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## Conceptual Model of Compensation as Organizational Commitment and Job Satisfaction in Manufacturing Company

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### **Abstract**

The research uses a literature review approach to investigate factors that influence innovative behavior in the startup environment. Through the analysis of various criteria, such as age, gender, educational level, professional experience, and corporate culture, the study aims to understand how individual characteristics and the organizational environment influence employee innovation in the context of startups. The findings of this study show that innovative behavior tends to appear in young startups and in the process of self-development. However, as we age, innovation may become less popular because of the perception that the younger generation is better suited to lead change. The importance is stressed that gender does not have a significant influence in determining innovative behavior; job performance is not always gender-related. On the contrary, a person's educational level and creative approach to work play an important role in inventive behavior. Ethnicity, on the other hand, does not significantly affect inventive behavior. Organizational culture proves a vital role in supporting innovative behavior. Building a culture that promotes creative thinking and the development of new products is an important factor. Job satisfaction also affects inventive behaviour; employees are more likely to innovate in companies that nurture a culture of innovation and prioritize job satisfaction. Leadership plays a key role in promoting innovative behavior. Leaders who motivate employees with their own example of innovation can inspire others. Therefore, in order to foster innovative behaviour in startups, it is important to consider human factors and create a culture that supports innovation. Developing an innovative culture can be an important strategy in facilitating the growth and success of a startup business.

**Keywords:** *Compensation and Job Satisfaction; Organizational Commitment; Manufacturing Companies; Compensation Strategy; Compensation Relationships*

### **Introduction**

Human resources play a very important role in an organization, as one of the driving factors determining the success of a company. The most important resource for a company or organization is human resources, namely people who have provided employee energy, talent, creativity and effort to the organization. Every company will look for employees with good performance and loyalty to the company where they work. For this reason, the Company encourages the achievement of good performance by providing appropriate compensation.

Organizational commitment is one of the basic capital that must be created by superiors to be used to achieve organizational goals. If an organization is run without commitment, then organizational goals will be difficult to achieve. Growing commitment in an organization is important because commitment is related to performance (Ramadhani & Rahardjo, 2017) . Organizational commitment according to Murty and Hudiwinarsih (2012) can be interpreted as identification, loyalty and involvement expressed by employees by the organization or unit of the organization (Ramadhani & Rahardjo, 2017) .

Job satisfaction is the feeling of pleasure that employees feel about their work in an organization or company. Companies that pay little attention to the job satisfaction of their employees can create feelings of dissatisfaction for employees, thereby reducing the level of employee organizational commitment and causing them to not want to contribute to the company and leave the company. Job satisfaction itself and organizational commitment can be explained through Justice Theory. According to Robbins & Judge, explains that Justice Theory is an employee's feeling of satisfaction with the justice they feel which makes employees want to stay in the organization (Robbins & Judge, 2015) .

The factor that influences organizational commitment and job satisfaction is compensation. Providing fair compensation is one of the influential factors in increasing organizational commitment and employee job satisfaction. Compensation includes all forms of payment received by employees arising from employment relationships. Research conducted by Fuuny and Oey revealed that compensation can encourage employee job satisfaction (Ramadhani & Rahardjo, 2017) .

The purpose of this research is to build an understanding of the impact of employee compensation on organizational commitment and job satisfaction in a manufacturing company. Increasing organizational commitment is an important element because it will result in higher employee commitment, increase retention and they will perform better. Identifying the impact of employee compensation in manufacturing companies will help organizations to foster organizational commitment and increase employee satisfaction levels. This research also aims to develop actions for companies to produce job satisfaction so that they can retain employees in their company.

## ***Theoretical Review***

### **Compensation**

One way for management to improve work performance, motivate and improve employee performance is through compensation (Ramadhani & Rahardjo, 2017) . According to Ivancevich (2010) explains that "compensation is a personnel function which includes forms of appreciation given to an employee as a form of reciprocity for the results of work in the Company". Compensation can be defined as a form of appreciation given to employees as remuneration for the contributions that employees make to the organization (Ivancevich et al., 1990) . Compensation is divided into two, namely direct compensation and indirect compensation. "Direct compensation can include compensation, allowances, bonuses and incentives. Indirect compensation includes health insurance, pension, social security and others" (Santoso & Ronny, 2016) .

