

Compensation on Preventive Discipline: Mediating the role of Employee Engagement

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ABSTRACT

Previous research shows that compensation has a positive effect on employee empowerment and discipline. In this study, the authors conducted a more specific study of the impact of indirect compensation on employee discipline that is preventive mediated by employee empowerment. This research is a survey of bank employees at one bank in Bandung with 30 random employees simple random sampling technique. Hypothesis testing using PLS-SEM. The results showed that there was a significant effect of indirect compensation on employee empowerment and preventive discipline. The research implications indicate that indirect compensation can increase employee empowerment and preventive discipline.

Keywords: indirect compensation, employee empowerment, preventive discipline.

INTRODUCTION

Considering the conditions at the research locus in the banking sector, which are increasingly competitive and produce a real threat due to lifestyle changes and technological advances, it is necessary to choose a good strategy. One of the obstacles in the banking sector in Indonesia, especially in human resources, is the lack of initiative and creativity of employees in carrying out their duties and the lack of encouragement from the leadership of the delegation of responsibilities and authority.

One of the factors that can improve the quality of human resources in developing human resource competency is employee empowerment (Anitha, 2014; Hoque, Awang, Siddiqui & Sabiu, 2018) discipline (Berry, 2010; Sorenson, 2013) and compensation (Gill, Dugger & Norton, 2014; Scott, McMullen, Royal & Stark, 2010) play an essential role in influencing employee performance (Bal & De Lange, 2015; Bhuvanaiah & Raya, 2015) cumulatively.

When practice discipline can run as desired, then employee performance will increase. Employee performance influenced by internal discipline and external discipline; if an employee

has obeyed the rules well and has implemented the right level of discipline in the company, then employee performance will be high. (Cole, 2008)

Theoretically, compensation can separate into direct compensation and indirect compensation. (Noe, Hollenbeck, Gerhart & Wright, 2015) Indirect compensation is additional compensation given based on company policy towards all employees to improve the welfare of employees. Rivai & Sagala (2016) state that if a company can provide appropriate compensation to its employees, this will drive employees to improve their achievement in the company. The more satisfied employees will receive, the reward will make the employee's performance better at work, and conversely, the lower the benefit, the employee's performance will decrease. (Gupta, 2014)

Work discipline seeks to prevent the start of work that is slow or too early in ending job due to delay or laziness. (Cole, 2008) Work discipline can see as a great benefit, interest of the organization's attention of employees. For organizations, the existence of work discipline will guarantee the maintenance of order and the smooth implementation of tasks so that employees are more productive. (Noe, Hollenbeck, Gerhart & Wright, 2015) Whereas disciplined employees will provide a comfortable working atmosphere and empower them to carry out their work. (Gill, Dugger & Norton, 2014)

Preventive discipline is an action that encourages employees to obey the various applicable provisions and meet established standards, which means through clarity and explanation of the patterns, attitudes, activities, and behavior desired of each member of the organization to prevent employees from behaving negatively. (Idris & Alegbeleye, 2015)

One of the things that can do to support employee discipline efforts is through increasing

compensation received by employees. Employee empowerment has done to bring out the potential and modalities that exist in employees and maximize them so that employees become independent and improve their performance, which ultimately provides valuable benefits for employees and the organization.

Employee empowerment is important because, in the face of competition in service, every company has a competitive advantage through its human resources. Employee empowerment is an effort so that employees can provide optimal contributions to the company.

Some relevant previous research states that there is an effect of compensation on employee empowerment and discipline. However, this research still examines the impact of reward and discipline in general, and this study tries to investigate the effect of compensation and discipline specifically. From this phenomenon or gap, it can indicate that the causes of preventive discipline are not yet optimal can be caused by a lack of employee empowerment and suboptimal indirect compensation.

Based on the problem, as explained earlier, this study intends to determine the effect of indirect compensation on empowerment and preventive discipline. The results of this study expected to support the theory previously presented that there is an influence between indirect compensation on employee empowerment variables and preventive discipline. This research expected to be able to contribute or contribute thoughts on the development of human resources.

RESEARCH METHODS

Based on the problem under study, this study uses a survey approach to prove the research hypotheses. The research objective is

to predict the effect of indirect compensation on employee empowerment and preventive discipline. This research conducted for four months consisting of a compilation of frameworks based on empirical gaps, which then continued on the implementation of research and data analysis and research results. Conducting a survey of employees at one of the commercial bank branch offices in the city of Bandung with a sample of respondents as many as 30 employees. The distribution of the questionnaire was carried out by a simple random sampling technique, where the target respondents were employees who were willing to do random research instruments.

The research instrument consisted of indirect compensation, employee empowerment, and preventive discipline. Indirect compensation instruments include payment of wages for time off, economical protection against hazards, services, and welfare improvement, mandatory according to the law. Employee empowerment developed from Schaufeli, Bakker & Salanova (2006) which has been validated by Sidharta (2018) and preventive discipline based on rivai and sagala (2016) which consists of a sense of belonging to the organization, an explanation related to applicable regulations and encouragement to determine disciplinary ways independently.

