

THE EFFECT OF COMPENSATION, JOB SECURITY, AND EMPLOYEE ENGAGEMENT ON EMPLOYEE LOYALTY

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Abstrak

Penelitian ini menelaah pengaruh kompensasi, jaminan stabilitas kerja, dan keterlibatan karyawan terhadap loyalitas pegawai di PT BPR Ekadharna Bhinaraharja, dengan latar fenomena voluntary turnover yang mencerminkan loyalitas belum optimal. Menggunakan pendekatan kuantitatif pada 141 responden, analisis meliputi uji validitas, reliabilitas, deskriptif, asumsi klasik, regresi linier berganda, uji t, dan koefisien determinasi. Hasil menunjukkan kompensasi berpengaruh positif signifikan terhadap loyalitas (Sig. 0,006), jaminan keamanan kerja menjadi faktor dominan dengan koefisien regresi tertinggi 0,658 (Sig. 0,000), serta keterlibatan karyawan turut memberi pengaruh positif signifikan (Sig. 0,030; B 0,168). Ketiga variabel secara simultan menjelaskan 43,8% variasi loyalitas (Adjusted R² 0,438), sementara sisanya dipengaruhi faktor lain di luar model. Disimpulkan bahwa peningkatan kompensasi yang adil, jaminan kepastian kerja, dan partisipasi karyawan mampu memperkuat loyalitas pegawai, sehingga perusahaan perlu mengembangkan sistem kompensasi berbasis kinerja, memperjelas perlindungan kerja, serta memperluas keterlibatan karyawan dalam aktivitas dan pengambilan keputusan untuk membangun loyalitas jangka panjang.

Kata Kunci: Kompensasi, Keamanan Kerja, Keterlibatan Karyawan, Loyalitas Karyawan, PT BPR Ekadharna Bhinaraharja.

Abstract

This study examines the influence of compensation, job security, and employee engagement on employee loyalty at PT BPR Ekadharna Bhinaraharja, driven by the phenomenon of voluntary turnover indicating suboptimal loyalty. Using a quantitative

approach with 141 respondents, the analysis included validity and reliability tests, descriptive analysis, classical assumption testing, multiple linear regression, t-tests, and determination coefficient calculations. The findings reveal that compensation has a positive and significant effect on loyalty (Sig. 0.006), job security emerges as the dominant factor with the highest regression coefficient of 0.658 (Sig. 0.000), and employee engagement also shows a positive and significant effect (Sig. 0.030; B 0.168). Collectively, these three variables explain 43.8% of the variation in employee loyalty (Adjusted R² 0.438), while the remainder is influenced by other factors outside the model. The study concludes that enhancing fair performance-based compensation, ensuring transparent job security, and strengthening employee participation in activities and decision-making processes are crucial strategies for fostering long-term loyalty.

Keywords: Compensation, Job Security, Employee Engagement, Employee Loyalty, PT BPR Ekadharma Bhinaraharja.

A. INTRODUCTION

Employee loyalty is a crucial aspect of modern human resource management (HRM) as it is directly related to organizational sustainability and success. Loyal employees are not only dedicated to upholding the organization's vision and mission but also contribute to enhancing performance, reducing turnover rates, and maintaining a positive organizational image (Dreher & Dougherty, 2021; Sukmara et al., 2024). In the banking sector, employee loyalty plays a vital role as it relates to customer service, long-term relationships, How the company is viewed by the general public (Hadj, 2024). The phenomenon of employee turnover remains a challenge at PT BPR Ekadharma Bhinaraharja. Internal company data show fluctuations in the number of employees between 2019–2024, with a 3.5% decline in 2024 due to voluntary turnover, or employees resigning of their own accord. This condition indicates the presence of loyalty issues that require management's attention.

Several factors are suspected to influence employee loyalty, including compensation, job security, and employee engagement. Adequate compensation, both

financial and non-financial, represents the company's appreciation of employee contributions and can strengthen loyalty (Bagea et al., 2024; Tiong, 2023). However, compensation practices at PT BPR Ekadharma Bhinaraharja have generated perceptions of unfairness, such as unequal access to benefits and promotions. In addition, job security is a key factor in creating a sense of comfort and stability for employees. Although the company has implemented a career path system, there are still indications of job insecurity, such as the threat of termination for employees who fail to meet targets (Zaharuddin et al., 2022; Maryatmi, 2021). Furthermore, employee engagement encompassing proactive behavior, active participation, and responsibility for tasks also plays an important role in fostering loyalty. However, at PT BPR Ekadharma Bhinaraharja, engagement has not yet been optimal since not all employees are given opportunities to participate in training or strategic decision-making (Soedarto & Hardi, 2023; Rahayu, 2025).

