

The Effect of Work Stress, Compensation and Motivation on Organizational Commitment

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Abstract - The present study investigates the effect of work stress, compensation, and motivation on organizational commitment among production employees. It also aims to determine and analyze the levels of work stress, compensation, and motivation among them. The data were collected by means of a questionnaire study distributed to production employees, consisting of 67 respondents of 200 populations. We used a descriptive analysis to describe the levels of work stress, compensation and motivation. To determine the extent to which work stress, compensation, and motivation affect organizational commitment, we employ a multiple linear regression. T-test and f-test are used to test the hypothesis. The results indicate that the levels of work stress, compensation, and motivation the objects studied are moderate. The results also concluded that work stress, compensation, and motivation simultaneously affect organizational commitment by 78.9%, while the rest 20.2% is described by other variables not included in the model studied.

Keywords - *Work stress, compensation, motivation, organizational commitment*

1. Introduction

An increasingly competitive rivalry among industries and the current economic situation of society often create problems that lead to the failure of companies. To anticipate such failure, good human resource management is necessary. This is because humans, it must be admitted, are one of the important factors in achieving the objectives of company activities. Even with adequate facilities and infrastructures, companies without skilled human resource will not go any further and, even worst, fail to compete. This indicates that companies are inseparable from the role of human labor whose needs must be met. For that reason, employees are required to perform well in the work environment.

However, what companies need are not only good performing employees, but also those who are highly-committed to their companies. Highly-committed employees are crucial to business enterprises because they make it possible for companies to minimize the high cost of recruiting new employees to replace the previous ones. Therefore, companies need to build commitment among their employees in order to increase employees' commitment to their company. Organizational commitment is a crucial behavioral dimension that can be

used to assess the tendency of employees to stay as members of organization [1]. It is also defined as the relative strength of an individual's identification with and involvement in a particular organization. Organizational commitment is an attitude that reflects employee's feeling of like or dislike toward his or her organization [1]. The employees' commitment to their organization represents an individual's psychological bond to the organization which includes work involvement, loyalty, and a feeling of trust in organizational values. A commitment will appear not simply as a passive loyalty, it also involves active connection with certain work organization and is intended to exert every effort for the success of the organization [1].

To build high commitment among employees, there are such things to consider as work stress, compensation, and motivation. Stress is an adoptive response to a situation that is perceived as challenging or threatening one's health. Stress can affect people of all ages, with various causes such as work, tasks, work targets, and others. Stress is a dynamic condition in which an individual is situated with an opportunity, constraints, or demands associated with what he desperately wants and produces [2]. Stress can be positive or negative, depending on the situation. Employee compensation refers to all forms of remuneration to

workers that arise from their employment [3]. Employee compensation consists of two basic types: direct financial payment (wage, salary, incentives, commission, or bonuses) and indirect financial payment (financial benefits such as insurance and holiday paid by the employer). A motivation is the willingness of a person to exert high levels of effort to achieve some organizational targets, as conditioned by that effort to satisfy the needs of a number of individuals [4]. Research on the effects of work stress, compensation, and motivation on organizational commitment was carried out in the research object. The present research focuses on employees working in the production division on consideration that this division has 200 employees.

2. Problem Formulation

As mentioned in the above section, the research problems are formulated as follows:

1. How do the levels of work stress, compensation, and motivation affect the research object?
2. How do work stress, compensation, and motivation simultaneously affect organizational commitment?

To keep the description focused and not extending beyond the topic, the discussion in the current study will be limited to the following scopes: (1) Work stress. Stress is a dynamic condition in which an individual is situated with an opportunity, constraints, or demands associated with what he desperately wants and produces; (2) Compensation [2]. Employee compensation refers to all forms of remuneration to workers that arise from their employment [3]. By compensation we mean the one with two basic components: direct financial payment (wage, salary, incentives, commission, or bonuses) and indirect financial payment (financial benefits such as insurance and holiday paid by the employer); (3) Motivation. All human beings have five levels of needs to be satisfied such as physiological, safety, love and belonging, esteem and self-actualization; and (4) Organizational commitment [4]. [1] Mowday (1982), quoted by Sopiah (2008) noted that organization commitment is the relative strength of an individual's identification with and involvement in a particular organization.