Compensation plays an important role in determining employee organizational commitment. A high compensation package will tend to retain employees because employees are more satisfied with the existing compensation so that employees are committed and loyal to the organization. Daniel (2019) also found that by providing compensation, employees feel appreciated and fulfilling employee needs and desires will make employees act in a positive way, increasing productivity and loyalty. This is in accordance with social exchange theory which states that when employees are happy with the rewards given by the organization (rewards for their efforts) then the employee will reciprocate by developing a positive attitude towards the organization such as a higher level of commitment (Handoko, 2011).

## Organizational Commitment

Luthans (2010) defines organizational commitment as an attitude that reflects employee loyalty to the organization and is a continuous process in which organizational actors express concern for the organization and the desire for the organization to continue to prosper and achieve success. The factors that form organizational commitment (Sopiah, 2008) are: Affective commitment, which occurs when employees want to be part of the organization because of an emotional or psychological bond with the organization. Continuance commitment arises when an employee remains with an organization because he needs compensation and other benefits, or the employee cannot find another job. Normative commitment arises from the employee's self-value. Employees remain members of an organization because they have the awareness that commitment to the organization is something that must be done (Ramadhani & Rahardjo, 2017).

Colquitt, Le Pine, and Wesson (2011) state that "organizational commitment is an employee's desire to remain a member of an organization". "Organizational commitment is the strength of employee involvement in a company." Employees who stay with a company for a long period tend to be much more committed to the company than employees who work for a shorter period.

According to Handoko (2011:75) states that organizational commitment is a high level of responsibility or willingness to carry out tasks or work. In other words, organizational commitment is the level of trust and acceptance of employees towards the goals of the organization and their desire to remain in the organization. According to Mas'ud (2012:123) the variable organizational commitment can be measured through the following indicators: work responsibility; work discipline; willingness to improve work performance; concern for the Company; emotional attachment to the Company; love for the Company; pride in being an employee of the Company.

## Job Satisfaction

Newstrom (2007) defines "job satisfaction as feelings and emotions as employees' views about their work, whether it is pleasant or unpleasant". "Job satisfaction is an affective attitude of a feeling about whether you like or dislike a job. Job satisfaction also has an important role for employees in self-actualization. Employees who do not feel job satisfaction cannot reach a mature psychological level" (Syukur & Ilyas, 2018).

Job Satisfaction (job satisfaction) is termed as a positive feeling about a person's job which is the result of an evaluation of its characteristics (Robbins, 2009: 107). Indicators of job satisfaction according to (Robbins, 2009: 107) are satisfaction with the job itself; satisfaction with Compensation / payment; satisfaction with promotional opportunities; satisfaction with superiors.

## Research Methods

This study uses a literature review research methodology. This methodology can be broadly described as a more or less systematic way of collecting and synthesizing previous research (Tranfield et al., 2003). The literature method is a series of activities relating to methods of collecting library data, reading and taking notes, and managing research materials (Zed, 2008:3)

During the search, several studies were found that specifically discussed employee compensation on organizational commitment and job satisfaction in manufacturing companies. It is important for the author to link studies that have discussed employee compensation to organizational commitment and job satisfaction in manufacturing companies, and knit them into a single unit that can become a recommendation for founders of manufacturing companies in Indonesia.

## **Result and Discussions**

### **Compensation Concept**

In general, the aim of compensation management is to assist an organization in achieving the organization's strategic success goals while ensuring the establishment of internal and external justice. By analyzing how different jobs in the market are compensated compared to each other, external fairness ensures that all jobs will be paid fairly. These goals sometimes compete with each other, requiring compromise (Mujanah, 2019) .

Apart from that, the interests of workers and the interests of the government or society are also the objectives of providing compensation. To ensure that compensation objectives are met and that all parties involved are satisfied with the arrangement, compensation programs should be designed with internal and external consistency, as well as fairness and reasonableness as guiding principles in mind. Only in this way can the goal of compensation be realized. Compensation programs must be able to provide responses to questions about what motivates people to work and why some people try hard while others only put in less effort (Mujanah, 2019) .