Previous studies on the influence of compensation, job security, and employee engagement on loyalty have reported mixed results. Some studies found a significant positive relationship (Samat et al., 2020; Wibawa & Fauzan, 2024; Gani et al., 2021), while others reported inconsistent or even insignificant findings (Safrida et al., 2023; Maspuatun et al., 2022; Herliana & Sumantoro, 2024). These inconsistencies indicate the existence of a research gap that warrants further investigation, particularly in the context of the Indonesian banking sector.

Grounded in the issue of turnover and the less-than-optimal level of employee loyalty at PT BPR Ekadharma Bhinaraharja, this research seeks to analyze how compensation, job security, and employee engagement affect employee loyalty. From a theoretical perspective, the study contributes to the body of knowledge in human resource management and organizational behavior, especially in understanding determinants of loyalty within the banking industry. From a practical standpoint, the

results are expected to offer useful guidance for the management of PT BPR Ekadharma Bhinaraharja in developing strategies to strengthen employee loyalty, reduce turnover, and foster long-term organizational performance.

B. METHOD

The research methodology explains the structured process followed by the researcher in addressing the research problem, beginning with the selection of the study location and concluding with the application of data analysis methods. The subsequent sections present details on the research setting and timeframe, study design, population and sampling, variables with their operational definitions, methods of data collection, research instruments, and the analytical procedures utilized.

1. Research Location and Period

This research took place at PT BPR Ekadharma Bhinaraharja, situated on Jalan Raya Jaranan–Ngadirejo, Kawedanan District, Magetan Regency, East Java, and included several branch as well as sub-branch offices. The site was chosen based on preliminary findings that revealed employee turnover, low loyalty, and issues concerning compensation, job security, and employee engagement. Following the research timeline, the study was conducted over five months, from March to July 2025, encompassing stages such as problem identification, development of the theoretical framework, formulation of hypotheses, preparation and validation of instruments, data collection, data processing, and the preparation of the final report.

2. Research Design

This study employed a quantitative approach through a survey strategy to examine how the independent factors—compensation (X1), job security (X2), and employee engagement (X3)—influence the dependent factor, employee loyalty

(Y). All stages of the research, from identifying the issue, developing hypotheses, collecting data, conducting statistical analysis, to forming conclusions, were carried out using numerical information. The main data source consisted of questionnaires administered directly to staff members of PT BPR Ekadharma Bhinaraharja.

3. Population and Sample

The research population included the entire workforce of PT BPR Ekadharma Bhinaraharja, totaling 141 employees in 2024. A saturated sampling method (census) was utilized, in which every employee within the organization automatically became part of the study sample. As a result, the research covered all 141 employees from the central office, branch offices, and sub-branch offices.

4. Research Variables and Operational Definitions

This investigation examined three predictors—compensation (X1), job security (X2), and employee engagement (X3)—and one outcome variable, employee loyalty (Y). Compensation referred to the full range of benefits employees receive, whether monetary or non-monetary, provided directly or indirectly as acknowledgment of their contributions. Job security indicated how secure, steady, and assured employees perceive their employment to be. Employee engagement captured the extent of active participation, initiative, and accountability demonstrated by workers in carrying out their organizational responsibilities. Employee loyalty was described as the commitment to remain with the organization, comply with its regulations, and consistently make positive contributions. All variables were measured using indicators listed in the operational definition framework and evaluated on a four-point Likert scale.

5. Data Collection Technique

The data collection process was carried out using online questionnaires distributed through Google Forms. The questionnaire was designed by referring to

the indicators of the research variables, namely compensation, job security, employee engagement, and employee loyalty. This approach was selected due to its efficiency, participant accessibility, and the practicality it provides in processing data digitally.

6. Research Instruments

The study utilized a closed-ended questionnaire as its research instrument, designed based on the indicators of each variable. The questionnaire was organized into a blueprint comprising statement items aimed at assessing compensation, job security, employee engagement, and employee loyalty. A 4-point Likert scale was applied, excluding a neutral category, to prompt respondents to give more definitive responses.

