flexible in handling complex research models. In this study, SEM was used to verify the relationship between latent variables through path analysis.

The stages of SEM analysis begin with the development of a relevant theory-based model, followed by the development of a flowchart, conversion of the flowchart to a structural equation, and evaluation of the goodness of fit criteria. Goodness of fit determines how well the developed model describes the empirical

data obtained. Evaluation of the goodness of fit criteria is carried out by assessing the suitability of the data to the proposed model.

Validity and reliability testing is conducted to ensure the accuracy of the measurement instrument. Validity in PLS is assessed through convergent validity and discriminant validity. Convergent validity is examined through the correlation of item scores with construct scores, while discriminant validity assesses the extent to which latent constructs predict the measures in their blocks better than in other blocks. According to Ferdinand (2014), an AVE value above 0.50 indicates good validity. Reliability testing is seen through composite reliability and Cronbach's Alpha with a value above 0.70 indicating that the instrument is reliable (Ghozali, 2014).

Descriptive statistical analysis provides an overview of the characteristics of respondents in the context of the study. The next step is the outer model or measurement model test, which measures how well the indicators reflect the latent variables. In this model, the R-Square value is used to assess the influence of the independent latent variables on the dependent variable, with higher values indicating a better model (Ghozali, 2014). Testing the structural model by looking at the R-Square is a goodness of fit model test that shows the strength of the model in explaining the existing variance.

For hypothesis testing, researchers used path analysis to assess the relationship between the variables tested. The results indicate whether there is a significant effect of the salary satisfaction variable on turnover intentions, either directly or through organizational commitment as a mediating variable. The results of this path analysis provide an understanding of the relative contribution of each variable in explaining the variance of the dependent variable, with a T-Statistic above 1.96 indicating significance at a 95% confidence level. This study contributes to the understanding of factors that influence employee intention to stay or leave the company. The results of the study are expected to be a reference for management in increasing salary satisfaction and organizational commitment, which can ultimately reduce employee turnover intention.

RESULTS AND DISCUSSION

This test is used by means of path analysis using the provisions of P Values <0.05 for the hypothesis to be accepted, and P Value > 0.05 for the hypothesis to be rejected. The results of processing this Hypothesis test are used as the basis for decision making as follows:

Table 1. Hypothesis Testing

HYPOTHESIS	T Statistics	P Values	Information
H1: Pay Satisfaction has a positive effect on	2,120	0.034	Accepted

Organizational Commitment			
H2: Pay Satisfaction has a negative effect on Turnover Intention.	4,078	0,000	Accepted
H3: Organizational commitment has a negative effect on Turnover Intention.	4,953	0,000	Accepted
H4: Pay Satisfaction has a negative effect on Turnover Intention mediated by Organizational Commitment.	2,077	0.038	Accepted

Source: Author (2024).

The results of the correlation between constructs with the calculated path coefficient show that the initial hypotheses 1-4 made by the researcher have a P Value <0.05 so that all hypotheses are accepted.

Based on the results of this study, it was found that there is a significant relationship between pay satisfaction and organizational commitment in PT Nusantara Food Asia employees, where employees who are satisfied with their salaries show a higher level of commitment to the organization. This result is reflected in the T statistic value of 2.120 with a p value of 0.0034 which is smaller than 0.05. Satisfaction with salary creates a sense of appreciation in employees, thereby increasing their loyalty and commitment to the company. Competitive salaries provide a sense of financial security, reduce stress, and allow employees to focus more on their work. On the other hand, although the R Square value of 0.118 indicates a weak relationship, there are indications that other factors such as the work environment, development opportunities, and good relationships with coworkers also play an important role in forming organizational commitment. In relation to turnover intention, it was found that high pay satisfaction is negatively correlated with turnover intention, with a T statistic value of 4.078 and a p value of 0.0000 <0.05 , which means that employees with high pay satisfaction tend to have lower intentions to leave PT Nusantara Food Asia. With a determination coefficient value of 0.352 or 35.2%, pay satisfaction contributes to reducing turnover intention, although other factors such as corporate culture, development opportunities, and work-life balance also need to be considered to effectively suppress turnover intention.