According to Veithzal Rivai (2004:359), an effective compensation management strategy must strive to achieve the following objectives (Mujanah, 2019) :

#### **1. Obtain Competent and Capable Human Resources**

It is important to offer a fee high enough to attract applications. As companies compete for the personnel they want, pay scales must be flexible enough to respond to changes in supply and demand in the labor market.

#### **2. Try to Retain the Employees You Already Have**

If the amount of compensation is not competitive, then employees have the option to leave the company, which will ultimately have an impact on high employee turnover.

#### **3. Ensure There Is Justice**

Compensation management will continue to strive to achieve goals to ensure internal and external justice can be achieved. Salaries must be linked to the relative value of a job to meet internal fairness requirements. This ensures that those with similar tasks are paid the same amount. For there to be external justice, wages paid to workers must be comparable to wages offered by other firms operating in the same labor market.

#### **4. Incentivize Desired Behaviors**

Pay should reinforce desired behavior and act as an incentive for future behavioral improvements, successful compensation plans, rewards for performance, compliance, experience, and responsibility, among other behaviors.

#### **5. Monitor Expenditures**

The ability to hire and retain personnel at an affordable cost is facilitated by businesses through reasonable compensation plans. Workers face the risk of receiving wages below or above standard if there is no adequate compensation management.

#### **6. Comply with All Legal Requirements**

A strong salary and wage system takes into account the legislative factors provided by the government and ensures that workers' needs are met in the process of meeting these demands.

### 7. Make It Easier for People to understand

It is important for employees, operations managers, and HR professionals to understand compensation management systems.

### 8. Maximizing Use of Administrative Resources

While effective wage management and payroll programs should be a top priority, they should be secondary to other goals. This goal must be created so that it can be managed efficiently by building the best possible HR information system.

## Compensation for Employee Satisfaction in Manufacturing Companies

According to Mondy and Noe (1993: 320), there are two different categories that make up compensation: financial compensation and non-financial compensation. Direct financial compensation and indirect financial compensation are both considered part of the overall financial compensation package. The terms Compensation, wages, bonuses, and commissions fall under the category of financial compensation. Benefits are another name for indirect monetary compensation, which includes all monetary rewards that are not included in direct remuneration. Indirect monetary compensation is different from direct monetary compensation. Non-financial compensation, on the other hand, refers to the feeling of satisfaction an employee gets from their work. This satisfaction can come from the nature of the job itself, such as having responsibility or having the opportunity to be recognized or promoted, or it can also come from the psychological and/or physical environment in which the employee works, such as having a pleasant experience. coworkers, healthy workplace policies, cafeterias, job sharing, shortened work weeks, or free time. Therefore, remuneration is not only related to monetary benefits (intrinsic rewards), but also to goals and rewards that are intrinsic to the organization, such as the possibility of recognition and advancement. (Mondy et al., 1993) .

Meanwhile, Michael and Harold (1993: 443) classify compensation into one of three categories: material, social, or activity (Michael & Weintin, 1993) .

Material compensation can be in the form of money in the form of compensation, bonuses and commissions. However, this can also come in the form of all forms of physical reinforcement such as parking facilities, telephones and comfortable office space. It can also be in the form of various types of benefits such as pensions and health insurance (Djati & Khusaini, 2003) .

Meanwhile, social compensation is essentially related to the necessity of having social interactions with other individuals. Some examples of this type of remuneration are status, recognition as an expert in their field, awards for achievements, promotions, guaranteed tenure, recreation, the formation of decision-making groups, and the formation of special groups designed to solve company problems (S. Pantja Djati & M. Khusaini M. Khusaini, 2003)

On the other hand, activity compensation is a form of payment that can compensate for aspects of work that they do not like by giving them the opportunity to participate in certain activities. The "power" that an employee has to carry out activities outside of his work routine so that work boredom does not arise can be a form of activity compensation. Other forms of activity compensation include delegation of authority, responsibility (autonomy), participation in decision making, and personality development training. All of this can help prevent work boredom (Djati & Khusaini, 2003) .

These three different types of compensation will be able to encourage workers in terms of their dedication to the company, work performance, and ability to supervise other people. When providing compensation, the level of compensation or amount of compensation must be evaluated carefully because the level of compensation will have an impact on lifestyle, self-esteem and the value provided by the organization. The amount of money paid to an employee is an important factor that determines whether

they are motivated to work or not, how productive they are, and how often they leave their work (Siti, nd).

