Mediating Roles of Job Satisfaction toward the Organizational Commitment of Employees in the Public Sector

Kusni INGSIH1, Agus PRAYITNO2, Dwi Eko WALUYO3, Suhana SUHANA4

Received: July 18, 2020  Revised: August 23, 2020  Accepted: September 10, 2020

Abstract

This study provides an understanding of the role of job satisfaction as a mediator of compensation and workplace environments for the organizational commitment of employees in the public sector. This study used a structural model using path analysis. The population and sample in this study were all employees at the Population and Civil Registry Office of one of the districts in Indonesia. The sampling technique used was total sampling, due to the considerably smaller amount of the sample size. This study found that compensation and workplace environment could explain job satisfaction variables with a 93.8% confidence level and simultaneously compensation, workplace environment, and job satisfaction that could explain organizational commitment with a variable of 97.4%. This finding also shows that the manifest bonus variable on the latent compensation variable is one of the main indicators that needs to improve to increase job satisfaction and organizational commitment. One of the important things which needs to be done is to increase compensation. The first thing which needs to be done is to increase the bonus. Furthermore, to improve the quality of the workplace environment, facilities, and infrastructure such as stable internet connections, computer specifications are the important criteria that must be met.

Keywords: Job Satisfaction, Compensation, Workplace Environment, Organizational Commitment

JEL Classification Code: J28, J30, J45

1. Introduction

Organizational commitment is the mentality or type of an individual’s conduct towards the association as faithfulness and the accomplishment of the association’s vision, mission, and objectives. Organizational commitment consists of three distinct components: affective commitment, continuance commitment and normative commitment (Nguyen & Ngo, 2020; Nguyen et al., 2020). Someone considered having a high commitment to the organization can be distinguished by the qualities including trust and solid acknowledgment of the objectives and estimations of the association, a solid ability to work for the organization, and a powerful urge to stay an individual from the association. According to Konczak et al. (2000) and Laschinger et al. (2009), employees’ empowerment will increase job satisfaction, organizational commitment, and citizenship performance such as pro-social behavior. Empowerment for example in the form of training, as well as job satisfaction in the form of compensation and fair treatment from organizations, and empowerment are very important factors to produce behaviors related to work and organization. It is in line with the view (Lam & Zhang, 2003) that there is no expectation of the characteristics of work, training and the development, compensation, and fair treatment among new employees is closely related to job satisfaction and organizational commitment.

Job satisfaction is one of the key factors for employees to work optimally. Dawal and Taha (2006) explain that job satisfaction for employees is the key to optimal organizational
performance. Job satisfaction must be created as well as made possible so that employee morale, dedication, passion, and discipline increases. An employee’s job satisfaction is essential to drive his or her morale and discipline in supporting the realization of company goals (Platis et al., 2015). A sense of achievement characterizes job satisfaction in the employee’s work conditions, the fulfillment of the benefits received, satisfaction with supervisor, and satisfaction in relationships with colleagues. Tsai (2011) states that a person is satisfied in his work because he is aware that what he has achieved is maximized.

Mabaso and Dlamini (2017) and Islam et al. (2016) were correct in conducting a study of compensation as a prerequisite for job satisfaction. The lack of scholarly staff and a failure to attract and retain qualified academic staff can be witnessed in South African educational institutions. Still, if the satisfaction level of the academic staff can be increased, the productivity of higher education institutions will also increase. The results of this study indicates that there is a positive and significant effect of compensation on job satisfaction. It means that just an increase in pay essentially predicts work fulfillment among scholastic staff (Sageer, 2012). Carnahan et al. (2010) argues that compensation is a form of appreciation given to employees in return of their contribution. The compensation provided must be based on the type and class of work so that the employees feel that they are rewarded as per their position and contribution. It implies that a good workers’ compensation system is a type of system that can guarantee a satisfaction to employees, which ultimately enables companies to obtain, maintain, and employ several people who have a positive attitude and behavior pattern which helps increase the productivity of a company. Primary literature also shows that the work environment is one of the main factors that influences employee job satisfaction. If an employee’s work environment is uncomfortable, then this can hamper his or her productivity. Pleasant workplace should have a safe environment, peaceful, clean, quiet, bright, and free from all kinds of threats and disturbances that can prevent employees from working optimally (Naharuddin & Sadegi, 2013). That a pleasant workplace environment includes several aspects ranging from a comfortable workspace, safe environmental conditions, a constant room temperature, adequate lighting, room paint colors, and good relationships with colleagues. In addition to work environment factors, the compensation factor is also one factor that cannot be separated from job satisfaction.

