

CHAPTER I

INTRODUCTION

A. Background

The purpose of an organization is to achieve its goals. Business entity also has certain goals to be achieved. One of the most important goals in business entities is getting high profit. In order to do so, they must optimize their resources so that their business activities can operate properly and reach their profit target.

There are many resources within business entity such as capital or money, materials, machines, methods, and human resources. According to Al Qofiqi *et al.* (2016), a reliable human resource might have the most strategic role on the organization performance than the other resources. Human resource holds important part in a business entity. They are the ones who have responsibility to make plans and execute those plans so that the productivity and profitability can be higher. The business entities will optimize their efforts to have good human resources. They will make certain qualifications in recruiting employees. Then, they also give trainings to improve the skills of their employees. Besides, they also give compensation to their employees.

In a business, sometimes a company has to lose their employees. According to the data from “*Tiny Pulse*” on May 23, 2016, across the board, there is one out of four employees would resign from their company for a 10% raise, according to their Employee Engagement Report. Employees feel free to search and move to another company. Moreover, The United States Department of Labor through their Bureau of Labor Statistics stated that the median number of years that employees works for their current company dropped from 4.6 years in January 2014 into 4.2 years in January 2016. In Indonesia, according to the Salary Survey conducted by Mercer Talent Consulting and Information Solution in 2015, it is found that employee turnover rate from all industries in Indonesia is still high at 8.4% (Prahadi, 2015). The turnover rate in public accounting firm is also high. Based on the data from Inside Public Accounting in 2015 as cited by George and Wallio (2017), the turnover rate among the six largest accounting firms is high which is at approximately 17%.

Employee’s turnover intention has become a problem needed to be solved by the company. According to Tett and Meyer (1993), turnover intention was conceived to be a conscious and deliberate willfulness to leave the organization. Turnover intention can be defined as the intention of the individual within an organization to move out from the organization. Turnover intention is an initial sign from a person to stop working from the organization. Abbasii and Hollman (2000) classify turnover into two categories, voluntary and involuntary. Voluntary turnover happens when a

person resigns from the organization due to his or her intention. Meanwhile, involuntary turnover happens when a person is being fired by the organization.

On the other hand, turnover can be functional for a company when the people that move out are those who have bad performance. However, if the people who move out are those who have good performance, it will be a problem for the company. The company will lose its resources and need to recruit new human resource. This employee turnover will cost the company both in recruiting and training the new employee. When a person move out, it will influence the productivity of the company and also the working atmosphere within the others employees. Moreover, there is a possibility for the person who had moved out to be working for the competitor companies. If it happens, there might be a transfer of intellectual capital that becomes a threat towards the previous company. It can also attract the other employees to feel uncomfortable in the work place and want to follow leaving the company. Thus, it is crucial for a company to control the turnover within its organization.

There are many researches relate turnover intention with job satisfaction. Many of them use job satisfaction as the mediating variable between the independent variables and the turnover intention as the dependent variable. Karavardar (2013) examined the role of job satisfaction as intervening variable in the relationship of human resources management

practices with turnover intention. Chen *et al.* (2014) researched some factors influencing turnover intention including compensation satisfaction, work pressure, work satisfaction, and organizational commitment. They used both work satisfaction and organizational commitment as the intervening variable. Chhabra (2015) investigated the role of job satisfaction and organizational commitment as the mediating variable in the relation of person-job fit and turnover intention. Rubel and Kee (2015) researched the effect of compensation practices on turnover intention and using job satisfaction as the mediating variable. Al Qofiqi (2016) have a research about the influence of compensation both financial and non financial on the intention to leave by using job satisfaction as the mediatinng variable. Widayati and Yunia (2016) researched about the effect of compensation and organizational culture on turnover intention. Hudson *et al.* (2017) studied about the relationship between employees' assessment of corporate social performance (CSP), perceived person-organization fit, job satisfaction and turnover intention. Rohmawati *et al.* (2017) had reasearched on the effect of transformational leadership style and compensation on turnover intention by using job satisfaction as the mediating variable.