Compensation is considered to be one of the determining elements in generating employee job satisfaction, which of course will encourage employees to increase their work productivity. Although compensation is not the only factor that determines employee satisfaction, it is believed that compensation is one of the determining factors in generating employee satisfaction. If workers have the impression that their efforts will be appreciated, and if the company implements a compensation system that is tied to work evaluation, then the company has achieved an optimal level of motivation among its workers. If the following conditions are met, then remuneration has the potential to play a role in improving work performance and employee satisfaction:

1. In accordance with workforce capabilities and output.
2. Related to a person's performance at work
3. Tailoring responses to each individual's specific needs

Employee unhappiness will be reduced, work delays will be minimized, and organizational commitment will increase as a result of these conditions. If workers have the impression that their efforts are not appreciated, then the worker's performance will be far below their ability (Robbins, 2003) .

Most studies argue that efficient compensation administration has a significant impact on the level of satisfaction experienced by workers. Compensation satisfaction is very important because if it is low then job satisfaction will also be low; as a result, staff turnover and absenteeism will increase, which will result in significant expenses for the organization. If compensation satisfaction is low, then job satisfaction will also be low. The greater the reward, the more satisfying it is to receive compensation for one's efforts. Cost of living: The higher the level of compensatory satisfaction in a society, the lower the cost of living in that society. Education: The lower the level of education, the higher the level of satisfaction with the remuneration received. for a person's expectations for the future, the amount of compensation satisfaction is proportional to the extent to which a person feels optimistic about future working conditions.

There are several factors that influence the level of employee satisfaction or dissatisfaction with the income they earn, including the following (Djati & Khusaini, 2003) :

1. An individual's level of satisfaction with his salary is correlated with his expectations and the actuality of the compensation system. If the amount of compensation received is much lower than expected, the results will not meet expectations.
2. Another factor that contributes to employee satisfaction and dissatisfaction with their salary is employees comparing themselves with other employees who work in similar professions and organizations. When superiors treat subordinates in an unfair manner and delegate varying degrees of authority to employees occupying the same level of position, it is inevitable that unhappiness on the part of subordinates will increase.
3. Employees often have wrong perceptions about the remuneration structure implemented by the organization. This occurs due to the company's failure to provide appropriate information regarding compensation and the company's lack of awareness regarding the nature of the remuneration required by employees.
4. Variations in the nature of compensation itself can also impact an employee's level of satisfaction with their salary. This remuneration has many functions, and the best way to meet the requirements and expectations of employees is to provide them with a combination of different types of salaries.

Large compensation will provide a number of benefits for an organization or company, including: recruitment of high-caliber workers; motivating employees to try harder and produce extraordinary results; attracting qualified job applicants to fill existing vacancies; facilitation of administrative and legal aspects of the position; and achieving superiority over rivals or rivals (Siti, n.d.) .

Table 1 Types of Compensation

<b>Money</b>	<b>Supplemental Benefits</b>
<b>Wages</b>	Leave Money
<b>Honour</b>	Meal allowance
<b>Bonus</b>	Transportation/Shuttle Fee
<b>Commission</b>	Insurance
<b>Intensive</b>	Social Security

Intrinsic rewards are rewards that cannot be seen or touched and can only be experienced in the form of continued employment, a clear path to career advancement, a pleasant work environment, interesting work, and other similar factors.

The issue of compensation is a complex and challenging issue because it not only includes practical, logical, rational and accountable grounds, but also the emotional components involved in work. The amount of money an employee makes can have a significant impact on how satisfied they are with their job, how loyal they are to their employer, and other elements of their job. How businesses can ensure that their operations do not come to a halt amidst the current economic uncertainty and at the same time remain compliant with their compensation policies.

Focusing on the needs and wants of a company's customers, providing competitive salaries and benefits, and maintaining open lines of communication are key factors that contribute to employee engagement. Workers are given wages in the hope of stimulating and motivating them to improve their work performance, as well as the effectiveness and efficiency of their production. Therefore, if employees are compensated appropriately, they will feel more satisfied in their work and more motivated to work to achieve organizational goals. However, if employees believe that the compensation they receive is insufficient, this can have a significant negative impact on their job performance, motivation levels, and job satisfaction levels. This is because compensation is important for employees as individuals because the amount of compensation reflects the size of the value of their work among the employees themselves. Employee Compensation is Typically Designed and Administered by the Human Resources Department.