3. Theoretical Framework

Some theories are used to support this research on work stress, compensation, and organizational commitment. In addition, we also included previous studies. The research framework is intended to facilitate the development of the research hypothesis.

Organizational commitment as an attitude that reflects employee's feeling of like or dislike toward his or her organization [1]. Employees commitment to their organization represents an individual's psychological bond to the organization which includes work involvement, loyalty, and a feeling of trust in organizational values [1]. That there are three components of organizational commitment: *Affective commitment*, *Continuance commitment*, and *Normative commitment* [1]. **Work Stress**, stress is a dynamic condition in which an individual is situated with an opportunity, constraints, or demands associated with what he desperately wants and produces [1]. Stress can be positive or negative, depending on the situation. **Compensation**, employee compensation refers to all forms of remuneration to workers that arise from their employment [3]. Employee compensation consists of two basic types: direct financial payment (wage, salary, incentives, commission, or bonuses) and indirect financial payment (financial benefits such as insurance and holiday paid by the employer).

Motivation is the willingness of a person to exert high levels of effort to achieve some organizational targets, as conditioned by that effort to satisfy the needs of a number of individuals [4]. **Framework**, define stress as a dynamic condition in which an individual is situated with an opportunity, constraints, or demands associated with what he desperately wants and produces [2]. Work stress has a negative effect on organizational commitment [5]. Employee compensation refers to all forms of remuneration to workers that arise from their employment [3]. Previous studies indicated that while work stress has a negative effect on organizational commitment, compensation and motivation have positive effect on organizational commitment. Compensation has a positive effect on organizational commitment [6]. Concluded that motivation has a positive effect on organizational commitment [7].

Hypothesis formulation: **Work Stress, compensation and motivation have a significant effect on organizational commitment.**

4. Methodology

Research Object is a company involved in food industry that produces snacks such as peanuts, wafer sticks, and potato chips.

Operationalizing Variables, argued that employees' commitment to their organization represents an individual's psychological bond to the organization which includes

work involvement, loyalty, and a feeling of trust in organizational values [1]. **Work Stress (X1)**, stress is a dynamic condition in which an individual is situated with an opportunity, constraints, or demands associated with what he desperately wants and produces [2]. Stress can be positive or negative, depending on the situation. **Compensation (X2)**, employee compensation refers to all forms of remuneration to workers that arise from their employment [3]. **Motivation (X3)**, motivation is the willingness of a person to exert high levels of effort to achieve some organizational targets, as conditioned by that effort to satisfy the needs of a number of individuals [4].

Sample Size Determination, the total number of employees that represents the sample size, is 200. Using Slovin's formula, a sample of 67 employees is obtained. **Data Collection Technique**, the primary data are obtained directly from the respondents as they fill in the closed-ended questionnaire. The questionnaire used a 5-point Likert Scale that ranges from one extreme attitude to another, like Strongly Agree to Strongly Disagree.

Data Analysis, Validity test is conducted to determine the extent to which the instrument measures certain concept that it supposed to measure [8]. It also intended to determine the consistency of what the instrument is measured over time [8]. Multiple Linear Regression analysis is then conducted to determine the extent of independent variables effect on dependent variables. The independent variables in this study are work stress (X1), compensation (X2), and motivation (X3) that will subsequently affect the dependent variable, that is organizational commitment (Y).

Hypothesis Testing, F-test is performed to test all independent variables included in the model that simultaneously affect the dependent variable. Partial T-test is performed to determine the effect of each independent variable on dependent variable formulated in terms of two hypotheses (H0) and (Ha) for null hypothesis and alternative hypothesis, respectively. Coefficient of determination is used to analyze an effect based on the coefficient of determination value that ranges from 0 to 1. Low R² value indicates the capacity of dependent variables (work stress, compensation, and motivation) in describing the dependent variable (organizational commitment).

