

EFFECT OF COMPENSATION, WORKING CONDITION AND BURNOUT ON TURNOVER INTENTION: PALM OIL PLANTATION IN EAST KALIMANTAN INDONESIA CASE

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ABSTRACT

This study aims to investigate the determinants of turnover intention among plantation workers in a palm oil company in East Kalimantan. Based on the literature, this research hypothesizes that compensation, working conditions and burnout are related to turnover intention. Total of 195 questionnaires were returned from plantation workers. Data analysis used Structural Equation Model and Amos Application. The research explained that burnout has a positive and significant effect on turnover intention. Surprisingly, compensation and working conditions have no significant direct impact on turnover intention. Based on this study, the company should make sure that all employees do not experience burnout. Companies should provide facilities to prevent burnout such as sports and recreation facilities. It can be used by employees and their family members during non-working hour, in order to increase closer relationships between supervisors and subordinates. Another facility that is considered important in reducing burnout is the quality of Wi-Fi internet at the respondent's residence.

Key words: *Turnover Intention, Burnout, Working Condition, Compensation.*

1.0 INTRODUCTION

Oil palm plantations contribute to various aspects of life (economic, social, and ecological). Based on information from the Indonesia National Development Planning Agency, the number of workers absorbed in the palm oil industry is around 16.2 million workers consisting of 4.2 million direct workers and 12 million indirect workers, making it as labour-intensive industry that absorbs a lot of workforces (Hidayat et al., 2018). Palm oil companies in East Kalimantan province experienced problem in manpower adequacy due to high turnover rate, especially when the price of CPO going up. So that resulting in financial loss due to not achieving production target.

Employee turnover could influence company financial and non-financial aspect, and employee's individual factor and organizational factors. Individual factors, for example, are gender, age, length of work, work performance, stress and burnout, while organizational factors, for example, are compensation and benefit, working condition, company policy, job satisfaction and relation between superiors and co-workers (Lucas, 2015; Redditt et al., 2019; Boushey & Glynn, 2012; Andini, 2006; Moussa, 2013; Lee et al., 2016; Applebaum et al., 2010). Based on literature and observation in the field, we use combination of organizational factors and individual factors, as well as financial and non-financial factors. We choose compensation, working condition and employee's burnout as determinant of employee's

turnover intention.

2.0 LITERATURE REVIEW

Robbins and Judges (2019) explained turnover as the voluntary and involuntary permanent withdrawal from an organization, so turnover intention can occur voluntarily or involuntarily as well. Voluntary turnover is an employee's decision to leave the organization voluntarily, while involuntary turnover caused by employer's decision to terminate contract of employment. Turnover intention is the employee's intention to leave the organization intentionally and consciously (Tett & Meyer, 1993). Turnover intention is a very significant problem because the cost to replace employee will affect the company's income (Lucas, 2015). High turnover rates significantly increase the company's financial costs (Redditt et al., 2019). Turnover intention is expensive because it incur recruitment costs, training costs, and other costs (Boushey & Glynn, 2012). High turnover intention can cause company to be less effective due to the loss of experienced individuals (Andini, 2006). Since turnover intentions have negative impact on company efficiency, employers look for many ways to increase the stay of their workers (Moussa, 2013). Based on the theory of reason action (Ajzen, 1991), the intention to do something is an important predictor of a behaviour.

In the palm oil plantation, especially when the price is high, the need of employee is very critical and important. Human capability could not be replaced by tools or machine. Every palm oil plantation will try to retain its employees, and if there is still a shortage they will try to find it from other palm oil plantations. Lack of employees will cause a shortage of factory raw materials, and ultimately lose the opportunity to sell palm oil at high prices. That's why it's important to understand the factors that can cause employees to leave.

Employee compensation is any form of payment or reward given to employees as compensation of their working performance (Dessler, 2017). Compensation is received as a return for employee contribution to the organization. One of the goals of fair compensation is to increase work motivation and performance. Employees want their performance to be correlated with the rewards obtained from company. By providing compensation, employees will be able to meet their physical needs and social status to obtain job satisfaction. Compensation is also one of the ways used by companies to increase employee performance (Sudiardhita, 2013). Compensation has two aspects consist of direct and indirect financial payments. Direct financial payments are in the form of wages, salaries, incentives, commissions, and bonuses. Indirect financial payments are in the form of financial benefits, such as insurance, and vacation money paid by the company (Dessler, 2017). The purpose of compensation is to motivate employees to work harder, improve performance, increase loyalty, sense of belonging and responsibility and improve employee welfare (Jurdi, 2018). Working environment is the overall tools and materials, surrounding environment is where employee works, work methods, and work arrangements for both individual and group. Working environment is divided into two types i.e., physical, and non-physical working environment (Sedarmayanti, 2017). Physical work environment is all physical conditions surrounding workplace that can affect employees either directly or indirectly. Divided into two categories, environment directly related to employees (work areas, chairs, tables, machines), and intermediate environment or general environment affects the human condition (temperature, humidity, air circulation, lighting, noise, vibration, mechanical, unpleasant odours, colour). Non-physical working environment is all conditions related to working relationship, superiors and workers, or relationships among workers. Working environment is a factor related to work stress affecting work performance (Robbins & Coulter, 2010). Working environment is an important factor in every organization. Unfavourable working environment

will cause the company to experience decline working productivity. Physical work environment (noise, air quality, lighting, exposure to toxins, air temperature, humidity, aesthetics) will trigger turnover intention (Applebaum et al., 2010). When employees feel familiar with their superiors, they will be more interested and not interested to leave organization (Adebayo & Ogunsina, 2011). Lee et al. (2016) recommended to make improvements to working environment to reduce employee turnover.

Burnout defines as emotional decline and loss of motivation experienced by individual. It also describes as symptoms of exhaustion (tiredness) and depersonalization (Leiter et al., 2015). Burnout can lead to decreased quality of work associated with job change, absenteeism, moral decline and personal stress, including physical exhaustion, insomnia, increased use of alcohol and drugs as well as marital and family problems (Jung & Kim, 2012). There are three aspects of burnout syndrome: (a) feelings of emotional exhaustion/emotional exhaustion, (b) development of negative and cynical attitudes and feelings toward clients/depersonalization and (c) tendency to evaluate oneself negatively/personal accomplishment (Jung & Kim, 2012). Employees who have the highest burnout rate are most likely to resign from their jobs. As a result of non-optimal work causing the decision to resign from job (Özbağ et al., 2014).

Based on the above literature, this study develops a model and hypothesis framework as below:

- Hypothesis 1: compensation has negative effect on employee turnover intention
- Hypothesis 2: working environment has negative effect on employee turnover intention
- Hypothesis 3: burnout has positive effect on employee turnover intention

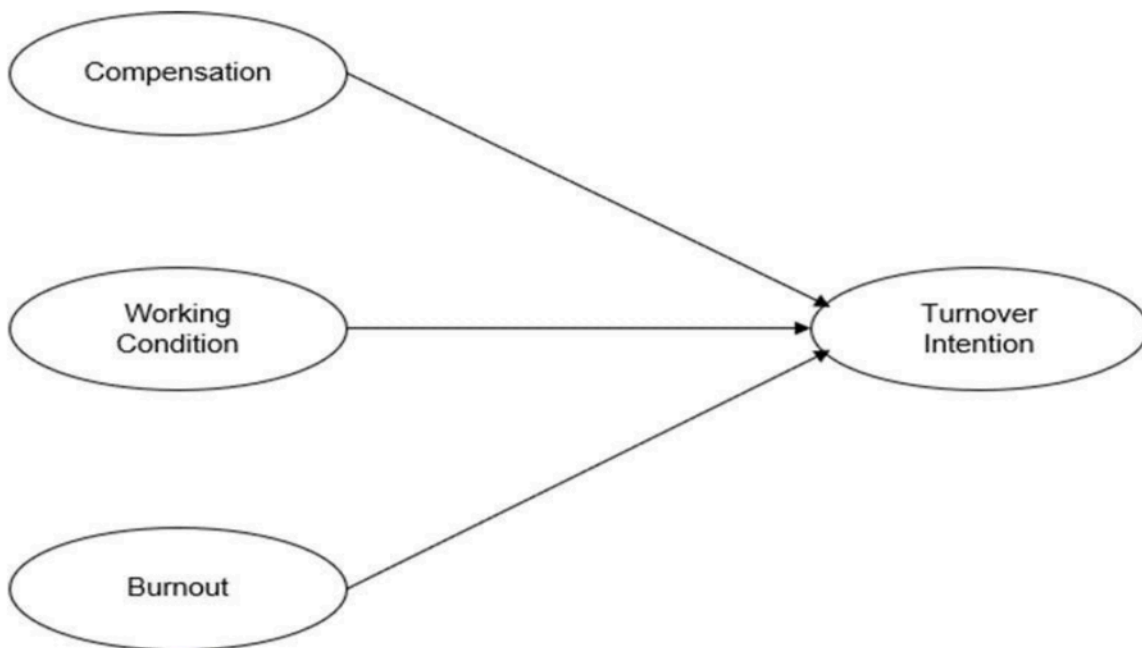


Figure 1. Research Model

3.0 RESEARCH METHODS

This research was conducted with a quantitative approach to a company palm plantation worker in East Kalimantan with a minimum of six-month working service. This study used a survey method. Based on Hair et al. (2014) rule of thumbs for number of samples is minimum 5 to 10 times of number questionnaire items. Total of items number is 25 items, so using 5 times rule of thumbs, minimum sample is 175 respondents. This study distributed 195 questionnaires to plantation workers, and all returned them. The distribution of questionnaires was carried out by researchers by visiting directly to the palm oil plantations and factories. This is important because the education level of most respondents is quite low, so to ensure the quality of the data, the researcher explained directly to the respondents.

Each item in the questionnaire was measured using a Likert scale of 1 to 5. A five-point Likert scale where scale of 1 indicates strongly disagree and scale of 5 indicates strongly agree was applied to all statement items. Data were analysed using Structural Equation Modelling/SEM and Amos application.