High organizational commitment significantly reduces turnover intention, which ultimately helps PT Nusantara Food Asia reduce turnover costs and allocate resources in more productive directions. Employees with high commitment show better levels of performance and motivation, which in turn increases team productivity and effectiveness. A strong and positive organizational culture plays a role in strengthening organizational commitment. This study also found that organizational commitment is able to mediate the relationship between pay satisfaction and turnover intention with a T statistic value of 2.077 and a p value of 0.0038. This indicates that by

increasing pay satisfaction, companies can indirectly reduce turnover intention through increasing organizational commitment. The practical implication of this study is that PT Nusantara Food Asia needs to consider a fair and competitive compensation strategy that not only increases financial satisfaction but also supports employees' emotional and psychological commitment. A holistic approach that includes career development, a positive work culture, and opportunities for professional growth will provide more comprehensive results in reducing turnover intention and increasing employee retention. Based on these findings, PT Nusantara Food Asia is advised to routinely measure the level of pay satisfaction, organizational commitment, and intention to leave as an effort to maintain a conducive work environment and increase retention. Overall, the results of this study support previous studies that show the importance of pay satisfaction and organizational commitment in reducing turnover intention in the corporate environment.

CONCLUSION

This study shows that there is a significant relationship between pay satisfaction and employee organizational commitment at PT Nusantara Food Asia. Pay satisfaction plays an important role in shaping employee loyalty and commitment, where adequate salary provides a sense of financial security, reduces stress, and allows employees to focus more on their work. Competitive salary also shows that the company appreciates their contribution, which in turn can motivate employees to work harder and develop their careers. The results of the study revealed that the higher the level of pay satisfaction, the higher the organizational commitment of PT Nusantara Food Asia employees. In addition, pay satisfaction also has a significant relationship with turnover intention. This study found that high pay satisfaction can reduce employees' desire to seek employment opportunities elsewhere. In other words, the more satisfied employees are with the compensation given, the less likely they are to have the intention to leave the company. This shows the importance of pay satisfaction as one of the factors that can increase employee retention in the company.

This study also shows that organizational commitment plays an important role in reducing turnover intention among employees. High organizational commitment is associated with a stronger desire to remain in the company despite external pressures or temptations. Employees who have strong affective commitment, continuance commitment, and normative commitment tend to have a deeper emotional attachment to the company, which has a positive impact on their loyalty to the organization. Furthermore, this study found that organizational commitment acts as a mediator in the relationship between pay satisfaction and turnover intention. In other words, satisfaction with the salary received by employees not only has a direct impact on their intention to stay, but also strengthens their commitment to the company.

Employees who are satisfied with their salary tend to have a higher level of commitment, which ultimately reduces the intention to leave the company.

Overall, this study concludes that all the proposed hypotheses are accepted. The practical implications of these findings suggest that the management of PT Nusantara Food Asia needs to design a fair and competitive compensation policy to improve pay satisfaction, which will have a positive impact on organizational commitment and reduce turnover intention. This policy will not only improve workforce stability but also contribute to the overall productivity of the company. This conclusion also highlights the importance of considering psychological and emotional aspects in human resource management. Pay satisfaction is not only a financial issue, but also relates to employees' perceptions of the fairness and rewards they receive from the company. By understanding and managing these factors well, PT Nusantara Food Asia can create a positive and motivating work environment, which will support the achievement of the company's strategic goals. This study is not only relevant to PT Nusantara Food Asia, but also serves as a guide for other companies in improving employee retention amidst the competitive labor market. Thus, these findings confirm the crucial role of pay satisfaction and organizational commitment in building a strong relationship between employees and the company and reducing turnover intention in the workplace.