Wright and Davis (2003) report that the need of a pleasant work environment is not restricted to specific sectors; both the public sector and the private sector need a pleasant work environment. However, the ideal workplace environment is distinct in accordance with the nature of work involved. In the cutting edge period, organizations face a few difficulties because of the dynamic idea of nature of work and a conducive work environment. One of the numerous difficulties for businesses is helping its employees to adapt to dynamic work conditions and to make progress and stay serious. To improve proficiency, adequacy, profitability, and work duty of employees, organizations must address their issues and provide them with pleasant work conditions. Research with a sample consisting of employees from educational institutions, banking, and telecommunications industry operating in the city of Quetta, Pakistan provide, it was found that there is a positive relationship between work environment and employee job satisfaction. This study concluded that businesses need to realize the importance of a pleasant work environment to maximize the level of job satisfaction (Raziq & Maulabakhsh, 2015).

Research reveals that compensation has a significant positive effect on both the tertiary education environment and the private sector. However, it has not specifically discussed the compensation factor in the public sector (Mabaso & Dlamini, 2017; Sageer, 2012). Furthermore, the study also shows that the public and private sectors tend to not have significant differences. Each industry requires a pleasant work environment according to job characteristics (Raziq & Maulabakhsh, 2015; Wright & Davis, 2003). In developing countries, the public sector generally has a poor performance, ranging from the length of service, inefficiency, and indications of fraud. Therefore, it is essential to increase employee job satisfaction so that the performance of the public sector institutions increases. This research will expand the literature on the influence of the workplace environment and compensation on the performance of public sector employees in Indonesia. This research will specifically take a sample at the registry office in one of the districts in Indonesia. This research contributes to one of the evaluations of the public sector in Indonesia to improve its performance.

2. Literature Review

The commitment of an organization shows in the fact that how much its employees are engaged with the organization and wish to remain a part of the organization. Individuals, who have a disposition of steadfastness and ability to work optimally for the organization helps it to grow. As revealed by Allen and Meyer, if employees are given authoritative responsibilities, they are more inclined and passionate towards their work for the organizations. Furthermore, Khatib (1997) argues that organizational commitment is an attitude in which an individual identifies himself with the goals and expectations of the organization where he works and strives to remain in the organization to realize its goals. Lattimore and Glinow (2010) argue that organizational commitment is the most powerful influence which people identify and are highly
motivated to do so, even when the source of motivation is no longer present. McShane’s opinion needs to be underlined that a person will continue to carry out the duties and obligations of his organization even though the source of his commitment is gone. What if this statement is used on companies of the public sector, will it still be relevant because in the private sector, companies operations are profit-oriented while in the public sector the employees have a tendency to have a financially guaranteed life because they do not fear the possibility of layoffs. Therefore, this research will empirically prove whether the causes that influence organizational commitment truly have an influence on the organizational commitment of public sector employees.

The research hypothesis was initiated from several studies which showed that job satisfaction is a mediating variable of organizational commitment. In simple terms, this can be understood because if job satisfaction is high it will also increase the loyalty and commitment of the organization. Then, what factors do influence job satisfaction? Saari and Judge (2004) define employee satisfaction as an assessment of an employee’s work related to his work environment, type of work, compensation, relationships with colleagues, social relations at work and so on. Furthermore, Weiss and Merlo (2015) explain about following indicators to measure job satisfaction: 1) Satisfaction with supervision, where superiors understand their subordinates well and treat them fairly, and 2) satisfaction with management. A good management structure is a system that can provide stable work environment and conditions to its employees.

Chandrasekar (2011) has defined work environment as all those things which an employee comes across while working in an organization, whether working by himself or in a team. (Ajala, 2012) clarifies that the workplace environment on the whole can impact laborers in completing the tasks allotted to them. If employees feel that the physical environment in which they work is right, it will give satisfaction and pride. The workplace and remuneration are factors that impact worker work fulfillment. A conducive workplace is protected, quiet, clean, splendid, and free from a wide range of dangers and unsettling influences that can keep workers from working in an optimal manner (Dawal & Taha, 2006; Gómez et al., 2015). Islami (2016) defines compensation as giving appropriate and fair compensation to employees in accordance with their contributions in the achievements of the organization. High compensation to employees indicates that the working conditions in a company is right because the company is able to provide compensation in accordance with the contributions of the employees.