Meeting labor needs is an important component for the success of manufacturing businesses. Workers who get enough rest are usually more productive, make a positive contribution to the work environment, and have higher levels of concentration and focus than workers who don't get enough rest. The level of compensation workers receive is one of the most important factors that determines how satisfied they are with their jobs. The term “compensation” refers to monetary payments in addition to “incentives,” “benefits,” and “other forms of material or financial recognition.” In the context of manufacturing companies, the influence of compensation on employee satisfaction has a significant impact and this relationship is important to understand in depth (Riyadi, 2011) .

First and foremost, salary is one of the most important aspects of the overall compensation package that plays a role in employee job satisfaction. Workers who believe they are compensated fairly and proportionately to the contributions they make are more likely to be satisfied with the work they do. Competitive pay levels can also help manufacturing companies retain high-performing workers by attracting and retaining talent. This is because competition for skilled workers with years of experience and a proven track record is usually very fierce in this sector of the economy. If employers do not provide



appropriate wages, workers have the ability to look for other work opportunities that are more profitable (Rahmiyanti, 2017) .

In addition to salary, bonuses are another component of workers' total compensation that may serve to motivate them in manufacturing companies. Monetary incentives, such as performance-based bonuses or reward programs for a job well done, may provide further incentives to increase productivity. When employees realize that any additional effort they put in will be rewarded with further financial compensation, they will likely be more motivated to work harder and more accurately as a result of this knowledge. This has the potential to have a positive impact on productivity and quality in manufacturing environments, which are often highly structured and strive for efficiency.

Perks and other benefits also play a role in determining how much compensation affects a worker's sense of well-being. Manufacturing processes typically involve physically demanding and sometimes dangerous labor. Therefore, benefits including health insurance, workers' compensation, and wellness programs can provide employees with a sense of security and help them do their jobs more effectively. This has the potential to increase workers' happiness levels and reduce their work-related stress when workers feel that their employers care about their health and well-being (Rahmiyanti, 2017) .

In manufacturing companies, the availability of opportunities for career advancement and mobility is also an important factor in determining the effect of compensation on worker satisfaction. Workers who see opportunities for growth and development in their companies tend to have a more positive view of their work. This may include training sessions, educational opportunities, or internal promotion opportunities. If employees feel they can advance their careers in the company without having to look for a new job, they will most likely remain loyal to the company in question. This is because they do not need to spend time and energy looking for new job opportunities (Murty, 2012) .

In manufacturing companies, worker happiness is influenced by more than just the company's financial situation. Company culture and work environment are also quite important. However, compensation can influence how workers evaluate the culture and environment for which they are responsible. For example, if workers believe that the compensation they receive does not adequately reflect the effort they put into their work, this can lead to feelings of dissatisfaction and feeling taken advantage of. Therefore, it is important to ensure that the compensation system is based on appropriate and transparent criteria.

In today's business world, remuneration structures give priority to important talents, often referred to as key personnel. This is because the ongoing economic crisis not only has an impact on the decline in the business world (business slowdown), but also has an impact on increasing labor costs and operational costs. Therefore, the payroll system requires a strategy that can overcome the lack of talent supply in the market which can lead to a decline in company performance. According to Mathis and Jackson (2002), there are various types of compensation, some of which are classified as direct compensation (such as salary, income, and incentives), while others are classified as indirect compensation (such as health insurance, pension). funds, and salary leave) (Riyadi, 2011) .

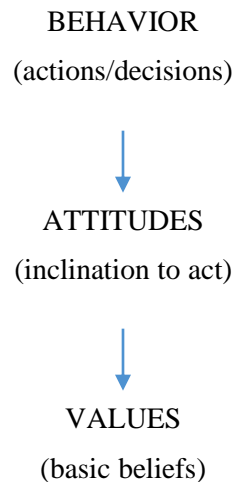
In conclusion, the amount of compensation received has a significant role in determining the level of job satisfaction experienced by workers in manufacturing companies. Fair wages, motivating incentives, benefits that pay attention to well-being, and opportunities for career development all play a role in shaping employees' views of the company and the work they contribute. Therefore, manufacturing companies need to invest in good compensation systems and pay attention to the needs and expectations of their workers in order to be able to retain and attract high-quality workers.

