

The Effect of Career Development, Compensation, and Organizational Justice on Intention to Quit in Insurance Company X

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Abstract

This research aims to determine the influence of career development, compensation, and organizational justice on the intention to quit a company. The samples that we used are the employees of Insurance Company X (Head Office), with a total of the samples, are 50 respondents from 4 divisions. The data processing technique used to determine the relationship between those four variables uses multiple linear regression analysis. The conclusion of this research showed a significant influence between career development, compensation, and organizational justice towards the intention to quit Insurance Company X.

Keywords

Career Development, Compensation, Organizational Justice and Intention to Quit.

1. Introduction

The world economy is currently experiencing a very significant increase. This is because the consumption of the world community continues to increase, resulting in primary and secondary needs also increasing, especially the needs of people in Indonesia, one of which is the health sector. At present, Indonesian society is increasingly paying attention to individual and family health problems. This encourages people to get health services. Many health services exist, one of which is insurance.

According to the Financial Services Authority (OJK), the number of insurance companies that have business licenses to operate in Indonesia as of December 31, 2016, is 383 companies. The number consists of 146 insurance

and reinsurance companies and 237 insurance business supporting companies (not including Actuarial consultants and Insurance Agents).

Based on the Financial Services Authority (OJK) data, the life insurance industry grew by double digits until the third quarter of 2017. In total, life insurance premium growth up to September 2017 grew by 37.76% to Rp 131.84 trillion. Meanwhile, in terms of investment returns in 2017, the life insurance industry has recorded growth of 32.85 or Rp 30.73 trillion. In terms of assets, the life insurance industry recorded an increase of 26.28% to Rp 486.5 trillion until the third quarter of 2017.

According to Hendrisman Rahim, Chairperson of the Indonesian Life Insurance Association (AAJI), in addition to improving macroeconomic conditions in Indonesia, the growth of the performance of the insurance industry is also affected by programs from the regulator (OJK), one of which is the financial inclusion movement that provides education to the public regarding information, products and financial services, one of which is insurance.

The growth experienced by Insurance Company X is obtained from the contribution of various products grouped into four business lines, namely individual products, bancassurance products (in branch sales), microinsurance products, and bundled products. In addition, the growth experienced by Insurance Company X is also encouraged by employees who apply the company culture well.

Insurance Company X the past three years experienced a growth of 6% in the period 2015 to 2016, from Rp 2,419,916,000,000 in 2015 to Rp 2,554,471,000,000 in 2016 (Annual Report of Insurance Company X, 2016) as can be seen in Figure 1 below:

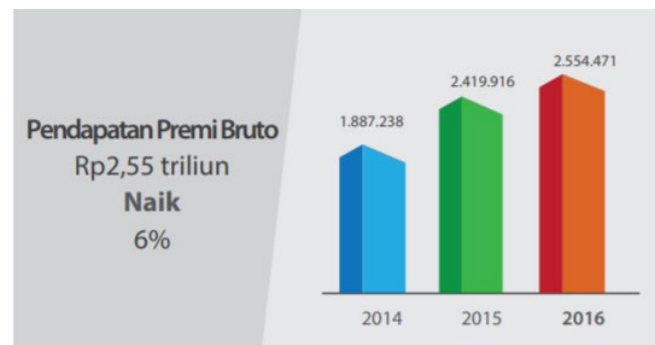


Figure 1. 2014-2016 period premium

After interviewing with the company, the factors that caused an employee to leave the company were unfairness in the promotion of the employee's position. In addition, career development can be concluded that there is a long and slow time to get a promotion, so many employees tend to look for other opportunities outside of Insurance Company X and the level of compensation for employees in the company can be said not in accordance with employee expectations.

