



## **Analysis of the Influence of Compensation and Training on Employee Welfare with Organizational Culture as Moderation**

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### **Abstract**

This study aims to find out whether there is an effect of compensation and training on employee welfare with organizational culture as moderation in employees working in the Karawang area. The sampling method was used by distributing questionnaires to employees of manufacturing companies in the Karawang area with a sample of 112 respondents, then the data was analyzed using the Structural Equation Modeling (SEM-PLS) method. The results of this study state that compensation and training on employee welfare with organizational culture have a positive and significant effect. Meanwhile, compensation as a moderation for employee welfare and training as a moderation for employee welfare do not have a positive or significant influence on employee welfare on employees in the Karawang area.

**Keywords:** Organizational Culture, Compensation, Welfare, Training

### **Introduction**

Human resources, in this case labor, employees, or employees are the most important elements in a company, because after all, the progress and success of a company cannot be separated from the role and ability of good human resources. Labor, employees, or employees are people who work for a company, government agency, or business entity and receive compensation for their services, namely in the form of salary or wages. The potential of human resources is essentially one of the capital in a company's operational system, and plays an important role in achieving the company's goals. Therefore, companies need to manage human resources as well as possible.

The company's main goal is profit-oriented, namely achieving maximum profit, so that the company's goals can be achieved properly, the company must have good performance. Company policies and policies have a strong influence on employee performance in carrying out company activities.

In the era of globalization and increasingly fierce business competition, companies are required to be able to manage their human resources well to achieve competitive advantage. One of the important aspects of human resource management is efforts to improve employee welfare. Employee well-being includes not only financial aspects, but also physical, mental,



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and social well-being. Companies that are able to maintain and improve the welfare of their employees tend to have employees who are more productive, loyal, and contribute positively to the achievement of organizational goals (Armstrong & Taylor, 2020).

Two key factors that play an important role in efforts to improve employee welfare are compensation and training. Compensation is any form of payment or reward given to employees as a result of their work (Mondy & Martocchio, 2016). Fair and competitive compensation can motivate employees to perform better and increase their job satisfaction (Milkovich et al., 2014). Meanwhile, training is a systematic effort to improve employees' knowledge, skills, and attitudes to achieve the desired standards in their work (Noe, 2017). Effective training can improve employees' competence, confidence, and career prospects, which in turn contributes to improved well-being (Aguinis & Kraiger, 2009).

While compensation and training have an important role to play in improving employee well-being, their effectiveness can be influenced by a variety of contextual factors, one of which is organizational culture. Organizational culture is defined as a system of values, beliefs, and behaviors that are shared by the members of the organization and shape the way they behave (Schein, 2017). A strong and positive organizational culture can create a supportive work environment, increase employee engagement, and reinforce the positive impact of human resource management practices on employee well-being (Denison & Mishra, 1995; Cameron & Quinn, 2011).

Previous research has shown that there is a complex relationship between compensation, training, organizational culture, and employee well-being. Several studies reveal that compensation and training have a direct impact on employee well-being (Kooij et al., 2013; Mabaso & Dlamini, 2017). However, other research suggests that such relationships can be mediated or moderated by organizational factors, including organizational culture (Ogbonnaya & Messersmith, 2019; Shin & Konrad, 2017).

Organizational culture can influence how employees perceive and respond to human resource management practices, including compensation and training (Bowen & Ostroff, 2004). For example, in an organizational culture that emphasizes individual performance and development, training programs may be more valued and utilized by employees, thus having a more positive impact on their well-being. Conversely, in a more hierarchical and control-oriented organizational culture, the positive impact of training on employee well-being may be reduced (Hofstede et al., 2010).

Similarly, organizational culture can influence how compensation systems are designed, implemented, and received by employees. In a culture that emphasizes equality and fairness, a transparent and performance-based compensation system may be more effective in improving employee well-being. Conversely, in a culture that is more seniority-oriented, the same compensation system may be perceived as less equitable and less effective in improving employee well-being (Gerhart & Fang, 2015).