## Compensation for Manufacturing Company Commitments

According to Steers quoted in the work of Dessler (2000:319), organizational commitment can be seen as the extent to which an individual has a strong sense of identity towards the organization where they work. The degree of identification can be determined by at least three elements, namely as follows (Dessler, 1986) :

1. Unwavering belief in and agreement with the mission, principles and goals of the organization.
2. Willingness to work to achieve organizational goals and objectives
3. Strong motivation to continue being a member of the organization.

Based on the explanation above, organizational commitment is not just loyalty to the organization; rather, it is an ongoing process in which employees demonstrate their concern for the organization and its good performance. Commitment to the organization, on the other hand, functions as an attitude that employees bring to their work and ultimately determines how the employee acts as a representation of that attitude.



Source: Keith Davis, William Frederick, 1984

In addition, the term "organizational commitment" in the context of this research refers to the employee's desire to continue his membership in the organization as well as his willingness to exert significant effort to achieve organizational goals. The description of this idea is based on the perspective put forward by Lincoln (1989: 89-106) and Bashaw & Grant (1994: 48), which includes employee willingness, employee loyalty, and employee pride in the organization. Meanwhile, employee work performance is determined by the employee's ability to work (Djati & Khusaini, 2003) .

At this time, it is very important for business people who want to continue to compete with their competitors to pay close attention to the commitment of their employees. This ensures that the quality employees the business has will continue to work together to achieve the company's goals. One of the many factors that can play a role in determining the level of dedication demonstrated by an employee is the level of compensation offered by the organization. According to Bragg (2002), employees who are dedicated to their work carry out their duties more effectively than employees who are not attached to their work, and organizations that have workers who are committed to their work will perform better financially than organizations that do not have that commitment. worker. Numerous studies have shown that superior performance and commitment can be encouraged by various types of rewards. One area that is gaining more attention is respect for the fact that many employees have obligations to both their work and their families, and that when organizations assist their employees in meeting both sets of obligations, they will demonstrate a greater level of dedication to their work. . organization (Djati & Khusaini, 2003) .

Commitment from workers is an important factor that determines the prosperity or failure of a manufacturing company in the long term. When an employee feels dedicated to their organization, they will be more productive, remain loyal to the company, and make positive contributions to the company's goals and culture. The payment method used by an organization is one component that has a significant influence on the level of dedication shown by its workforce. It is important to have a deep understanding of the complex dynamics that exist between remuneration and employee commitment, especially in manufacturing organizations, as the influence of compensation on employee commitment is enormous (Murty, 2012).

First of all, an employee's level of commitment to an organization can be determined by their compensation, which can include income and other incentives. It is more likely that an employee will feel engaged with the company if they believe that they are paid correctly and in proportion to the contribution they have made to the organization. Manufacturing companies that offer competitive compensation to their employees are better able to retain high-performing workers. This is especially important in the manufacturing sector, which often requires hard physical work and is susceptible to various hazards. If the company does not provide sufficient compensation for its employees, the individual has the option to look for other possible jobs that provide better salaries elsewhere (Nababan et al., 2022).

Additionally, providing further encouragement in the form of performance-based rewards may help in increasing employee commitment in manufacturing organizations. When employees see a direct connection between their additional efforts and financial incentives, this can encourage them to work more and achieve the goals set for them. In industrial settings, where productivity and quality are routinely measured, this has the potential to contribute to higher productivity and quality (Nababan et al., 2022).

Compensation and extra benefits may also play a role in determining employee dedication. Employees in industrial settings are often exposed to large amounts of physical risk; therefore, job protection and health insurance can help provide them with a sense of financial and emotional stability. When workers get the impression that their employer is concerned about them, their sense of attachment to the company and their willingness to make a long-term commitment are likely to increase.