3. Research Methods and Materials

This type of research is a descriptive study with a quantitative approach, namely analysis, to test the relationship or influence between variables hypothesized by survey methods. The population and sample in this study were all employees at the Population and Civil Registry Office of one of the districts in Indonesia. The number of civil servants taken in this study had 32 employees. The sampling technique used was total sampling, which was a sampling technique that was used due to the considerably small amount; all members of the population taken as samples.

The independent variable was used: Workplace environment (X1) with indicators: a) temperature, lighting, and noise level; b) office layout; c) work supporting facilities in the workplace. Compensation (X2) with indicators: a) basic salary, i.e., benefits paid to workers according to the level or type of work, the amount of which was determined by agreement; b) Allowances, i.e., elements of remuneration, provided in rupiah value directly to individual employees and can be known with certainty; c) bonus, the benefit to increase employee productivity and morale. While dependent variable, job satisfaction (Y1) with indicators: a) Satisfaction with supervision, namely superiors, who can understand their subordinates reasonably; b) Satisfaction with management, which can provide stable work situations and conditions to its employees; c) satisfaction with career development. Organizational commitment (Y2) is represented by four indicators namely, a) satisfaction in position; b) have trust and accept the goals and values of the organization; c) desire to strive towards achieving organizational goals; and d) have a strong desire to stay as a member of the organization.

The type of data in this study was primary data. Primary sources are data sources that directly provide data to data collectors. The first data collection in this study was through the distribution of questionnaires to the Civil Service and Registry employees. The survey contains data regarding employee satisfaction, work environment, and compensation. Data scaling technique using a Likert scale.

Data from each item meets the Cronbach Alpha Reliability and Validity Test for internal consistency using the SPSS Program. To analyze structural equation models, the SmartPLS program was used. Overall, in the analysis of the measurement model (measurement model), both the validity of the indicator test (loading factor and its significance level) as well as the unidimensional validity and the construct reliability test are almost all met. Only variable satisfaction in position (Y2.1) which has a factor loading value below 0.5, so, we ignore these variables. This directly shows that the measurement model is proper. This means that each indicator used does indeed measure the construct, and each indicator used is valid unidimensional (the principle of independence of the indicator) and that all constructs are reliable. Because the measurement model is fulfilled, it can proceed to the analysis of the structural model, to find out whether the theoretically designed model is supported by empirical data.
4. Results and Discussion

The Civil Service and Registry are the implementing elements of the regional government led by the head of the department. The head of the service is responsible for the regent through the provincial secretary in carrying out his duties. Employee satisfaction at work is inseparable from a problem. A bonus is a problem that often occurs; it is generally related to targets that must be achieved by employees. In addition to gifts, benefits that should be received by employees are sometimes not timely in payment, so employees are not disciplined in work which ultimately has an impact on employee satisfaction. This is seen from employees often leaving their practice during work hours and sometimes returning only to just for attendance. Based on Table 1, the structure of the model built is valid and reliable. Table 2 shows that latent variables are free from multicollinearity and have a high $R^2$. Moreover, Table 3 provides additional information about the total effect of each latent variable (see Figure 1).

4.1. Impact of Compensation and Work Environment on Employee Satisfaction

The results of this study indicate that compensation has a positive effect on employee satisfaction. Mabaso and Dlamini (2017) explain that proper compensation can increase job satisfaction too. Employees will work well and according to company standards. The high compensation will have an impact on employee satisfaction. Compensation is significant for employees to work optimally because compensation given promptly will give more satisfaction to employees because the employee feels his rights as the company has fulfilled its obligation. If employees feel dissatisfied with the compensation they receive, it will result in detrimental things that the company does not want, for example, strikes and demonstrations occur (Sageer, 2012).

From the loading factor value of the manifest variable, it appears that the bonus has the highest loading factor value of more than 0.7. This value, in addition to showing a small error variance, also indicates that a bonus is one of the factors that need to be considered so that employees have better performance. This finding also shows that the employees sampled in this study have the characteristics of competitiveness. This is good for the progress of the organization because, in general, employees still have mixed perceptions of salaries and benefits but not for bonuses. The implication, with the characteristics of high competitiveness, job satisfaction will also be better. In conclusion, if compensation needs to be increased, bonuses are the first type of compensation that needs to be improved.