The following is data on the number of Insurance Company X for the past three years (Table 1):

Table 1. Turnover data

Year	Number of employees end of the year	Number of employees resign	Turnover percentage rate
2015	422	15	3,5%
2016	432	44	10,18%
2017	483	47	9,73%

Based on the data table results above, it can be concluded that there are indications of employee turnover from 2015. There were 3.5% of employees resigned from the total employees in the company. In 2016, where another insurance company, BL, was acquired by Insurance Company X there were 10.18% and in 2017 there were 9.73% of employees who resigned from the company. The main problem occurred at Insurance Company X for the past two years, which is a significant employee turnover. The cause of this turnover is believed to be caused by several things, including injustice in the promotion of employee positions, mismatch in terms of compensation, and organizational justice that is less balanced. This causes the existence of employees who resign from the company. Therefore, we take the title "Effect of Career Development, Compensation and Organizational Justice on Intention to Quit at Insurance Company X".

2. Literature Review

2.1 Career Development towards Intention to Quit

According to (Marwansyah 2012), career development is self-development activities by someone to realize his personal career plan. According to Adi Wibowo and Erni Masdupi, the research results on the Effect of Job Satisfaction, Compensation and Career Development on the Intention to Quit Employees of PT. XYZ Bank Syariah Mandiri in the Padang Branch. According to Adi Wibowo and Erni Masdupi in the results of the research on the Effect of Job Satisfaction, Compensation, and Career Development on Bank Mandiri employees' intention to quit is to analyze and understand the theoretical framework and models related to their influence on intention to quit and on the basis of processing the evidence of the relationship. This study provides a brief review of the literature on the effect of compensation and career development on the intention to quit among Bank Syariah Mandiri employees. Based on the above literature and research, the following hypotheses can be proposed:

Hypothesis 1: Career development

Hypothesis 1: Career development influences Intention to Quit

2.2 Compensation for Intention to Quit

According to (Hasibuan 2012), compensation is all income in the form of money, direct and indirect goods received by employees in return for services provided to the company. According to (Francoeur et al. 2017) in the results of the research "Green or Greed? An Alternative Look at CEO Compensation and Corporate Environmental Commitment", the Journal of Business Ethics is to analyze and understand the framework theoretical and models related to their influence on employee work commitments and on the basis of processing the evidence of the relationship. This study briefly reviews the literature on green companies paying their CEO compensation less than non-green companies. Based on the literature and research above, the following hypotheses can be proposed:

Hypothesis 2: Compensation affects the I

Hypothesis 2: Compensation affects Intention to Quit

2.3 Organizational Justice against Intention to Quit

(Griffin and Moorhead 2011) state that organizational justice is an individual's perception of the fair treatment given by the organization to employees. Organizational justice is an important phenomenon that has been introduced in organizational studies. According to (Aramide and Aderibigbe 2014), the results of the study of Organizational Justice, Perceived Inequality and Job Redesign as Predictors of Intent to Quit among Bankers in Nigeria. According to Olufemi K. Aramide and John K. Aderibigbe in the results of the study of Organizational Justice, Perceived Inequality and Job Redesign as Predictors of Intent to Quit among Bankers in Nigeria is to analyze and understand theoretical frameworks and models related to their influence on intention to quit and on the basis of processing proof of relationship. This study provides a brief review of the literature on the effects of organizational justice, injustice and work design on intent to quit in several bankers in Nigeria. Based on the literature and research above, the following hypotheses can be proposed:

Hypothesis 3: Organizational Justice influences Intention to Quit

2.4 Career Development, Compensation, and Organizational Justice against Intention to Quit

According to (Sunyoto 2012) career development is identifying and taking steps to achieve his career. According to (Hasibuan 2012) compensation is all income in the form of money, direct and indirect goods received by employees in return for services provided to the company. (Griffin and Moorhead 2011) state that organizational justice is an

individual's perception of the fair treatment given by the organization to employees. According to Adi Wibowo and ErniMasdupi in the results of the research on the Effect of Job Satisfaction, Compensation, and Career Development on Bank Mandiri employees' intention to quit is to analyze and understand the theoretical framework and models related to their influence on intention to quit and on the basis of processing the evidence of the relationship. This study provides a brief review of the literature on the effect of compensation and career development on the intention to quit among Bank Syariah Mandiri employees. Based on the literature and research above, the following hypotheses can be proposed:

Hypothesis 4: Career Development, Compensation, and Organizational Justice affect the Intention to Quit

3. Research Methods

The research methodology used in this study uses associative research methods. The type of data used in this study is quantitative and qualitative, and the sources of data used are primary and secondary data. In this study, the data were analyzed using simple regression analysis and multiple regression with the help of the SPSS (Statistical Product and Service Solutions) program 20. For windows. The data collection technique was carried out by distributing questionnaires to the employees of Insurance Company X. The sampling technique uses saturated sampling (census). The indicators in this study can be seen in table 2.

Table 2. Variables and indicators of assessment

NO	Variable	Indicator
1	Career development (Marwansyah 2012)	Fair, objective, rational treatment. The involvement of their direct superiors in each other's career planning provides feedback to the employees. Have access to information, a flexible approach.
2	Compensation (Hasibuan 2012)	Direct finance: - salary - Wages - incentives Indirect financial: - Employee performance - Supporting facilities
3	Organizational Justice (Griffin and Moorhead 2011)	Distributive justice Employees' perceptions of the distribution of benefits and other valuable results in the organization Procedural Justice Individual perception of the fairness of the process used to determine various outcomes Interactional Justice The degree to which an individual is treated with dignity, attention and respect by the organization
4	Intention to Quit (Robbins and Judge 2015)	- The desire to find new jobs in different fields in other companies - The desire to find a new profession - The desire to find a new job in the same field in another company.

4. Results

The study results are seen from the simple regression and multiple regression tests. The regression test results from the Career Development (X1) variable test against Intention to Quit (Y) use simple regression. Similarly, Compensation (X2) for Intention to Quit (Y) and Organizational Justice for Intention to Quit (Y) are both using simple regression. Furthermore, to find out the regression test of the Career Development (X1), Compensation (X2)

and Organizational Justice (X3) variables against Intention to Quit (Y) using multiple regression. The results of data processing using SPSS software version 20 (Table 3).

Table 3. Test results of simple regression test and multiple regression

Variable	Effect	Regression Equation	Information
$X1 \rightarrow Y$	49,4%	$Y = 2,217 - 0,797X1$	Significant
$X2 \rightarrow Y$	68,4%	$Y = 3,126 - 0,915X2$	Significant
$X3 \rightarrow Y$	70%	$Y = 1,293 - 0,151X3$	Significant
$X1, X2, X3 \rightarrow Y$	73,4%	$Y = 0,446 - 0,131X1 - 0,136X2 - 0,028X3$	Significant

5. Discussion

5.1 Career Development Discussion Analysis (X1)

Based on the processing of the average value of the statement on the Career Development variable that has been distributed to 50 respondents at Insurance Company X shows the lowest average number found in the 5th statement item, "My satisfaction level with the company has been fulfilled", with an average value of 2.64. The items are based on the dimensions of career development with satisfaction level indicators. After conducting interviews with employees, it was found that this happened because the company lacked training in accordance with the competencies needed by the employees. In addition, stagnant career paths are also one aspect that causes employee satisfaction with the company to be very low. The highest value of this variable is in the 4th question item with the statement "I am interested in being promoted", with an average value of 4.28. The statement is based on the dimensions of career development, with indicators of interest being promoted. This is because of employees' enthusiasm to get a good career path. From the Career Development questionnaire results, it was found that the average value of career development was 3.092.

