

## Compensation, Training and Development of Turnover Intention for Creative MSME Employees in Bandung City

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### ABSTRACT

Every MSME always expects their employees to have good working performance because having such qualified employees may provide optimal contributions for the organization. Besides, by having employees with good working performance, MSMEs can improve their business performance. The purpose of this research is to identify the influence of compensation, training, and development on the employee turnover intention. Using simple random sampling, questionnaires are distributed to employees of creative industries of MSMEs in Bandung. The method used for data analysis is descriptive-verification method with multiple regression model. The data processing is conducted by using the SPSS software version 27 for windows. The results of the research indicate that compensation has significant influence on the employee turnover intention, and so do the training and development. The two variables are able to provide contributions to the employee turnover intention of 77,3%, while the rest is influenced by the variables which are not investigated in this research.

Keywords: Compensation, Development, Practice of Human Resources Management, Training



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### INTRODUCTION

MSMEs are a form of micro, small and medium enterprises that exist in the community where this business was started on someone's initiative. MSMEs contribute to a significant increase in regional and government revenues in the form of Gross Domestic Product (GDP). Indonesia has 65.4 million MSMEs according to 2021 data, with 61% of their contribution to the economy, especially GDP, and 97% of employment only MSMEs. With these conditions, it will automatically have an impact on the number of MSMEs. In West Java, for example, based on data from the Bandung BUMN Creative House (2020), we found that MSME growth had decreased in various sectors. The number of SMEs involved is shown in Table 1 below:

**Table 1. MSME data for members of the Bandung BUMN Creative House, 2020**

Sector	2017	2018	2019	2020
Craft	38	134	167	40
Fashion	102	128	301	113
Industry	6	6	14	1
Service	47	68	104	31
Other	49	17	45	44
Food	196	263	376	135
Export Trade	185	2	0	1
Oil and Gas Trading	0	0	1	0
Non Oil and Gas General Trading	147	38	19	7
Fishery	1	0	2	1
Plantation	2	2	6	2
Farm	1	1	0	0
Agriculture	9	7	10	5
<b>Total</b>	<b>783</b>	<b>666</b>	<b>1045</b>	<b>379</b>

Source: Data Processed (2022)

Not only the decline in the number of MSMEs due to slowing economic growth during the pandemic, MSMEs still face several challenges, including the low quality of human resources, lack of entrepreneurial knowledge and skills, and economic constraints. is facing a problem. This has an impact on the low productivity and efficiency of SMEs. Moreover, the issue of the quality of the MSME workforce in Indonesia still needs to be significantly improved to increase its competitiveness, especially in the era of global competition. MSME human resource management is generally informal, relatively limited in the quality of knowledge and competence, and recruited on the basis of kinship, ignoring competence and level of education. The labor obtained is often not sufficient to meet the job requirements. Therefore, HR practices are needed to increase productivity and maximum performance. The existence of limited funds and lack of understanding of the importance of professional workforce management are the reasons why SMEs are unable to implement professional HRM practices. Mehmood et al, (2017) states that HRM practices are needed because the success of an organization has the quality of workers working in its organization. Furthermore, exit intention is an interesting topic in human resources (Iqbal et al., 2019).

Some researchers even argue that when the phenomenon of intention to leave occurs at a sufficiently high level, it has a negative impact on the organization (Whiteoak, 2007; Zhang & Feng, 2011). The emergence of employee turnover intentions is also supported by the results of preliminary research in this field conducted in the form of interviews with owners or employees of creative SMEs in Bandung, and they found that the employee turnover rate The reason for the dismissal of employees lies not only in the current pandemic situation, but also in the fact that the value of the compensation received has decreased. The same applies to training and further education, most employees do not have training or further education appropriate to their work and are only self-taught. Recruitment and selection also show that most people work for MSMEs, because they are owned by family, friends, or neighbors who are close to where they live. For more information, see the results of our first survey on HR management practices and turnover intentions in Table 2 below:

**Table 2 Initial survey of Turnover Intention**

No	Question	Answer	
1.	Does turnover intention occur (moving or leaving) because the compensation received is not appropriate/low?	70%	30%
2.	Is there turnover intention (moving or quitting) because you have never received training and development to improve your skills?	57%	43%

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3	Did the occurrence of turnover intention (moving or quitting) occur because you previously worked in this MSME because this MSME is family owned?	40%	60%
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Source: Data Processed (2022)

In addition, several previous findings have shown a correlation between HRM practices and levels of intention to leave (Cesário & Magalhães, 2016; Dasilveira, et al., 2020; Aburumman, et al., 2020). Although the dimensions used to measure the variables of HRM practice vary widely, Ali et al., (2014) use the practice of compensation, performance appraisal increases. Based on the research conducted on HRM practice, we found research gaps in determining the variables of HRM practice. Most of them use the dimensions of compensation, performance management, training and development, recruitment and sampling. In this case the award as compensation has a significant effect on turnover intention based on the research of Santhanam et al., (2016), Jahya et al., (2020), Ardiansyah et al., (2020), while education and development are significant on turnover intention according to Yang et al., (2012), Santhanam et al., (2016); and Jahya et al., (2020). Based on the discussion, it can be formulated, What is the effect of compensation on the turnover intention of creative MSME employees in Bandung?, Does training and development affect the turnover intention of creative MSME employees in Bandung?