While previous research has provided valuable insights into the relationship between compensation, training, organizational culture, and employee well-being, there are still some gaps in the literature that need to be explored further. First, most previous studies tend to focus on the direct impact of human resource management practices on employee well-being, without



comprehensively considering the mediating or moderating role of organizational culture (Alfes et al., 2013; Boxall et al., 2016). Second, existing research often uses a cross-sectional approach, which limits the ability to draw causal conclusions about the relationship between variables (Wall & Wood, 2005). Third, the majority of research is conducted in the context of Western countries, so generalization of findings to different cultural contexts may be limited (Budhwar & Debrah, 2013).

Given the importance of understanding how compensation and training can improve employee well-being, as well as the potential role of organizational culture in mediating those relationships, more research is needed to fill in the gaps in the literature. Research that adopts a longitudinal approach and considers diverse cultural contexts can provide a deeper understanding of the dynamics of the relationships between these variables. In addition, an exploration of the specific mechanisms through which organizational culture mediates the relationship between human resource management practices and employee well-being can provide valuable insights for practitioners in designing and implementing effective strategies to improve employee well-being.

By understanding the complexity of the relationship between compensation, training, organizational culture, and employee well-being, companies can develop a more holistic and effective approach to managing their human resources. This in turn can contribute to improved organizational performance, competitiveness, and long-term sustainability in an increasingly dynamic and competitive business environment.

## **Method**

This research uses a quantitative method, quantitative research is a research method that uses numbers and statistics in data collection and analysis. The method was carried out by distributing questionnaires to employees of manufacturing companies in the Karawang area. A number of statements will be given to respondents and then asked to answer according to their opinions. Opinion measurement was used on a likert scale with a score of 1-5 where the score of 1 was Strongly Disagree (STS), score 2 Disagree (TS), Score 3 Neutral (N), score 4 Agree (S), score 5 Strongly Agree (SS).

With the number of respondents sampled is 112 people. The dissemination of this questionnaire was carried out through social media and whatsapp groups by the authors to get information about the compensation obtained, the training that has been organized and the organizational culture in the company of each respondent to get results and evaluate the influence on employee welfare.

In this study, data analysis uses the Smart-PLS (Partial Least Square) approach. PLS is a SEM (Structural Equation Modeling) equation model that is component-based or variant-based with the help of SmartPLS 3.0.

## Results and Discussion

Table 1. Individual Characteristics of Respondents

| Characteristics of Respondents             | Person | Proportion |
|--|--------|------------|
| Woman                                      | 64     | 57.10%     |
| Man  | 48     | 42.90%     |
| Sum  | 112    | 100.00%    |
| Age 18 - 25 years old                      | 87     | 77.70%     |
| Age 26 - 30 years old                      | 17     | 15.20%     |
| Age 31 - 40 years old                      | 8      | 7.10%      |
| Sum  | 112    | 100.00%    |
| High School/Vocational High School Diploma | 91     | 81.30%     |
| D3 degree                                  | 4      | 3.50%      |
| S1/S2 degree                               | 17     | 15.20%     |
| Sum  | 112    | 100.00%    |
| 2 Years of Service                         | 22     | 25.90%     |
| Working Period >2 Years                    | 61     | 19.60%     |
| Working Period <1 Year                     | 29     | 54.50%     |
| Sum  | 112    | 100.00%    |

Source: Data Processed By Researcher, 2024

The respondents in this study are employees who work in Industrial Estates in the Karawang area. Based on the results of distributing the questionnaire using a google form which is carried out online, namely by sharing it on each author's whatsapp. The data collected was 112 respondents with characteristics divided into four, namely gender, age, education, and working period.