This research focuses on turnover intention and the factors that might trigger it among the auditors in public accounting firm. This study refers to Sharma and Nambudiri (2015) which is investigate about “Job-Leisure Conflict, Turnover Intention and the Role of Job Satisfaction as A Mediator: An Empirical Study of Indian IT Professionals”. They found that job-leisure

conflict significantly and positively influence the turnover intention. In addition, they also found that job satisfaction can negatively influence the turnover intention. Moreover, the job satisfaction also confirmed to mediate the relation between job-leisure conflict and turnover intention.

In the limitations of their research, Sharma and Nambudiri (2014) stated that there are several unmeasured variables that might have a role in the relationship between job-leisure conflict, job satisfaction, and turnover intention. Meanwhile, Widayati and Yunia (2016) stated that in order to minimize the turnover intention, company need to give attention on the human resource management policy especially in the compensation so that it can fulfill the need and expectation of the employees. A good compensation system will make employees feel that they are contributing in the organizational success and they are appreciated for their role. Sufficient compensation and benefits lead to the improvement of employee's satisfaction and organizational commitment, and also decreasing the number of turnover (Chew *et. al*, 2016). In the other hand, the lack of compensation within an organization will lead to employee turnover. Therefore, this research will study the relationship between compensation, job-leisure conflict, job satisfaction, and turnover intention.

Sharma and Nambudiri (2014) also suggest the future research to study in different industry so that it can bring different insight and give wider picture of the research questions. Hence, this paper performs research in

public accounting areas that also have high percentage of employees turnover. As what have been written above, the previous research is conducted in India. Therefore, there is a need to conduct similar research in different country so that it can bring a new findings either supportive or not. What being feel by the employees in India might be different with what being feel by the employees in Indonesia especially in the context of the leisure and compensation that they receive. Another reason to have the similar research in Indonesia is that because due to the extent to which the author to know, there have been no research investigating about the job-leisure conflict related with turnover intention in Indonesia.

B. Scope of the Problem

This research is conducted to attempt the influences of job-leisure conflict and compensation towards turnover intention. Following the previous research conducted by Sharma and Nambudiri (2014) and Rubel and Kee (2015), this research also uses job satisfaction as a mediating variable for those relationships. The research takes place in public accounting firms in Yogyakarta and Surakarta.

C. Research Questions

As what have been stated in the background of the study, it is important for a company to retain their employees. However, there is a problem about the high number of employee turnover. Thus, this research study about the factors that can affect the turnover intention of employees including job-

leisure conflict, compensation, and job satisfaction. The research questions for this study are listed below

1. How is the impact of job-leisure conflict toward job satisfaction?
2. How is the impact of compensation toward job satisfaction?
3. How is the impact of job-leisure conflict toward turnover intention?
4. How is the impact of compensation toward turnover intention?
5. How is the impact of job satisfaction on turnover intention?
6. How is the impact of job satisfaction in mediating the relationship between job-leisure conflict and turnover intention?
7. How is the impact of job satisfaction in mediating the relationship between compensation and turnover intention?

D. Objectives of the Study

The objectives of the research are

1. To attempt the impact of job-leisure conflict toward job satisfaction.
2. To attempt the impact of compensation toward job satisfaction.
3. To attempt the impact of job-leisure conflict toward turnover intention.
4. To attempt the impact of compensation toward turnover intention.
5. To attempt the impact of job satisfaction on turnover intention.
6. To attempt the impact of job satisfaction in mediating the relationship between job-leisure conflict and turnover intention?
7. To attempt the impact of job satisfaction in mediating the relationship between compensation and turnover intention?

E. Significance of the Study

The significances of the study are

1. This study contribute in developing the research about fators influencing turnover intention especially in the relationship between job-leisure conflict, compensation, job satisfaction, and turnover intention. Besides, it also bring new insight of social exchange theory which is stated that employees will recontribute the good deed of the employers.
2. Practically, this research can help company in solving their problem regarding the turnover intention within their company. This research will show how is the effect of job-leisure conflicit, compensation, and job satisfaction toward intention to turnover. The result of this study will show what factors that can affect the employees' intention to leave the company. By referring to that findings, employers can consider their obligation in order to retain their employees.