

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **A. Theoretical Framework**

Social exchange theory

Lawler (2001) stated that social exchange is a joint activity among two or more individuals who have other certain values. Social exchange might start from the fair treatment from the organization to the employees, continuing with the respond from the employees to reciprocate that organization's good deed (Aryee *et al.*, 2002). The social exchange theory as what has been explained by Blau (1964) as cited by Sharma and Nambudiri (2015) is a condition when the organization initiate to give discretionary positive action toward its employees and having expectation that the employee will reciprocate it in the form of greater loyalty. Thus, based on that theory, employees will repay the leisure time and the compensation that given by the organization with the better commitment to the organization and lower intention to quit.

#### **B. Previous Study**

There are several researches that investigating about turnover intention. Karavardar (2013) conducted research about the relationship of human resources management practices with turnover intention by using job satisfaction as the mediating variable. The research was taken on employees

who work in hazelnut industry in Giresun, Turkey. The first research finding is human resources management practices and job satisfaction can be essential predictors of employees' turnover intention. The second finding is job satisfaction partially mediate the relationship between human resources management practices and employees' turnover intention.

Rubel *et al.* (2015) have examined the relationship between employees' perceptions of high commitment compensation practices (a particular subsystem of High Commitment Human Resource Management Practices) and their turnover intention in the Ready-made garment (RMG) industry of Bangladesh. They also examined job satisfaction as mediator in the stated relationship. The results show that employees' perceptions of high commitment compensation practices (HCCPs) reduce the likelihood of their turnover intention. They also found that job satisfaction can mediate those relationship.

Al Qofiqi *et al.* (2016) conducted research about the influence of compensation on job satisfaction and turnover intention. They differentiate the compensation into two variables including financial and non financial compensation. The sample of their research is employees who work in Jatim Bank branch of Malang. Based on their research findings, they found that both financial and non financial compensation have significant influence towards job satisfaction, both financial and non financial compensation do not significantly affect the employee intention to leave, and job satisfaction has significant effect against the employee intention to leave.

Rohmawati (2017) researched the influence of transformational leadership and compensation on turnover intention by using job satisfaction as mediating variable. The results showed that the style of leadership and compensation proved positive and significant impact on job satisfaction of employees. Transformational leadership and compensation proved a significant negative effect on the intensity of the employee turnover. Job satisfaction is shown to mediate the effect of leadership style and compensation for the partial turnover intensity.

Lauren (2017) also researched about the influence of compensation and organizational commitment on turnover intention. She used job satisfaction as the mediating variable in the research. She found that compensation significantly influence on job satisfaction and turnover intention. She also found that organizational commitment significantly influence on job satisfaction and turnover intention. Moreover, the job satisfaction also has significant influence on the turnover intention.

Kusumaningrum *et al.* (2017) conducted research about the effect of compensation, career development, and a comitment on work-life satisfaction and intention to leave. Their sample is employees in sewing department in PT Semarang Garment. According to their research findings, the compensation, career development, and a comitment can influence the employees' work-life satisfaction and intention to leave the organization.

### C. Definition of Variables

Here are definitions for each variables referring from some researchers:

#### 1. Job-leisure conflict

Leisure is the times when a person can do recreational activities such as his/her hobbies or other activities other than his/her duties related with work. Sharma and Nambudiri (2015) stated that work-leisure conflict is a condition when an employee feels the work spillover into required leisure time. Tsaur *et al.* (2012) stated that there is increase in wealth and freedom of a person to enjoy leisure activities in recent years due to the industrialization and computerization. The increase of the leisure needs affect in the emergence of conflict between leisure values and work values among this contemporary society.

#### 2. Compensation

Rubel and Kee (2015) defines compensation as the benefits given by the organization to the employees in order to compensate the resources that have been sacrificed by the employees such as the time, effort, and knowledge that they have. Meanwhile, Thaief *et al.* (2015) define compensation as something which is received by the employees in return for their contribution to the company.

#### 3. Job satisfaction

Chen *et al.* (2014) defines job or work satisfaction as subjective awareness of a person and his/her attitude on work. Furthermore, in their

research, they interpret job satisfaction as subjective judgment of an individual toward his/her job. Job satisfaction is an attitude or behavior which are individual, each individual has his own judgment to his job (Al Qofiqi, 2016).

#### 4. Turnover intention

Turnover intention or also referred as turnover tendency or turnover plan is an employees' behavioral tendency to attempt to leave their organization, which may lead to actual turnover (Chen *et al*, 2014). According to Sharma and Nambudiri (2015), turnover intention is the desire of an employee to quit from the organization.

### **D. The Relation among Variables and Hypotheses Development**

#### 1. The relation between job-leisure conflict and job satisfaction

The negative experience that a person obtained during the formal paid work system can be healed by leisure activities (Sharma and Nambudiri, 2015). It is important for employees to have leisure time so that they can refresh their mind through doing their hobbies or recreational activities. The existence of leisure time will provide opportunity for employee to express their individuality that lead to the improvement of work affinity and then resulting greater job satisfaction (Sharma and Nambudiri, 2015).