Table 2. Respondent's Individual Characteristics

|          | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics ( O/STDEV ) | P Values |
|----------|---------------------|-----------------|----------------------------|--------------------------|----------|
| BO -> KK | 0.384               | 0.380           | 0.128                      | 2.997                    | 0.003    |
| K -> KK  | 0.243               | 0.238           | 0.103                      | 2.365                    | 0.018    |
| K -> P   | 0.620               | 0.622           | 0.082                      | 7.587                    | 0.000    |
| MK -> KK | 0.022               | 0.031           | 0.105                      | 0.208                    | 0.836    |
| MP -> KK | 0.001               | 0.004           | 0.091                      | 0.007                    | 0.994    |
| P -> KK  | 0.208               | 0.219           | 0.105                      | 1.971                    | 0.049    |

Source: Data Processed By Researcher, 2024

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### **The Influence of Organizational Culture on Employee Well-Being**

The table above shows that organizational culture has a positive and significant influence on employee welfare. Respondents indirectly argued that if the organizational culture in the company is carried out well, the level of employee welfare will also be much better, and vice versa.

### **The Effect of Compensation on Employee Well-Being**

From the table above, it is obtained that compensation has a positive and significant influence on employee performance in line with the opinion of Martoyo (1994) in Akbar, et al., (2021:127) that the purpose of compensation is: 1. Fulfilling the economic needs of employees or as a guarantee of economic security for employees. 2. Encourage employees to be better and more active. 3. Shows that the organization is progressing. The more compensation employees get, the more welfare will improve the lives of these employees.

### **Effect of Compensation on Training**

Compensation is a form of appreciation to employees from the company because of the work they have done, in this case related to the performance of the employee concerned (Nawai, 2005). Meanwhile, training is a development activity for employees to improve or improve employee performance for the better. Based on the table above, it shows that compensation has an influence on training, including the more training that is followed, it will increase the likelihood of employees getting greater compensation or vice versa if the employee is minimal or even does not take part in training, then his performance will always be in that position and the compensation will not increase.

### **The Effect of Compensation as Moderation on Employee Welfare**

Compensation as a moderation variable in this study obtained a red result which means that compensation as moderation does not have a positive or significant influence on employee welfare, this statement is inversely proportional to the results of the calculation in the compensation table on welfare which shows that compensation has a positive and significant influence on employee welfare. This provides a new understanding that if compensation is positioned as moderation, it means that no matter how much compensation the employee receives, it will not affect the welfare of the employee.

### **The Effect of Training as Moderation on Employee Welfare**

Training is known to be an important factor in the company to improve performance and employee welfare, for example, stress management training which is sometimes not much so realized by some companies that it can have a very good impact on employee welfare so that it can be in line with improving their performance in the company. However, in the table above, it is known that training as moderation does not have a significant positive impact. If the training is carried out properly, diversely and in accordance with the needs of employees in the future, it will have a good impact on employee welfare and provide reciprocity in line with the company.



### **The Effect of Training on Employee Well-Being**

It is inversely proportional to the results of the previous table where training as moderation does not have a positive and significant effect. Training as a variable has a positive and significant effect on employee welfare which means that the better the training program carried out by the company, the higher the level of welfare that will be felt by employees, the training carried out can be in the form of general training which may not be related to work but more focused on the employee's personal life.

### **Conclusion**

Based on research that has been conducted on the influence of compensation and training on employee welfare with organizational culture as moderation in employees working in the Karawang area. The sampling method used by distributing questionnaires to employees of manufacturing companies in the Karawang area with a sample of 112 respondents obtained, then the data was analyzed using the Structural Equation Modeling (SEM-PLS) method, so it can be concluded that compensation and training have a positive and significant influence on employee welfare. This shows that companies in a fair compensation system and effective training programs can directly improve employee welfare. However, compensation as a moderation for employee welfare and training as a moderation for employee welfare do not have a positive or significant effect on employee welfare in the Karawang area. This shows that an increase or decrease in compensation does not consistently strengthen or weaken the relationship between other independent variables and employee well-being. And the intensity or quality of training is not effective in changing the relationship between other factors and employee well-being.

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