ABSTRACT

Pebriani, Ike, 2014. THESIS. Title: “The Influence of Compensation on Organizational Commitment at Drink Water Local Company in Malang District”.
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Employees play important role for company progress. One reason behind the progress is compensation. Improper compensation may provoke company employees to behave negatively. Such behavior will decrease the employees commitment and later decrease their performance and harm the company. The objectives of the research are to find out the influence of compensation variable which consists of direct and indirect compensations such as salary, incentive, religious holiday allowances and health benefit, retirement benefit, spouse and children, rank benefit, income improvement benefit, and operational cost, on organizational commitment variable consisting of affective commitment, continuance commitment, and normative commitment; and also to figure out the most dominant compensation variable influencing the organizational commitment variable.

Data analysis techniques employ (1) validity and reliability test on questionnaire items, and (2) multiple linear regression test with regression modeling and hypothesis testing either simultaneously (F-test) and partially (t-test). The dominant variable is considered by classical assumption involving multicollinearity, heteroscedasticity, normality and linearity.

Based on simultaneous analysis (F-test) with 5% level of significance, direct and indirect compensations have a significant influence on organizational commitment. The variabel of compensation in this research is able to describe organizational commitment for 34.4% and the rest 65.6% are influenced by nonmodel factors. Based on partial analysis (t-test) with 5% level of significance, direct and indirect compensations have indirect influence on organizational commitment. The most dominant variable which influences organizational commitment is the variable of indirect compensation.