Table 1: Construct reliability and validity results

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach’s Alfa</th>
<th>Rho_A</th>
<th>Com. Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Environment</td>
<td>0.863</td>
<td>0.875</td>
<td>0.905</td>
<td>0.706</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.743</td>
<td>0.749</td>
<td>0.905</td>
<td>0.769</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.762</td>
<td>0.776</td>
<td>0.952</td>
<td>0.821</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>0.861</td>
<td>0.569</td>
<td>0.916</td>
<td>0.729</td>
</tr>
</tbody>
</table>

Table 2: Collinearity Test Results and $R^2$

<table>
<thead>
<tr>
<th></th>
<th>Inner VIF</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>1.297</td>
<td></td>
</tr>
<tr>
<td>Work Environment</td>
<td>1.297</td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>1.986</td>
<td>0.938</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td></td>
<td>0.974</td>
</tr>
</tbody>
</table>

Figure 1: Result of path coefficient
Compensation has an influence of 0.731 on job satisfaction. As stated in the literature study in the previous section, one of the main factors of workers in both the private and public sectors is meeting needs. Therefore, this number supports some literature which also shows that compensation is positive and significant to job satisfaction (Mabaso & Dlamini, 2017; Muguungo, Muguna, & Muriithi, 2015; Sageer, 2012). Referring to the findings of loading factor values, this study argues that to improve employee job satisfaction, the government needs to increase compensation, especially performance-based compensation, which in this study is called bonuses. However, we also give a clear line that the increase in compensation must be adjusted to the workload because otherwise, the government will face inefficiency. Therefore, an increase and bonus mechanism is the best alternative to increase job satisfaction through increasing compensation.

Based on the coefficient of the manifest variable on the work environment variable, it can be concluded that the highest coefficient or manifest variable with the smallest error variant is inadequate supporting facilities and infrastructure, such as computer specifications and a stable internet connection. These facilities are needed to improve efficiency and effectiveness not only in the completion of work but also in communication which will have an impact on overall performance. While for the layout of the factors represented by manifest variable X2.1, it still seems to have a high error variant, meaning that the public sector employees who were sampled in this study still have diverse opinions. This is very possible due to the age factor of the employees. Employees who have a young soul both in terms of age and thought have a tendency to want a comfortable workplace, full of facilities, etc., but employees above the millennial generation do not think too much about more facilities. Based on the findings in this study, this study recommends that authorities also think of the work environment for the millennial generation, so that the work environment accommodates all employees. However, with various constraints, the provision of facilities and infrastructure is the first factor that must be improved to improve the quality of the work environment.

The results of the analysis show that the work environment has a positive effect on job satisfaction with a coefficient of 0.2, when compared to compensation, the work environment variable has a lower coefficient. However, it is certain that a comfortable work environment will support productivity and job satisfaction. This is also evident from some technology companies that work as much as possible so that employees feel comfortable. Studies also show that a supportive work environment makes employees more productive. The results of this study reinforce the findings of a survey conducted by Raziq and Maulabakhsh (2015) that show that the work environment has a positive and significant effect on employee satisfaction. Wright and Davis (2003) also reveal that the work environment has a positive and significant impact on employee satisfaction. The results shows that the work environment and compensation simultaneously affected employee satisfaction with $R^2 = 0.938$. The high value of $R^2$ shows that compensation and work environment succeeded in explaining the variable of job satisfaction by 93.8% and the rest is explained by other variables not calculated in this study. Better compensation and work environment carry out higher employee job satisfaction.

Job satisfaction is one of the important factors in increasing organizational commitment. Therefore, it needs strategic, organized, and good implementation steps to increase the level of employee job satisfaction. Three manifests for job satisfaction coefficient of not more than 0.7. This shows that there is still a fairly high error variant. This has two possibilities: first, the manifest variable which is an indicator which does not reflect job satisfaction. This is reinforced by a small coefficient value. Second, this research has the hypothesis that the diverse employee age factors also cause bias variables to manifest. The second possibility is in principle the same as the discussion of work environment variables that we relate to generation theory (Arora et al., 2017; Pant & Venikateswaran, 2019).

However, we can see that the high value of $R^2$ shows that the compensation and work environment variables are factors that can explain job satisfaction variables very well. Therefore, this study concludes that compensation and the work environment to be developed in the future must pay attention to the needs and accommodate the needs of employees who have diverse needs. However, if this option is taken, it will certainly add procurement and maintenance
costs so that it will raise new issues regarding how effective the improvement of compensation and work environment for job satisfaction. This study cannot answer this question and only provides open-ended questions for further research. However certainly, every policy decision certainly needs to be considered for efficiency and effectiveness.