Construct validity is validity related to the ability of a measuring indicator in measuring the latent variables. A variable considered has good validity if the standardized loading factors is minimum of 0.50 (Hair et al., 2014). Reliability is consistency of a measurement. High reliability shows that various indicators have high consistency in measuring their latent constructs (Hair et al., 2014). The way to measure reliability in SEM is to use a composite reliability measure and variance extracted measure. A construct shows good reliability, if the construct reliability (CR) value ≥ 0.70 and the average variance extracted (AVE) ≥ 0.50 . The overall model test aims to evaluate the degree of fit or Goodness of Fit (GOF) between data and the model. To assess GOF on an SEM as a whole, it cannot be done directly, like other multivariate techniques. Basically, SEM does not have the best statistical test to predictive power of a model. Instead, researchers have developed several GOF measures that can be used together.

4.0 RESULT AND DISCUSSION

4.1 Measures

One of the toughest challenges of this research is obtaining good quality questionnaire data. This was the reason the researcher decided to go directly to the respondent at his workplace, in order to explain the questionnaire better. However, even so, the quality of the validity and reliability of the questionnaire is not very good. From a total of 25 measurement items, only 15 items can be used, with a loading factor between 0.615 to 0.875. The AVE of compensation, work environment and burnout variables is 0.5; and for the variable turnover intention of 0.7. The CR of the variables of compensation, work environment, burnout and turnover intention is 0.8; 0.7; 0.8 and 0.9. The detailed data can be seen in table 1.

Table 1. Validity and Reliability Test

Latent Variable	Indicator	Validity Test		Reliability Test		
		Loading Factor ≥ 0.5	Remarks	AVE ≥ 0.5	CR ≥ 0.7	Remark s
	KOMP 1	0.619				

Compensation	KOMP 3	0.709	Valid	0.5	0.8	Reliable
	KOMP 4	0.754				

	KOMP 7	0.615				
	KOMP 8	0.702				
Working Condition	LINK 3	0.689	Valid	0.5	0.7	Reliable
	LINK 6	0.757				
Burnout	BURN 2	0.659	Valid	0.5	0.8	Reliable
	BURN 4	0.712				
	BURN 5	0.759				
Turnover Intention	TURN 2	0.808	Valid	0.7	0.9	Reliable
	TURN 3	0.875				
	TURN 4	0.839				
	TURN 5	0.832				
	TURN 6	0.671				

4.2 Compensation towards Turnover Intention

Compensation has no negative and significant effect on turnover intention. Based data testing result, the estimated value is + 0.076 with p value = 0.533. It is not significant because the p value > 0.05. These results indicate that compensation does not have a negative effect on turnover intention.

This is quite surprising because the respondents are generally lower-middle-level workers with low incomes. From the interview results, it turned out that compensation is considered not very important because they already know that the amount of their salary will not change. The minimum amount and type of compensation have been determined by the government. Compensation between one oil plantation and other oil plantations is not much different. Respondents perceive compensation as something that is standard and not easily changed.

4.3 Working Condition towards Turnover Intention

Working environment has a negative but no significant effect on turnover intention. Based on data testing result, the estimated value is - 0.247 and the p value = 0.089 indicates as not significant. Working conditions can have a significant effect, if we use $\alpha = 10\%$. From the interview, it turned out that they have understood from the beginning about the work environment they will face. So, they have understood and accepted the conditions of the working environment in palm oil plantations. In contrast to compensation, which is believed to be irreversible, respondents actually still hope that the work environment can be improved. Therefore, although it is not significant at $\alpha = 5\%$ alpha, the work environment is able to reduce the intention to leave when using $\alpha = 10\%$.

4.4 Burnout toward Turnover Intention

Burnout has a positive and significant effect on turnover intention. Based on data testing result, the estimated value is + 1.228 and the p value = *** indicates as significant because the p value is < 0.05. These results indicate that burnout has a positive and significant effect on turnover intention. The interview results confirmed the hypothesis testing. Burnout is

a very important predictor to control the turnover intention of respondent. Table 2. Testing of Hypothesis

No	Hypothesis	Estimation	P - value	Conclusion
1	TURN < KOMP	0.076	0.553 (> 0.05)	Hypothesis rejected
2	TURN < LINK	-0.247	0.089 (> 0.05)	Hypothesis rejected
3	TURN < BURN	1.228	*** (< 0.05)	Hypothesis accepted

5.0 CONCLUSION

Burnout has a positive and significant effect on employee turnover intention in this study, while compensation and working environment have no negative and significant effect on employee turnover intention. From the results of the interview, the facilities that can be made are sports and recreation facilities. It can be used by employees and their families during off working hour. These two facilities can also improve the quality of the relationship between superiors and subordinates. Another facility that is considered important in reducing burnout is the quality of Wi-Fi internet at the respondent's residence.

Although not very significant, the company also needs to maintain the quality of the work environment. If the work environment is too laborious, it will increase the respondent's turnover intention. A bad work environment is also suspected to increase burnout, and ultimately increase the turnover intention of respondents. In this study, compensation does not affect turnover intention, but the company still has to comply with the minimum requirements from the regulator. If the company violates the minimum compensation provisions, it could be the respondent's reason to leave the company.

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