### **Compensation**

Compensation helps improve employee performance. Compensation, also often referred to as remuneration, is identified with all kinds of rewards aimed at employees for their rewards or contributions to the company. Rewards are everything that is or is seen as a reward (Firmandari, 2014). According to Mulyadi (2016), in addition to improving employee welfare and employee motivation, rewards also increase employee productivity and help retain potential employees. According to Hasibuan (2012), things that affect the award include: 1. industrial capacity and readiness 2. workers' associations/workers' organizations; 3. production capacity of employees; 4. Regulations by government and executive orders; 5. cost living; 6. Employee status 6; 7. Education and work experience; 8. The state of the country's economy; 9. Type and nature of work; There are many indicators in influencing the amount of wages and rewards. so that it must be adhered to so that the principle of fair and reasonable remuneration can be better applied and satisfactory cooperation can be achieved.

### **Training and development**

Rapid advances in technology and knowledge force companies to improve employee performance in order to remain competitive in the business world. According to B. Siswanto Sastrohadiwiryo from Isnari Budiarti et al., (2018: 80), training is education in the broadest sense, especially in instructions, certain tasks and disciplines. Therefore, you need to learn how to do a certain task or job. Therefore, training is related to improving the skills and work capacity of employees, while development is related to the application process for personal and organizational improvement. To improve performance, employees must have good attitudes, skills and abilities. Hasibuan (2016) states that training and development is a process to improve work professional skills, technically or managerially. Widodo (2015), Training and development are all efforts to improve employee skills and knowledge through participation in training and learning as well as improving employee performance (Oktavian, Satriyawan, & Johan, 2022). Mangkunegara (2008) states that training and development has the following elements: a) Goals must be clear and measurable. b) Professional instructors who are fully qualified. c) The material is in accordance with the objectives to be achieved. d) training participants and (trainers) in accordance with the pre-planned requirements.

### **Turnover Intention**

The desire to change jobs is of interest to many researchers in psychology, management, and the workplace. This is in accordance with the research of Al-Dossary, Vail, and Macfarlane, (2012); Almalki, FitzGerald, and Clark, (2012); Simon, Müller, and Hasselhorn, (2010) in Alsaqri (2014).

Mobley (2011) states that the desire to change jobs is the result of an assessment of the continuation of the relationship with the company where the person works but has not taken action. Mathis and Jackson (2011) describe turnover intention as the process by which an employee leaves the organization and requires replacement. Turnover intention refers to when an employee leaves the company by firing, dismissing, firing, or suspending (Hom et al., 2012). The dimensions used to measure the desire to change jobs in this study are because neither theory nor previous research focuses on the dimensions of intention to leave work, only discussing perceptions or indicators in the form of items that are directly used to measure these intentions. While the measure for leaving the job consists of: Thoughts about leaving the organization, desire to find a new job, desire to leave the organization. The selection of dimensions considers the dimensions that are often used and the conditions of the research location. The dimension of leaving the network is still used by researchers such as previous studies by Khan (2016) and Hassan and Adnan (2016).

## **METHODS**

The research method used is descriptive verification, used in studying the population or sample using random sampling technique and collecting data through questionnaires. The data analyzed is quantitative or statistical and aims to test the established hypothesis (Sugishirono, 2018). The type of research used is associative explanatory study. If the research aims to determine the relationship between two or more variables. The unit of analysis of this research is creative MSME staff from Bandung, West Java. The population sample is focused on creative MSME workers in Bandung, West Java, amounting to 379 people. The minimum sample size can be determined using the Slovin formula (Sekaran & Bougie, 2016), so the sample size for this survey is 195 employees. The sources of this research are primary sources and secondary sources (Sugiyono, 2018). Primary sources are used based on the collected data obtained through observation, questionnaires, and interviews. Secondary data sources are not obtained directly from media related to companies or other parties (Paramita et al., 2021). Statistical processing method with multiple linear regression method using software (SPSS). Data processing using the SPSS application produces outputs in the form of normality, correlation, linearity, and multiple linear regression values.

## **RESULTS AND DISCUSSION**

Based on the data collected, the respondents to this survey are creative MSME workers in Bandung, West Java. For surveys distributed to 195 respondents, it was found that 100 surveys returned data that met the reprocessing requirements. Respondents that can be processed are considered sufficient to represent the population. This is supported by the statement by Sekaran and Bougie (2016) that sample sizes >30 and <500 are suitable for most studies. Similarly, Hair et al. (2010) suggested that the appropriate sample size should be 100-200 respondents. Gender Characteristics Respondents are known to be male (57%). In addition, the age group of 25 to 34 years (46%) is very large, and the highest educational background is indicated by the majority of employees having university education (54%), and the majority of working years being 1 year (52%).