4.2. Compensation, Workplace Environment, and Job Satisfaction on Organizational Commitment

The results of the path analysis show that the compensation variable has a positive effect on organizational commitment with a path coefficient of 0.516. This shows that when the compensation level rises by one unit, the organizational commitment will increase by more than half. These results indicate that compensation for civil servants working in the research object is very important. The higher the compensation, the higher the organizational commitment. Similar to the discussion of the effect of compensation on job satisfaction, if we look at the loading factor coefficient of the manifest variable, it can be concluded that what needs to be improved is a bonus indicator. Seeing the characteristics of bonuses are performance-based allowances. However, performance-based benefits are still limited and different from the concept of sales bonus given by the company to its sales team. Maybe giving performance-based bonuses with a unit of quantity can be tested in a limited way to find out its effectiveness. However, this study realizes that it will be very difficult to apply the bonus model to civil servants because most jobs are administrative in nature.

This research also reinforces the findings of Silaban et al. (2018), which take samples from the private sector. The study finds that compensation has a direct influence on organizational commitment. It can be concluded that compassion has a positive influence on an organizational commitment both in the public sector and private sector. From the previous studies and the findings of this study, it can be concluded that compensation including salary, benefits, and bonuses is an important factor so that employees have high organizational commitment. However, these findings also provide open questions which is what about organizations that have not been able to compensate properly? This is a simple question but difficult to answer. We offer that inviting employees to increase performance so they can get proper compensation is the best thing we can recommend. This method is no longer using a compensation approach but the psychological approach by utilizing leadership potential.

The workplace environment has a path coefficient of 0.136 to organizational commitment. This value is a small value. However it is even small, it cannot be ignored. A small path coefficient value is very possible because this study uses manifest variables for latent variables of the physical work environment and there is a possibility that it will be very different if the manifest variable also includes non-physical variables. This can be seen from Cheng and Kadir (2018), which shows that the workplace environment has a moderate significant positive effect on organizational commitment. Associating with generation theory, several studies have shown that the millennial generation has high expectations of a work environment that is flexible, comfortable, and with all supporting facilities and infrastructure (Arora et al., 2017; Pant & Venkateswaran, 2019). Therefore, we also underline because the average age of the sample in this study is 39 years so the sample in terms of age is quite diverse. We believe that if the average age is getting lower than the demands on the work environment, it will be higher and will have a greater influence on organizational commitment.

Job satisfaction has a path coefficient value of organizational commitment of 0.3, or in the medium category. This shows that the higher job satisfaction, the higher the level of organizational commitment. Based on the results of this analysis to increase job satisfaction, the main factor that must be considered is compensation because compensation has the highest effect coefficient on job satisfaction. It can be simply understood that when employees feel satisfied with the job, meet the targets set, and get proper compensation, the organizational commitment will be higher.

The compensation, work environment, and job satisfaction variables simultaneously have a significant positive effect with a value of $R^2$ to 0.974. $R^2$ shows that when the latent variable in this study can explain the organizational commitment of more than 90% and thesis is explained by other variables that are not measured in this study. High organizational commitment will greatly help the organization in solving various challenges so it is important for management to continue to maintain and improve organizational commitment. High organizational commitment will have a positive impact, especially on improving performance (Fu & Deshpande, 2014; Meyer et al., 1989). In the private sector, increased performance will increase revenue so that it will compensate and create a better physical work environment, further job satisfaction will increase and lead to an increase in organizational commitment. We realize that the case in the non-profit-oriented public sector concept will be slightly different. However by remembering organizational commitment that leads to performance, the bargaining value for budget increases is also large. Hence, this study believes that organizational commitment is an important factor of the performance cycle, compensation, environment work, and organizational commitment.
5. Conclusions

This study concludes that compensation, workplace environment with job satisfaction as a mediating variable on organizational commitment has a significant effect. There are some important things to increase and enhance apart from compensation. The first important thing is to increase the bonus. Furthermore, to improve the quality of the workplace environment, facilities, and infrastructure such as stable internet connections, computer specifications are the main things that must be met. The effect of compensation and work environment on job satisfaction has a $R^2$ value of 0.9, this indicates that compensation and work environment have a significant effect on job satisfaction. Furthermore, at the same time compensation, work environment, and job satisfaction also have a significant positive influence on organizational commitment. Finally, we draw conclusions to improve organizational commitment, the relevant authorities need to increase bonuses and the quality of the workplace environment.

References