When it comes to the relationship between remuneration and employee commitment in manufacturing organizations, career progression is another important issue to consider. Workers are more likely to feel devoted to their company if they believe there is room for personal and professional advancement within the organization. This may include opportunities for advancement within the company, such as internal promotions, education, or training. If someone believes that they can advance their career within a company without needing to look for a new job, they are more likely to remain loyal to the organization they work for.

On the other hand, remuneration is only one part of the overall equation. When it comes to developing employee commitment, the quality of the business culture, the quality of relationships with superiors and co-workers, and management policies all play an important role. Employees of manufacturing organizations who have the opportunity to contribute to decision making, feel valued by their employers, and receive assistance from their employers are usually more likely to feel devoted to their jobs. Therefore, businesses need to ensure that they have effective compensation mechanisms, in addition to a healthy working atmosphere and supportive management practices (Wahyuni et al., 2020).

Therefore, the compensation an employee earns has a big impact on how committed they are to the manufacturing company. Long-term employee commitment can be strengthened through providing benefits, incentives and career advancement opportunities. A fair and competitive remuneration system can help provide a foundation for employee commitment. However, businesses need to remember that salary is only one component, and other factors, such as company culture and management practices, also play an important role in the process of cultivating strong employee engagement.

## Conceptual Model of Compensation as Organizational Commitment and Job Satisfaction in Manufacturing Companies

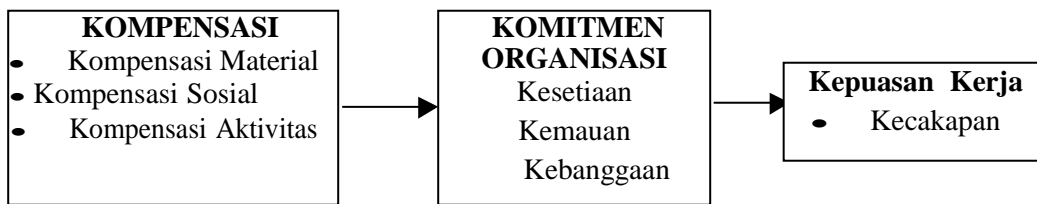


Figure 1 . A conceptual framework explaining the relationship between Satisfaction compensation, commitment organization And satisfaction Work

The conceptual model reflects the importance of the relationship between compensation, job satisfaction, employee commitment, and their psychological impact in the corporate context. In the world of work, compensation is one of the main elements that influences how an employee feels about their job and the company they work for. Compensation includes various forms of financial and material rewards, including salary, incentives, allowances, and other benefits. This is an implicit contract between the employee and the company: in exchange for contributions and efforts provided, the employee expects appropriate compensation (Djati & Khusaini, 2003) .

In cases where the compensation provided by the company is judged as unfair or inadequate by employees, the impact can be very significant. One of the main impacts is the emergence of employee dissatisfaction with compensation. Employees may feel that they are not getting rewards commensurate with their efforts and contributions. This dissatisfaction can involve feelings of being unappreciated and can give rise to feelings of frustration and dissatisfaction which can have a negative impact on the employee's psychological well-being (Djati & Khusaini, 2003) .

Dissatisfaction with compensation also has the potential to cause employees to feel dissatisfied with their work overall. This is because compensation is an important aspect of work motivation. When employees feel that the extra effort they put in is not offset by adequate compensation, they may lose motivation to do their jobs effectively and contribute to company goals. This can have a negative impact on productivity and work quality (Pratiwi & Azizah, 2019)

Apart from that, compensation dissatisfaction can also cause employees to feel dissatisfied with the company as a whole. In situations where employees feel they are being treated unfairly in terms of compensation, they may lose trust in the company and view it as an entity that does not care about their well-being. This can have an impact on employees' emotional and normative ties with the organization, which is an important element of organizational commitment (Pratiwi & Azizah, 2019) .

Organizational commitment is the degree to which employees feel attached to the company they work for. This commitment is usually divided into three main types: affective commitment, normative commitment, and continuance commitment. Affective commitment is a type of commitment that involves employees' positive feelings towards the company, such as feeling proud and happy to work there. Normative commitment is a type of commitment that involves employees' feelings of moral obligation to continue working at the company. Meanwhile, continuance commitment is a type of commitment that involves employees continuing to work at the company because they feel they have no better alternative

Compensation dissatisfaction can erode employee commitment in these three areas. For example, when an employee feels that the compensation they receive is unfair, their affective commitment may decrease. They may lose feelings of pride and joy in working for a company that they perceive as not

appreciating their contributions. In terms of normative commitment, compensation dissatisfaction can influence employees' feelings of moral obligation to remain with the company. They may feel that the company is not fulfilling its moral obligation to adequately reward their contributions. As a result, employees may begin to look for other job opportunities that offer better compensation, or in some cases, may become more inclined to leave the company.