Before analyzing the data, the research instruments tested first. Testing instruments or questionnaires include testing the validity by looking at the AVE loading value with criteria > 0.5 and reliability testing of instruments referring to Cronbach alpha with measures > 0.7, in this case, a questionnaire which is an instrument used in research. Based on the instrument test instrument, see the following test results:

Table 1. Instrument test results

Item	Compensation	Employee engagement	Preventive discipline
Com1	(0.746)		
Com2	(0.692)		
Com3	(0.838)		
Com4	(0.741)		
Com5	(0.575)		
Eng1		(0.709)	
Eng2		(0.788)	
Eng3		(0.748)	
Eng4		(0.802)	
Eng5		(0.706)	
Eng6		(0.726)	
Eng7		(0.703)	
D1			(0.756)
D2			(0.881)
D3			(0.533)
D4			(0.840)
Cronbach's alpha	0.767	0.863	0.761
Composite reliab.	0.844	0.895	0.845
Avg. var. extrac.	0.524	0.550	0.585
Full collin. V1F	2.494	1.351	2.492

Instrument testing results show that the instrument is valid and reliable, and data analysis steps can be performed.

RESULTS AND DISCUSSION

To conduct a factor analysis using the EFA method, it is necessary to determine the extraction method beforehand. In this study, the extraction method uses the PAF method because there are correlations between items that show a correlation value above 0.3 with a reliability level of 0.983. The EFA results show the KMO test value is 0.933, with a significance level of 0.000. These results are interpreted very well and deserve to continue in the factorial analysis process. Meanwhile, the results of Communalities showed values above 0.3 with

eight factors, which cumulatively valued 56.58%. Referring to Field (2009), with a total variance value above 50%, the total variance explained in this study is sufficient in factor analysis. EFA results can see in table 2 in the appendix.

The respondents involved in this study were employees at one of the commercial banks in the city of Bandung. The characteristics of respondents by sex indicate that there were more male respondents compared to female respondents. Respondents by age were 17.5% aged under 20 years, 32.5% aged 21 to 30 years, 22.5% old 31 to 40 years, 20% aged 41 to 50 years, and 7.5% aged over 51 years. From these data, it can conclude that the age of most respondents is at the age of 21 to 30 years. Respondents based on the length of work 5% worked less than one year, 20% worked 1 to 5 years, 27.5% worked 6 to 10 years, 22.5% worked 11 to 15 years, and 25% worked more than 15 years. From these data, it can conclude that the length of time most respondents work is in the range of 6 to 10 years.

The results of calculations using PLS-SEM can be seen in Figure 1 below:

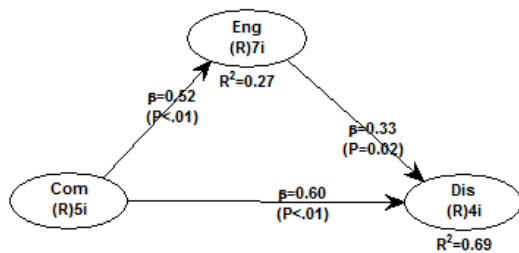


Figure 1. PLS-SEM Model Testing Results

The results of the fit and quality indices model test are as follows Average path coefficient of 0.485 with $P < 0.001$, Average adjusted R-squared of 0.456, with $P < 0.001$, Average block VIF of 1.419, Average full collinearity VIF (AFVIF) = 2.112, and Tenenhaus GoF (GoF) = 0.515, with substantial criteria.

Based on the results of the model fit, it indicated that the model is good. In detail, the influence of research variables can see as follows:

Table 2. Results of the influence of research variables

Variables	Path	P value	Decision
Compensation -> employee engagement	0.52	0.000	Accept
Compensation -> pretentive discipline	0.60	0.000	Accept
employee engagement -> pretentive discipline	0.33	0.000	Accept

The results of the path coefficient Compensation on employee engagement amounted to 0.52 with a p-value of 0.000, which indicates there is a significant influence. Compensation to preventive discipline with path coefficients of 0.60 with p-value 0.000, which means substantial impact and employee engagement on preventive discipline with path coefficients of 0.33 with a p-value of 0.020 indicating there is a significant influence. The R2 result is 0.69, which suggests that overall indirect compensation and employee empowerment have a substantial effect on preventive discipline.

As explained earlier, the preventive discipline used in this study uses disciplinary measures, which include a sense of organizational ownership, explanations related to applicable regulations, and encouragement to determine the way of independent discipline. One thing that can do to support employee discipline efforts is through increased compensation received by employees. Work discipline has a direct impact on worker representation through the accomplishment of duties and responsibilities of employees with

better compensation that increases due to more productive work results. On the other hand, an increase in compensation that is better and adequate will be the benchmark standard for management in demanding more discipline from their employees. A person who has a high level of control will continue to work well even if not supervised by superiors. Then not appropriate work time to do other things that have nothing to do with work and will obey the rules that exist in the job conditions with a high ground without any pressure.

CONCLUSIONS

Referring to the discussion, it can conclude that overall indirect compensation and employee empowerment have a significant effect on preventive discipline. The findings indicate that an increase in non-direct compensation can increase preventive discipline as well as employee empowerment.

Indirect compensation felt by the employees as a whole provides good enough research results to increase indirect compensation by providing telecommunications benefits, task compensation, and pension funds obtained by employees optimally. The results showed that overall preventive discipline provides quite good research results to improve preventive discipline by involving employees in the process of formulating problems related to employee discipline, freedom from leaders to behave following applicable regulations, and the ability of employees to identify issues related to employee discipline. Employee empowerment based on overall research results provides good enough research results, one of the ways to increase employee empowerment with employee involvement in the decision making process in the organization, employee openness toward

coworkers, and the ability of employees to identify problems.

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