REFERENCES

- Abet, Zanak, Mohd Ashraff Mohd Anuar, Mohd Mursyid Arshad, and Ismi Arif Ismail. 2024. "Factors Affecting Turnover Intention of Nigerian Employees: The Moderation Effect of Organizational Commitment." *Heliyon* 10 (1): e23087. <https://doi.org/10.1016/J.HELIYON.2023.E23087>.
- Ali Memon, Mumtaz, Rohani Salleh, and Mohamed Noor Rosli Baharom. 2017. "The Mediating Role of Work Engagement Between Pay Satisfaction and Turnover Intention." *International Journal of Economics, Management and Accounting* 25 (1): 43–69.
- Heneman, Herbert G, and Donald P Schwab. 1985. "Pay Satisfaction: Its Multidimensional Nature And Measurement." *International Journal of Psychology* 20 (1): 129–41. <https://doi.org/10.1080/00207598508247727>.
- Jolly, Phillip M., Courtney McDowell, Mary Dawson, and JéAnna A. Abbott. 2021. "Pay and Benefit Satisfaction, Perceived Organizational Support, and Turnover Intentions: The Moderating Role of Job Variety." *International Journal of Hospitality Management* 95 (March): 1–5. <https://doi.org/10.1016/j.ijhm.2021.102921>.
- Li, Na, Lichuan Zhang, Guangqing Xiao, Zhuo Job Chen, and Qian Lu. 2020. "Effects of Organizational Commitment, Job Satisfaction and Workplace Violence on Turnover Intention of Emergency Nurses: A Cross-Sectional Study."

International Journal of Nursing Practice 26 (6): 1–9.
<https://doi.org/10.1111/ijn.12854>.

- Meyer, Jhon P, and Nathalie J Allen. 1997. *Commitment in the Work Place*. Edited by Julian Barling and Kevin Kelloway. London: Sage Publications.
- Michaels, Charles E., and Paul E. Spector. 1982. "Causes of Employee Turnover: A Test of the Mobley, Griffeth, Hand, and Meglino Model." *Journal of Applied Psychology* 67 (1): 53–59. <https://doi.org/10.1037/0021-9010.67.1.53>.
- Mohd Said, Noraslinda, Norhamizan Hamir, Hashim Fadzil, Fairuz Abdul Hakim, Suria Sulaiman, and Nurdyayanah Mohd Yunus. 2020. "The Effect of Employees Satisfaction towards Loyalty in Hotel Industry: Compensation, Rewards, Job Security and Working Environment." *ESTEEM Journal of Social Sciences and Humanities* 4 (May 2019): 75–82.
- Mowday, RT, LW Porter, and RM Steers. 2013. *Employee—Organization Linkages: The Psychology of Commitment, Absenteeism, and Turnover*. academic press.
- Nam, Nguyen Danh. 2024. "The Role of Pay Satisfaction in Organizational Commitment , Job Satisfaction and Turnover Intention : A Case Study of Hanoi ' s Grassroots Health Line." *VNU Journal of Economics and Business* 4 (1): 69–77.
- Singh, Parbudyal, and Natasha Loncar. 2010. "Pay Satisfaction, Job Satisfaction and Turnover Intent." *Relations Industrielles* 65 (3): 470–90. <https://doi.org/10.7202/044892ar>.
- Susetyo, Aris. 2016. "The Influence of Job Satisfaction and Pay Satisfaction on Employee Turnover Intention with Organizational Commitment as an Intervening Variable." *Business Focus : Management and Accounting Study Media* 15 (2). <https://doi.org/10.32639/fokusbisnis.v15i2.75>.
- Tran, Henry. 2017. "The Impact of Pay Satisfaction and School Achievement on High School Principals' Turnover Intentions." *Educational Management Administration and Leadership* 45(4): 621–38. <https://doi.org/10.1177/1741143216636115>.
- Widhy, Sudirman, Hendro Yuliantoro, Muhammad Zulkarnain Anwar, and Anita Maharani. 2021. "The Influence of Organizational Culture and Compensation on Organizational Commitment with Job Satisfaction as Mediation." *The Management Journal of Binaniaga* 6 (2): 165–90. <https://doi.org/10.33062/mjb.v6i2.465>.
- Wilson, Mugizi, Joseph Rwothumio, and Christopher Mwujuka Amwine. 2021. "Compensation Management and Employee Wellbeing of Academic Staff in Ugandan Private Universities during COVID-19 Lockdown." *Interdisciplinary Journal of Education Research* 3 (1): 1–12. <https://doi.org/10.51986/ijer-2021.vol3.01.01>.