When the employees obtain enough time for their leisure activities, it means they have less job-leisure conflict. If the organization give enough attention for the employees to spend their recreational activities (less job-leisure conflict), the employees will feel satisfied with their organization or

in other word the more their job satisfaction. According to Sharma and Nambudiri (2015), job-leisure conflict is negatively influence job satisfaction. Therefore, it can be formulated that:

H1: Job-leisure conflict will give negative effect on job satisfaction.

## 2. The relation between compensation and job satisfaction

Compensation might be become the reason among employees to feel satisfied or unsatisfied with their job. One of the factor that a person decide to work in certain workplace is that the amount and system of compensation. A person will decide to work here instead of other places might because this place offers higher compensation to him/her. Thus, when he/she become the employee, he/she will feel satisfied with current job if the compensation is good. In the other hand, if employee find that the compensation is not correspond with their expectation, employee will feel unsatisfied with the job.

The study conducted by Rubel and Kee (2015) showed significant positive relationship between high commitment compensation practices toward job satisfaction. Besides, Chen *et al.* (2014) found that satisfaction with the compensation can impact the satisfaction toward job. In addition, Nawab (2011) also found that compensation can positively influence the job satisfaction. From those research findings, it can be formulated that:

H2: Compensation will give positive effect on job satisfaction.

### 3. The relation between job-leisure conflict and turnover intention

Leisure time is useful for employees to heal their stress because of work. However, if employees get high workload, it might make them spare most of their time to do their job. Moreover, it will interfere their leisure time. Thus, they will lose their opportunity to do recreational activities, doing their hobbies, or meeting with their friends. This could make them feel uncomfortable and try to find another job in other places.

Zao and Rashid (2010) have found that job-leisure conflict is negatively related with retention. Moreover, Sharma and Nambudiri (2015) also studied the relationship between job-leisure conflict and turnover intention that result on significant positive relationship between both variables. Thus, it can be formulated that:

H3: Job-leisure conflict will give positive effect on turnover intention.

### 4. The relation between compensation and turnover intention

Compensation could be the one of the considerations for a person to be employee in certain organization. Compensation also become one of the topic discussed in job interview with the employer. When an employee feel that his/her compensation is not in line with his/her expectation, it might trigger him/her to quit from current job and search for a new job that offers higher compensation.

Study that has been conducted by Rubel and Kee (2015) revealed that the perception of employee about high commitment compensation practices can lower down the likelihood of their turnover intention. Moreover,

according to studies conducted by Widayati and Yunia (2016), compensation negatively influence the turnover intention. Hence, the hypothesis is:

H4: Compensation will give negative effect on turnover intention.

#### 5. The relation between job satisfaction and turnover intention

Satisfaction toward salary, promotion, coworkers, superiors, and office environment will producing satisfaction toward job. When the employees feel satisfy with the job, they will have intention to stay in current job. In other word, when thee are satisfied with the job, they won't have intention to move to another organization.

Study conducted by Sharma and Nambudiri (2015) revealed that there is significant negative relationship between job satisfaction and turnover intention. According to Chen *et al.* (2014), the higher the job satisfaction, the lower the turnover intention. Rubel and Kee (2015) also found that job satisfaction is negatively influence turnover intention.

Based on those literature findings, the following hypothesis is formulated:

H5: Job satisfaction will give negative effect on turnover intention.

#### 6. The relation between job-leisure conflict, job satisfaction, and turnover intention

Previous studies found that job satisfaction can mediate the relationship between job-leisure conflict and turnover intention. Sharma and Nambudiri (2015) found that job satisfaction plays mediating role in the



relation between job-leisure conflict and turnover intention. According to those researchers, the social exchange theory suggest that employee who receive enough leisure time or recreational activity will tend to have feelings of obligation to achieve organization level goals. Furthermore, they also stated that if organization can lower down the job-leisure conflict of the employees, then the employees will tend to repay that benefit by retaining with the organization. When employer give enough leisure time for employees to refresh their mind (low job-leisure conflict), employees will feel satisfied with their job. By feeling satisfied with the job, employees will not have intention to quit from current job. Thus, it can be formulated that:

H6: Job satisfaction will mediate the relationship between job-leisure conflict and turnover intention.

#### 7. The relation between compensation, job satisfaction, and turnover intention

Compensation is one of the reason for a person to work. By doing certain job, someone will expect to get certain compensation. When employer compensate the work of employees in appropriate system and amount, it will make employees feel satisfied with their job. In other hand, if the compensation is not in line with the need and expectation of employees, it will make them unsatisfied with the job. The satisfaction toward job will trigger them to stay in current, but the unsatisfaction toward job can trigger them to search for new job that could give them higher job satisfaction.

According to Rubel and Kee (2015), job satisfaction can mediate the relationship between high commitment compensation practices and the turnover intention among the Ready-made garment industry of Bangladesh. In addition, Kusumaningrum *et al.* (2017) found that compensation can influence turnover intention through work life satisfaction. Thus, earlier research can help formulate this hypothesis:

H7: Job satisfaction will mediate the relationship between compensation and turnover intention.

### E. Research Model

The model of this research is as follows:

