

Research Article

Effects of Compensation, Recognition, and Career Development Opportunities on Work Satisfaction: Mediating Role of Work Engagement

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Abstract: The purpose of this study is to explore and analyze the effects of compensation, recognition, and career developing opportunities on work engagement and their impact on job satisfaction of the employees of the Secretariat Office of Aceh Province, Indonesia. Of 621 employees of the Secretariat Office, 192 of them were taken as the sample of study using the proportionate stratified random technique. To gather the data, questionnaires were distributed to the respondents and analyzed using the Structural Equation Modeling (SEM) technique. The study found that compensation and career development opportunities have positive significant effects on work engagement, while recognition did not. Similarly, except for recognition, compensation and career development opportunities were also found to affect positively and significantly satisfaction. Finally, the work engagement is found to mediate significantly and positively the influence of compensation and career development opportunities on job satisfaction. These findings suggest that to enhance work engagement, the focus should be given on improving work satisfaction on the basis of increasing compensation and providing wider career development opportunities for the employees.

Keywords: Compensation, Recognition, Career Development Opportunity, Work Engagement, Job Satisfaction.

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INTRODUCTION

Improved performance of employees will bring progress for the organization itself, especially in the public eye in order to provide maximum service to the community. Therefore, efforts to improve the performance of the organization are the most serious management challenges for success in achieving the goals and survival of the organization, depending on the quality of the performance of human resources that exist therein. Human resources in an organization are the main factors driving the high achievement of the organization. Knowledgeable and highly skilled human resources contribute towards accelerating the realization of the vision and mission of the organization.

Maximum organizational performance must be supported by employee job satisfaction. Because employees who feel satisfied at work will certainly provide better efforts so that the performance of the organization in which they work can be improved. One of the determinants of job satisfaction is work engagement. Work engagement is the feeling of belonging that is in the minds of employees of the institution where they work.

In order to increase work engagement, it is necessary to know its determinants. Work engagement is related to other ideas in organizational behavior (Saks, 2006). The notion of organizational behavior is equally speaking about employee relations with the institute. As one of the ideas in organizational behavior, work engagement is different from other ideas such as organizational commitment. Organizational commitment is an attitude and connection to the organization, while work engagement is not an attitude, it is the level at which an individual is attentive and happy in carrying out a given task. Work engagement is the latest issue in managing human resources. It is defined as a positive, satisfying mental condition associated with work characterized by vigor, dedication, and absorption (Anwar and Shahzad, 2011).

The low employee job satisfaction ultimately affects work engagement, where employees feel they have less engaged, lack emotional, and lack the intellectual commitment to the organization and employees have not been able to give their best effort beyond what is targeted in a job.

According to Robbins and Coulter (2012), to increase job satisfaction and work engagement to the organization, compensation is one of the factors driving increased employee job satisfaction for the better. If the compensation provided is not in accordance with the wishes and level of daily employee needs, the employee will be less satisfied. Compensation is very important, but compensation that is not appropriate can be a detrimental factor for the organization itself. Receiving lower-income to fulfill a higher level of an employee's needs would also result in someone no longer motivated and tends to be lazy despite having a high level of work loyalty. In addition, compensation also affects the motivation of workers to stay in the company (Ivancevich *et al.*, 2009). Van den Hombergh (2009) states that compensation has been the main reason employees remain stay within an organization.

Furthermore, the recognition given by the organization to each employee is also one of the factors that can affect the level of job satisfaction of employees in carrying out the mandate of the organization. Purwanti (2015) states that the recognition of an employee of the organization will make it survive in the organization because its status is recognized as part of the organization. Finally, the low employee job satisfaction and employee engagement is also very closely related to the career development opportunity. The low level of career development opportunity would cause lower job satisfaction and work engagement.

Based on the above delineation, this study aims to explore and analyze the effects of compensation, recognition, and career developing opportunities on work engagement and their impact on job satisfaction of the employees of the Secretariat Office of Aceh Province, Indonesia. The findings of this study are hoped to provide some guidelines for the public organization in designing policy for improving the work engagement and job satisfaction of the employee through enhancing compensation, recognition, and career developing opportunities.

The rest of this study is structured in the following manner. Section 2 provides the selected relevant literature reviews and followed by the discussion on the research method in Section 3. Section 4 provides the findings and their discussion and ended with the concluding remarks in Section 5.

LITERATURE REVIEW

Job satisfaction

Every employee expects to enjoy satisfaction in carrying official tasks and jobs. Basically, an employee will feel comfortable and loyalty to his job will be high when he obtains job satisfaction in accordance with what is desired. Job satisfaction is a reflection of the feelings of workers to work. According to Masrukhin and Waridin (2012), Amin *et al.*, (2019),

and Rukayah *et al.*, (2019), job satisfaction of an individual depends on the individual characteristics and the job situation. Each individual will have different levels of job satisfaction according to the interests and expectations of the individual so that the perceived level of satisfaction is higher, and vice versa (Sativa *et al.*, 2018; Hariyonyoto *et al.*, 2019).

Compensation, work engagement, and career development opportunity management are important functions within the organization and it is usually the responsibility of the human resources department. These factors affect employee performance is because the forms of compensation, work engagement, and career development opportunities provided would motivate employees to work better due to their higher level of job satisfaction enjoyed by employees.

Work engagement

Work engagement emerged and evolved as a concept in business, management, industrial psychology, organizational and human resources development field (Wollard and Shuck, 2011). Work engagement is a new idea, and was introduced by human resources consulting firm to offer suggestions on how to create and develop it, is then extended to academic researchers. Macey *et al.*, (2009) state that numerous definitions of engagement are derived from the practice and research-driven literature, which mean that a variety of attachment definition comes from practice and literature.

The connection between recognition to work engagement can be influenced by age level. As we get older, a person wants to be in a certain status and has a great desire to be recognized at work so that affects his decision to stay in an institution. Age is thought to influence the relationship between recognition of employee engagement (Afnita *et al.*, 2014).

Compensation

One powerful determinant of worker attitudes, motivation and behavior is compensation. Compensation was adapted from the English language meaning to balance. Compensation or payment is all forms of financial returns, services, or benefits received by workers as part of employment relationships (Milkovich and Newman, 2002). For an organization, compensation is used to attract, motivate and retain workers that may deliver success organizational goals (Renard, 2008). According to Milkovich and Newman (2002), total compensation includes payment directly received as cash compensation (such as basic salary, incentives, adjustment costs of daily living), and not directly as benefits (e.g., pensions, medical insurance).

The concept of compensation was also developed by Martin *et al.*, (2012) which states that compensation is a form of appreciation from the company to employees for their contributions.

Furthermore, Martin *et al.*, (2012: 312) divides compensation into three components, namely the basic components, incentives, and benefits. The theory put forward by Ayesha (2014) suggests that the more appropriate the level of compensation received by employees; it will affect the performance improvement of an organization or company. Thus it can be concluded that compensation has a positive effect on improving employee performance.

The relationship between compensation and employee engagement can be influenced by work tenure (Endah, 2015). After working long enough, someone wants an increase in the compensation he deserves. The length of service is thought to influence the relationship between compensation and the level of employee engagement.

Recognition

Recognition refers to the acquisition of psychological believe what employees can contribute to the workplace (Milkovich and Newman, 2002). Relational returns include status and recognition, job security, job challenges, and learning opportunities. Recognition awards can be very effective against the person's behavior and its performance-related contribution. Informal recognition of workers can be non-monetary values such as acceptance and admiration, certificates, articles profiles, and specific programs, such as employee of the month. Meanwhile, formal recognition usually requires the involvement of management and substance of the costs of informal recognition, such as training and education programs (Dubois and Rothwell, 2004).

The results of a study conducted by Harry (2014) concluded that recognition influences positively the level of work engagement. The higher the level of recognition given, the higher the level of employee engagement would be. Employees will be more engaged with the employees if they get recognition for their performance.

Career development opportunity

Afnita *et al.*, (2014) says that, when it comes to career, it is necessary to plan for the eventual failure of a person advanced in his career depends on its own concern; it needs to be actively involved in determining the direction of his career. It is a developing opportunity for structured activities planned by an organization to its members with the aim of improving the knowledge and ability to comply with the direction and progress of his career. According to Robbins and Coulter (2012), career development is something that showed increases a person's status in an organization in a predetermined career path within the organization. It is also a lifelong series of activities (such as workshops) that contribute to the exploration, stabilization, success, and fulfillment of one's career (Dessler, 2009).

Harry (2014) in his study concluded that the opportunity to develop in a career is very influential and is positive for the level of employee engagement. This is because employees feel more motivated if their role is an interesting challenge, allowing them to contribute to important decisions and giving them the ability to continue their learning and development.

Based on the above literature review, the study proposes the following research model to be estimated:

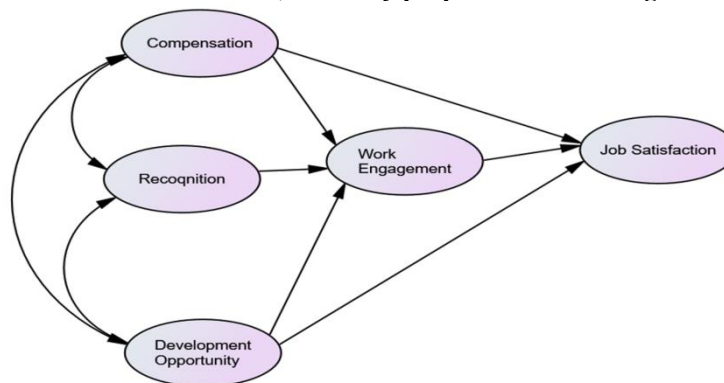


Figure 1: Proposed research model

RESEARCH METHODS

Population and sample

The population of this study is all 621 civil servants at the Secretariat Office of Aceh Province, Indonesia. 192 of them were selected as the sample of the study using the proportionate stratified random sampling technique. According to Hair *et al.*, (2014), a minimum sample needs to be taken in a study is at least

the number of indicators multiplied by 5-10 for each variable estimated to be acceptable and considered the most appropriate. Since this study uses 25 indicators to measure five variables, thus the minimum sample size required is 125. This shows that our sample of study of 182 is more than sufficient to provide robust findings. The population and sample of the study across nine bureaus are illustrated in Table 1.

Table 1: Population and sample of the study

No.	Bureau	Population	Sample
1.	Administrative and Development	39	12
2.	Law Affairs	37	11
3.	Public Relation	26	9
4.	Public Welfare	71	22
5.	Organization	63	19
6.	Economic Bureau	46	14
7.	Governance Affairs	44	14
8.	Procurement of Goods and Services	43	13
9.	General Affairs	252	78
Total		621	192

Method of analysis

This study uses the primary data gathered by distributing questionnaires to the respondents. Likert scale is used to measure statement items about the problem examined (Sekaran and Bougie, 2016). Alternative assessment in the measurement for 25 indicators of five variables answered by respondents is rated using five categories, namely: strongly disagree, disagree, agree and strongly agree with the value of categories 1-5.

Before the study estimating the relationships between variables, the reliability and validity of instruments are conducted to ensure the level of

consistency of respondents' answers and the level of accuracy of indicators in measuring variables. In the next step, the goodness of fit of our proposed model also tested using the common goodness of fit indices.

Finally, the Structural Equation Modeling (SEM) is estimated to test the influence among variables, using AMOS application. The advantages of SEM applications are because of its ability to confirm the dimensions of a concept or factor that is very commonly used and its ability to measure the influence of existing relationships theoretically. Based on Figure 1, the mathematical relationships between variables are estimated using the following equations:

$$WENG = \gamma_{11}COMP + \gamma_{12}RECO + \gamma_{13}CDOP + \zeta_1 \tag{1}$$

$$JSAS = \gamma_{21}COMP + \gamma_{22}RECO + \gamma_{23}CDOP + \gamma_{24}WENG + \zeta_2 \tag{2}$$

where WENG is the work engagement, RECO is the recognition, CDEOP is the career development opportunity, JSAS is the job satisfaction, γ_{ii} are the estimated coefficients for each exogenous variables and ζ_i is the structural error term.

RESULTS AND DISCUSSION

Before the main findings of interrelationships among the investigated variables are reported, the characteristics of respondents are firstly reported. Of 192 civil servants working at the Secretariat Office of Aceh Province, Indonesia investigated in the study, 134 of them were male and only 58 were female respondents. In terms of age, 30 respondents were in the group of 21-30 years old, 92 respondents were in the group of 31-40 years old, 92 respondents were in the group of 41-50 years old, and 50 respondents were in the age of more than 50 years old. In the view of marital status, 134 respondents were unmarried and the rest 58 were married. Finally, in the view of education level, 56 respondents graduated High School, 37 respondents had a Diploma degree, 93 respondents had a Bachelor's degree, and 5 of them graduated Master's degree.

Next, the study reports the findings of the test of the validity of data using confirmatory factor analysis. If the estimated loading factor is found to be less than 0.50, thus the indicator is said to be invalid, and vice versa. The only valid indicators are retained in the model to measure variables, which is with the estimated loading factors of greater than 0.50. Of the 25 indicators used to measure variables, only two indicators were invalid, thus they are dropped from the analysis.

Following the confirmatory factor analysis, the study tests the proper specification of the estimated SEM, using the goodness of fit indices (GoIs). The findings of the GoIs are reported in Table 2.

Table 2: Goodness of fit indices (GoIs)

GoIs	Cut-off value	Finding	Remark
X ² -Chi-square	Expected to be small	366.931	Good fit
CMIN/DF	< 2.00	1.764	Best fit
RMSEA	≤0.08	0.052	Best fit

GFI	≥0.90	0.901	Best fit
AGFI	≥0.90	0.868	Best fit
TFI	≥0.95	0.968	Best fit
CFI	≥0.95	0.955	Best fit

As illustrated in Table 2, the study found that, except for X²-Chi-square Statistics that was found to be good fit, all other goodness of fit indices comprising CMIN/DF, Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Augmented Goodness of Fit Index (AGFI), Tucker and Lewis Index (TLI), and Comparative Fit Index (CFI) were found to be the best fit. This is simply due to their estimated values of the goodness of fit indices was above the cut-off values. This indicates that our overall estimated

SEM models were best fit to provide the answer for the objectives of the study.

Subsequent to ensuring the fitness of our estimated model, the findings of the effects of compensation, recognition, and career development opportunity on work engagement and their impacts on job satisfaction of the Secretariat Office of Aceh Province, Indonesia are now reported. The summary of those findings is reported in Table 3.

Table 3: Findings of estimated SEM – Interactions between variables

No.	Hypothesis	Estimate	P-value	Remark
1.	Compensation affects work engagement	0.206**	0.000	Accept
2.	Recognition affects work engagement	0.005	0.876	Reject
3.	Career development opportunities affect work engagement	0.530**	0.000	Accept
4.	Compensation affects satisfaction	0.314*	0.026	Accept
5.	Recognition affects Satisfaction	-0.073	0.349	Reject
6.	Career development affects satisfaction	0.510**	0.000	Accept
7.	Work engagement affects satisfaction	0.520**	0.000	Accept
8.	Compensation affects satisfaction through work engagement	0.054**	0.001	Accept
9.	Recognition affects satisfaction through work engagement	0.002	0.875	Reject
10.	Career development affects satisfaction through work engagement	0.200**	0.000	Accept

Note: ** and * indicate 1% and 5% levels of significance.

Referring to Table 3, the study found that compensation and career development opportunities affected positively work engagement at the 1% level of significance, while recognition did not. Similarly, except for recognition, compensation, and career development opportunities are also found to positively affect job satisfaction at 5% and 1% levels of significance, respectively. Finally, work engagement is found to mediate significantly the influence of compensation and career development opportunities on work engagement at the 1% level of significance.

Specifically, as for direct relationships, the study found that compensation has a significant effect on work engagement. As the compensation increases in one unit, it caused an increase of 21.2% on the Likert scale. The results of this study are in line with previous studies by Endah (2015) and Taufek *et al.*, (2016) who found a significant effect of compensation on work engagement. On the other hand, institutional recognition was found to be insignificant in affecting work engagement, finding similar to Jalali *et al.*, (2018). Finally, the study found that the career development opportunity for staff influenced positively work engagement, finding similar to Tahir (2012).

Next, the study also found that compensation has an effect on employee job satisfaction. The magnitude of the estimated coefficient of 0.156,

indicating that as one unit increase in compensation, it caused a 15.6% increase in job satisfaction, finding in line with studies by Hedger (2007). On the other hand, the institution's recognition was found to be insignificant in affecting job satisfaction, indicating that the existing practices of official recognition of its employees have not been able to be used as a booster for the level of employee job satisfaction in the Secretariat Office of Aceh Province, Indonesia. This finding is in harmony with the finding of Umlas (2013). Finally, the career development opportunity was found to have a significant effect on job satisfaction with the estimated coefficient of 0.377. A one-unit level of increase in career development opportunities provided to the employees, it has caused an increase in job satisfaction by 37.7%. The result of this study is in line with research conducted by Harry (2014).

As for the mediating relationships, the compensation and career development opportunities are found to affect job satisfaction, either directly or indirectly through the working Engagement, thus the work engagement served as a partially mediating variable. On the other hand, work engagement is found to have an insignificant mediating effect on the relationship between recognition and job satisfaction. These findings suggest that to increase job satisfaction of the employees, the focus should be given on improving work engagement by providing better

compensation and offering a better career development opportunities among the employees in the Secretariat Office of Aceh Province, Indonesia.

CONCLUSIONS

This study has explored and analyzed the effects of compensation, recognition, and career developing opportunities on work engagement and their impact on job satisfaction of the employees of the Secretariat Office of Aceh Province, Indonesia. Of 621 employees of the Secretariat Office, 192 of them have been taken as the sample of study using the proportionate stratified random technique. To gather the data, questionnaires have been distributed to the respondents and analyzed using the Structural Equation Modeling (SEM) technique.

The study found that compensation and career development opportunities had positive significant effects on work engagement, while recognition had not. Similarly, except for recognition, compensation and career development opportunities have also been found to affect positively and significantly satisfaction. Finally, the work engagement has been found to mediate significantly and positively the influence of compensation and career development opportunities on job satisfaction. These findings suggest that to enhance work engagement, the focus should be given on improving work satisfaction on the basis of increasing compensation and providing wider career development opportunities for the employees.

Future studies on this topic might offer comprehensive empirical findings by considering more variables into the model of estimation. Additionally, covering more public organization into the analysis would also enrich the existing empirical evidence on influences of compensation, recognition, and career development opportunities on work engagement and job satisfaction. Lastly, comparing the private and public organizations of the investigated issues would also enrich the existing empirical findings.

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