5. Analysis and Discussion

Validity test is intended to determine how well the assessment instrument actually measures the concept of interest [8]. The higher the validity of an instrument, the more accurate it measures what it supposed to measure. Reliability test is intended to determine the consistency of

an instrument each time it is used in the same setting with the same type of subjects [8]. An instrument is reliable if it has a Cronbach's alpha value of $\geq 0,60$. Hypothesis testing conducted in the current research employed a multiple linear regression to determine the extent to which independent variables affect the dependent variable. The independent variables in this study are work stress (X₁), compensation (X₂) and motivation (X₃) that subsequently affect the dependent variable; organizational commitment (Y). The regression analysis can be expressed with the following equation:

$$Y = 1,424 - 0,167X_1 + 0,346X_2 + 0,262X_3 + e$$

The regression equation above can be described with a constant value of 1.424. This is the constant value of organizational commitment if (X₁, X₂, X₃ = 0) or the organizational commitment value, before being affected by the independent variables, was 1.424. The regression coefficient of work stress (X₁) is -0.167. This means that every 1% increase in employee work stress will reduce organizational commitment by 0.167. Likewise, if work stress reduced by 1%, the organizational commitment will increase by 0.167. The regression coefficient of compensation (X₂) is 0.346. This means that every 1% increase in commitment will increase the organizational commitment by 0.346. Likewise, if the compensation reduced by 1%, organizational commitment will also reduce by 0.346. The regression coefficient of motivation (X₃) is 0.262. This means that every 1% increase in motivation will also increases the organizational commitment by 0.262. Work stress, compensation, and motivation on affect organizational commitment by 0.798 or 79.8, while the rest 20.2% is explained by other variables not included in the model studied.

Work stress has a negative effect on organizational commitment as indicated by a partial significance test (t-test). The significance level of t-count (-2.443) and of α 0.017 is less than 0.05, thus H₀ is rejected and H_a is accepted. This means that work stress has a negative and significant effect on organizational commitment by 16.7%. **Compensation** has a positive effect on organizational commitment as indicated by a partial significance test (t-test). The significance level of t-count (4.707) and of α 0,000 is less than 0.05. This means that compensation has a positive and significant effect on organizational commitment by 34.6%. **Motivation** has a positive effect on organizational commitment as analyzed using a partial significance test (t-test). The significance level of t-count (4.098) and of α 0,000 is less than 0.05, thus H₀ is rejected and H_a is accepted. This means that motivation has a positive and significant effect on organizational commitment by 26.2%.

5.1. Discussion

The analysis of the arithmetic mean indicated that work stress among employees in the research object falls into low category. This can be seen from the analysis of means of the respective indicators. The mean value of workload is 2.38 (low). This indicates that employees in the production division felt that their workload is insignificant and they still have enough time to finish other job-related tasks, and that their job performance standard is not too high. The mean value of conflicts at work is 2.45 (low). This means that conflicts at the work place are quite rare. Such a conflict usually occurs when employees are in a competitive situation. The mean value of dual roles is 3.44 (high). This means that respondents are fully aware of the goals and objectives of their current job. They also knew exactly what they are expected from their current job and understand their workplace responsibilities. On the whole, the mean value of work stress among production employees falls into the moderate category. The mean value of financial compensation is 2.48 (low). Thus, the respondents perceived that is means that their current financial compensation remains low. The salary is considered as not commensurate with the overtime hours and that the employees are not satisfied with the bonus they received. Non-monetary compensation takes the forms of insurance and holiday or time-off. Based on the analysis, the mean value of non-monetary compensation is 3.12 (moderate). This means that non-monetary compensation deemed good enough by the employees.

Our partial analysis indicates that motivation has a positive and significant effect on organizational commitment. The mean value of the physiological needs is 2.65 (moderate) which means that employees of production division have a good motivation for the physiological needs. This indicates that employees the salary the received is sufficient to meet the basic needs, and that bonus payment is made in accordance with the terms of employee agreement. The mean value of safety is 2.78 (moderate). By safety we mean being protected from physical and emotional disturbances, and certainty that physical needs will continue to be fulfilled. This is realized through the provision of guaranteed welfare services for employees, such as health insurance. For that reason, the company provides a safe working environment for the employees. Social needs refer to the need to be loved or to love, the need for affiliating, and for being accepted by coworkers.