5.2 Compensation Discussion Analysis (X1)

Based on the processing of the average value of the statement on the Career Development variable that has been distributed to 50 respondents at Insurance Company X shows the lowest average number found in the 2nd statement, which is "Wages earned are in accordance with your expectations", with an average value of 2.16. The statement is based on the dimensions of compensation with wage indicators. After conducting interviews with several employees, it can be concluded that the wages provided by companies are somewhat less satisfying compared to similar companies. In addition, the difference between wages and salaries between positions is quite different. The highest value of this variable is in the 5th question item with the statement "supporting facilities in the company are adequate", with an average value of 2.98. This statement is based on the dimensions of compensation with indicators of indirect financial compensation. This is because the workspace and company facilities are getting better. This is because the company revitalizes its workspace and facilities at the head office. From the Compensation questionnaire, the average compensation result is 2.488.

5.3 Analysis of Discussion on Organizational Justice (X3)

Based on the results of questionnaire processing that has been distributed to 50 respondents in Insurance Company X shows the lowest average value in the organizational justice variable contained in the first item with the statement "the distribution of benefits has been distributed fairly", with a value of 2.9. The statement is based on the dimensions of organizational justice with indicators of interactional justice. This is because employees feel the difference in rewards received is not in accordance with the portion worked. In addition, the portion of work of field employees with employees who work in offices is different, but the salary and wages provided by the company can be the same as workers in the office and can even be greater than the value of wages received by field employees. That is because field employees work depending on available field activities. The highest value of this variable is in the 3rd question item with the statement "attention given by the organization in accordance with expectations", with a value of 3.12. The statement is based on the dimensions of organizational justice with indicators of interactional justice. According to the interview results those researchers got from several employees at Insurance Company X, they feel that the company is very concerned about all employees, so they feel there is no difference in the attention given by the company to its employees. From the organizational justice questionnaire, the average organizational fairness is 2.98.

5.4 Analysis of Discussion on Intention to Quit (Y)

Based on the results of processing the questionnaire that was distributed to 50 respondents to Insurance Company X, found that the lowest value in the intention to quit variable is found in item 1 with the statement "the type of work now makes me bored", with a value of 2.9. The statement is based on the dimension of intention to quit with an indicator of the mind to stop. After conducting interviews with several employees, it was found that the cause of the statement was of low value because at Insurance Company X employees have new jobs every day where the work is a target that employees must complete. The highest value of this variable is found in item 17 with the statement "The opportunity in another company is so great that I wish to leave my current company", which is worth 3.44. The statement is based on the dimensions of intention to quit with indicators looking for other companies. That is because many employees compare compensation in other companies where the company provides better compensation with the same position as employees in Insurance Company X. From the Intention to quit questionnaire, the average value of 3.235 was obtained.

5.5 Implications of Research Results

5.5.1 Effect of Career Development on Intention to Quit

Career Development has an effect of 49.4% on Intention to quit at Insurance Company X and the remaining 50.6% are influenced by other factors not examined in this study. Career development and intention to quit have a strong and unidirectional relationship.

5.5.2 Effect of Compensation on Intention to Quit

Compensation has an influence of 68.4% of the Intention to quit at Insurance Company X and the remaining 31.6% are influenced by other factors not examined in this study. Compensation and intention to quit have a strong and unidirectional relationship.

5.5.3 Influence of Organizational Justice against Intention to Quit

Organizational Justice has a 70% influence on Intention to quit at Insurance Company X and the remaining 30% are influenced by other factors not examined in this study. Organizational Justice and Intention to quit have a strong and unidirectional relationship.

5.5.4 Effects of Career Development, Compensation and Organizational Justice on Intention to Quit

Career Development, Compensation and Organizational Justice has an influence of 73.4% of the Intention to Quit at Insurance Company X and the remaining 26.6% is influenced by other factors not examined in this study. Career development, compensation, and organizational justice towards the intention to quit have a strong and unidirectional relationship.

6. Conclusions

Career Development has a strong and significant effect on the intention to quit at Insurance Company X. Compensation has a strong and significant effect on the intention to quit at Insurance Company X. Organizational Justice has a strong and significant effect on the intention to quit at Insurance Company X, and Career Development, Compensation, and Organizational Justice have a strong and significant influence on the intention to quit at Insurance Company X.

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Biography

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