Normality test is used in statistics to determine whether a population is normally distributed. Based on the results of SPSS processing from the data obtained, the normality test using the Kolmogorov-Smirnov test:

**Table 3. Kolmogorov Smirnov - Normality Test**

		Unstandardized Residual
N		100
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.41096709
Most Extreme Differences	Absolute	.165
	Positive	.165
	Negative	-.075
Kolmogorov-Smirnov Z		.873
Asymp. Sig. (2-tailed)		.201

Source: Data Processed (2022)

From this we can conclude that the regression experienced normality of the data.

### Multiple regression analysis

Below will present the results of multiple linear regression analysis as follows:

**Table 4. Multiple Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.234	.271		1,126	.020
X1	.224	.116	.341	3,138	.014
X2	.659	.112	.623	5,723	.020

Source: Data Processed (2022)

The following are the results of multiple regression analysis:

$$Y = 0,234 + 0,224 X1 + 0,659 X2 + e$$

### Coefficient of Determination

The coefficient of determination (R<sup>2</sup>) generated from the structural formula model which represents the magnitude of the influence exerted by the independent variable corresponding to each path of influence on the dependent variable shows the following results.

**Table 5. Coefficient of Determination**

Model	R	R Square	Adjusted R Square
1	.879a	.773	.759

Source: Data Processed (2022)

This shows the R<sup>2</sup> value of 0.773 based on the results of the certainty test above. This means that the dependent variable, the desire to change jobs, is explained by the independent variable, namely the variable of compensation and training and development. 77.3% and the remaining 22.7% is explained by other variables outside the research model.

### Model F test

According to Ghazali (2011), the goodness test is carried out to measure the accuracy of a sample regression function in estimating the true value statistically. The goodness-of-fit model can be measured by the value of the F statistic, which indicates whether all independent variables in the model have the same effect on the dependent variable.

**Table 6. Model F Test**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19,534	2	28,767	74,428	,000a
Residual	5,742	98	7,179		
Total	25,277	100			

Source: Data Processed (2022)

Based on the ANOVA table above, the value  $<0.05$  gives a significance of 0.000 which indicates that the hypothesis is accepted and the test model can be used for research.

The main purpose of this test is to show how much influence the individual independent variables have in explaining the dependent variable. The t-test was conducted to determine the partial effect of compensation and training and development on sales intention, by testing the significance and comparative value of p value for hypothesis acceptance, using a decision criterion of 0.05. Tested at the significance level.

**Tabel 7. t test Results**

Model	t	Sig.
(Constant)	1,126	0,020
X1	3,138	0,014
X2	5,723	0,020

Source: Data Processed (2022)

Based on the results above, the level of education has a significance of 0.014 which is greater than the p\_value of .050 so it can be concluded that the hypothesis is accepted, meaning that compensation has a positive effect on the desire to change jobs, as well as training and development which has a significance of 0.020 which is smaller than 0.05 so that it can be concluded that the hypothesis was accepted, meaning that training and development had a significant positive effect on turnover intention.

#### **Effect of Compensation on Turnover Intention**

The results of the study prove that there is a positive influence of compensation on turnover intention. This result states that there is support from previous research researched by Ali, et.al., (2014) that research was conducted on lecturers in Pakistan through the path analysis method that compensation has a negative relationship with turnover intention. Aburumman, et.al., (2020) research states that bank employees in Jordan using the PLS-SEM analysis method show that HRM practices in the form of compensation have a negative impact on turnover intention. Likewise, Ardiansyah, et.al., (2020) stated that Matahari Department Store internal employees through the SEM analysis method obtained compensation results that there was a direct negative effect on turnover intention. In general, the compensation for creative MSME employees in Bandung-West Java can be said to be good, as creative industry MSME employees in Bandung of course have rights such as compensation which is marked with Salaries or Wages, Bonuses, Incentives, Insurance, Allowances and Facilities. This can be taken into consideration in overcoming high turnover intention and decreasing turnover intention, so that it can prove that compensation and turnover intention have a significant relationship.

#### **Effect of Training and Development on Turnover Intention**

This study resulted in the results of training and development with turnover intention there is a positive influence between training and development with turnover intention. This is reinforced by previous studies by Aburumman et al., (2020) and Manthi et al., (2018) and different with research conducted by Cesário and Magalhães, (2016) that training and development have no effect on turnover intention. The results prove that the training and development of creative MSME

employees in Bandung-West Java is said to be good, so the training and development of creative MSME employees in Bandung-West Java can reduce the level of turnover intention.

## CONCLUSION

Based on the discussion, it is concluded that partially compensation and training and development have a positive influence on the turnover intention of creative MSME workers, and both simultaneously have an effect of 77.3%. This shows empirically that compensation as well as training and development are factors that need to be developed in increasing the ability of employees and reducing the level of turnover intention. Suggestions that can be expressed in this research are that MSMEs can communicate together about the compensation that will be given more in accordance with the expectations of workers and is supported based on the fulfillment of employee performance.

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