The mean value is 3.40 (moderate) which indicates that employees in production division are capable enough to work with co-workers. They also have the opportunity to participate in groups or work teams formed by the company. Similarly, in their work environment a

harmonious atmosphere is created between coworkers. The mean value of self-esteem is 3.09 (moderate) which means that employees in production division have a sense of internal self-esteem as autonomy and achievement, and external self-esteem factors such as status, acknowledgment, and attention. This shows that employees feel valued at work in accordance their work performance and they have the opportunity to lead groups or work teams and to convey their ideas. The mean value of self-actualization is 2.88 (moderate) which means that employees' growth and achievement, self-fulfillment, and desire to become what they want to be, has been facilitated by the company. The company has provided opportunities for employees to increase their potential, for self-fulfillment, self-improvement and to get promotion. Overall, the motivation of employees in the production division falls into moderate category. The mean value of affective commitment is 2.60 (low) which means that the employees in the production division remain unwilling to become part of the company. This may be because the employee does not have an emotional bond with the company. The mean value of continuance commitment is 2.64 (moderate). This means that employees in production division will continue to work because they still need the salary and benefits to survive while they have no other alternative jobs. The mean value of normative commitment is 2.88 (moderate). This means that employees adopted certain values that reflect awareness that commitment to company is something they ought to realize. On the whole, commitment falls into moderate category which means that employees in production division have moderate commitment to their company, with lower levels of intention to leave the company or organization.

6. Conclusion

Based on the analysis and discussion in the previous sections, the descriptive statistic described that work stress among employees, compensation, and work motivation fall into a moderate category. Organizational commitment falls into a moderate category. The analysis results of multiple linear regressions showed that:

Work stress (X1) has a negative and significant effect on organizational commitment (Y). The regression coefficient of work stress (X1) is -0.167 . This means that every 1% increase in employee work stress will reduce organizational commitment by 0.167.

Likewise, if work stress reduced by 1%, the organizational commitment will increase by 0.167. **Compensation (X₂)** has a positive and significant effect on organizational commitment (Y). The regression coefficient of

compensation (X₂) is 0.346. This means that every 1% increase in commitment will increase the organizational commitment by 0.346. Likewise, if the compensation reduced by 1%, organizational commitment will also will reduce by 0.346. **Motivation** has a positive and significant effect on organizational commitment. The regression coefficient of motivation (X₃) is 0.262. This means that every 1% increase in motivation will increase the organizational commitment by 0.262. Likewise, if motivation decreased by 1%, organizational commitment will also decrease by 0.262. From the F-test we can conclude that the three independent variables—work stress, compensation and motivation—have a significant effect on organizational commitment. The coefficient of determination is 0.798 or 79.8%. Organizational commitment can be explained by work stress, compensation and motivation, while the rest 20.2% can be explained by other variable(s) not included in the model studied.

7. Managerial Implications

Organizational commitment is the relative strength of an individual's identification with and involvement in a particular organization. Employees feel that they have to work harder and loyal to their company. Commitment is crucial to business enterprises because highly-committed employees will make it possible for companies to minimize the high cost of recruiting new employees to replace the previous ones. The commitment of employees in the object studied falls into a moderate category. This indicates that employees are committed to stay in their job because of a pleasant working environment. Support from coworkers also affects organizational commitment. Highly-committed employees resulted from lower stress level, good compensation plan, and strong motivation. The above three factors bring about employees' satisfaction. The analysis indicates that the company has provided the portion of work that matches employees' capacity, proper compensation for employees in the form of benefit or allowance. However, care must be taken by personnel department in order not to give low financial compensation to the employees.

8. Recommendation

The company studied in this research need to reevaluate it's compensation plan, especially financial compensation such as pay, salary, incentive, commission, and bonus to preserve high-commitment on the part of employees, as the latter consider that their compensation remains low. Future researchers may consider the results of this study as

additional reference that deals with the effect of work stress, compensation and motivation on employee commitment.

9. Limitations of the Study

We, the researchers, are fully aware that there are certain limitations in this study: the questions asked in our questionnaire are not readily understood by the respondents so that they affect the respondents' ability to answer. Future researchers can take qualitative research techniques, such as interview, into consideration to make it easier for the respondent to understand the questions.

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