Compensation dissatisfaction also impacts continuance commitment. Employees who are dissatisfied with their compensation may start looking for new job opportunities or consider moving to another company that offers better compensation. This can reduce their level of ongoing commitment to the current company and cause high fluctuations in the workplace, which can be detrimental to the company's productivity and stability (Pratiwi & Azizah, 2019).

Apart from having an impact on employee commitment, compensation dissatisfaction also affects job satisfaction. Job satisfaction is a positive feeling that arises when employees feel that their work meets expectations and provides appropriate rewards. Compensation dissatisfaction can reduce levels of job satisfaction because compensation is an important factor in employees' assessments of the extent to which their jobs meet expectations. This dissatisfaction may include feelings of being unappreciated, lack of financial rewards commensurate with effort, or feelings of injustice. All of this can undermine job satisfaction and create psychological tension in the workplace.

In this case, it is important for manufacturing companies to understand and overcome the impact of compensation dissatisfaction on employee commitment and job satisfaction. Companies need to ensure that their compensation systems are fair and competitive, and that compensation is provided commensurate with employee contributions. Apart from that, companies also need to create a work environment that supports employee commitment and job satisfaction. This includes ensuring that employees feel valued, have opportunities for career development, and have positive relationships with coworkers and management.

In order to achieve high job satisfaction and strong employee commitment, manufacturing companies must understand how important the role of compensation is in shaping employee perceptions of their work and the organization where they work. This requires a holistic and sustainable approach to human resource management (HR) that includes aspects of compensation, organizational culture, career development, and employment relations.

Organizational commitment and high job satisfaction are the keys for manufacturing companies to retain quality employees and increase productivity. In a manufacturing environment that often involves hard physical work and high demands, it is important to understand that compensation is one of the key elements in motivating, retaining and improving employee performance.

Overall, the relationship between compensation, organizational commitment, and job satisfaction is complex and interrelated. Fair and competitive compensation can help increase employee commitment and job satisfaction. Conversely, compensation dissatisfaction can undermine employee commitment and job satisfaction, with significant psychological impacts. Therefore, manufacturing companies need to have a compensation strategy that is in line with the company's culture and goals, and strive to ensure that employees feel valued, involved, and have opportunities to develop within the company. In doing so, they can create a work environment that supports employees and motivates them to achieve the highest level of performance.

## **Conclusion**

Compensation in the business world has a very important role in influencing the level of employee job satisfaction in manufacturing companies. Fair pay, bonuses that provide incentives, benefits

that support well-being, and opportunities for career development all play a key role in shaping employees' views of their company and their jobs. A compensation system that is transparent and in line with individual expectations can increase employee motivation, productivity and loyalty. Conversely, dissatisfaction with compensation can lead to negative impacts, such as high turnover rates and low performance. Therefore, manufacturing companies need to pay close attention to their compensation strategies to ensure that they can retain and attract high-quality talent, thereby achieving a competitive advantage in a competitive and changing market.

In the business world, employee commitment to the organization is a key factor that influences the long-term success of a manufacturing company. This commitment reflects the extent to which employees feel attached to the organization where they work, and is rooted in various aspects, including the compensation they receive. Fair and competitive compensation is an important element in shaping employees' perceptions of their jobs and the organization. Compensation dissatisfaction can erode employee commitment, reduce job satisfaction, and even encourage employees to seek other job opportunities. Therefore, manufacturing companies must ensure that their compensation systems are fair, transparent, and in line with industry standards. Additionally, creating a work environment that supports employee commitment, with a focus on career development, training, and participation in decision making, is key to retaining quality employees and increasing productivity. Thus, the complex relationship between compensation, organizational commitment, and job satisfaction must be managed carefully to achieve the highest level of performance in a challenging manufacturing environment.

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