7. Data Analysis Technique

The data underwent a series of structured analytical procedures. The process began with descriptive statistics to portray respondent profiles and summarize the distribution of questionnaire results. Next, instrument quality was evaluated using validity and reliability checks to confirm that the measurement tools met accepted criteria for precision and stability. To confirm the regression model's compliance with statistical assumptions, diagnostic tests for normality, multicollinearity, and heteroscedasticity were performed. Subsequently, multiple linear regression was utilized to determine how compensation, job security, and employee engagement influenced employee loyalty. The significance of individual predictors was assessed using the t-test, whereas the coefficient of determination (R^2) was applied to gauge how effectively the model explained variations in the dependent variable.

C. RESULTS AND DISCUSSIONS

1. Descriptive Statistics

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
<i>Compensation</i>	141	13	24	18.97	2.231
<i>Job Security</i>	141	16	32	27.78	3.184
<i>Employee Engagement</i>	141	12	24	20.33	2.880
<i>Employee Loyalty</i>	141	30	48	41.17	3.378
Valid N (listwise)	141				

Source: Data Processed SPSS 25 (2025).

Referring to Table 1, which displays the descriptive analysis results for 141 respondents, the Compensation variable recorded a minimum score of 13 and a maximum of 24, with an average of 18.98 and a standard deviation of 2.23. These figures suggest that the compensation received by employees is generally high, with relatively low variability. The Job Security variable ranged from 16 to 32, producing a mean of 27.79 and a standard deviation of 3.18, indicating that most employees perceive their job security to be strong. The Employee Engagement variable showed values between 12 and 24, with a mean of 20.33 and a standard deviation of 2.88, reflecting that engagement levels are relatively strong and responses are fairly consistent. Meanwhile, the Employee Loyalty variable ranged from 30 to 48, with an average of 41.17 and a standard deviation of 3.37, signifying that employee loyalty is high and evenly distributed. Collectively, these results demonstrate that respondents hold favorable perceptions across all four research variables.

2. Validity Test

Table 2. Validity Test

Variabel	Item	R _{hitung}	R _{Tabel}	Keterangan
<i>Compensation (X1)</i>	1	0,585	0,165	Valid
	2	0,548	0,165	Valid
	3	0,749	0,165	Valid
	4	0,696	0,165	Valid
	5	0,616	0,165	Valid
	6	0,589	0,165	Valid
<i>Job Security (X2)</i>	1	0,638	0,165	Valid
	2	0,650	0,165	Valid
	3	0,657	0,165	Valid

Variabel	Item	R _{hitung}	R _{Tabel}	Keterangan
	4	0,658	0,165	Valid
	5	0,693	0,165	Valid
	6	0,649	0,165	Valid
	7	0,698	0,165	Valid
	8	0,666	0,165	Valid
	1	0,735	0,165	Valid
<i>Employee Engagement (X3)</i>	2	0,588	0,165	Valid
	3	0,575	0,165	Valid
	4	0,704	0,165	Valid
	5	0,764	0,165	Valid
	6	0,713	0,165	Valid
	1	0,318	0,165	Valid
<i>Employee Loyalty (Y)</i>	2	0,281	0,165	Valid
	3	0,547	0,165	Valid
	4	0,660	0,165	Valid
	5	0,590	0,165	Valid
	6	0,637	0,165	Valid
	7	0,682	0,165	Valid
	8	0,665	0,165	Valid
	9	0,586	0,165	Valid
	10	0,355	0,165	Valid
	11	0,327	0,165	Valid
	12	0,289	0,165	Valid

Source: Data Processed SPSS 25 (2025).

According to Table 2, all items measuring the variables Compensation (X1), Job Security (X2), Employee Engagement (X3), and Employee Loyalty (Y) show r-calculated values exceeding the r-table value of 0.165. This result indicates that every questionnaire item is valid and appropriate for use as a research instrument. Therefore, the instrument employed in this study meets the statistical validity requirement.

3. Reability Test

Table 3. Relability Test

Variabel	N	Cronbach's Alpha	Keterangan
<i>Compensation</i>	6	0,698	Reliabel
<i>Job Security</i>	8	0,818	
<i>Employee Engagement</i>	6	0,765	
<i>Employee Loyalty</i>	12	0,715	

Source: Data Processed SPSS 25 (2025).

Referring to Table 2, the r-calculated values for all items under the variables of Compensation (X1), Job Security (X2), Employee Engagement (X3), and Employee Loyalty (Y) exceed the r-table threshold of 0.165. This finding confirms that each questionnaire item is valid and suitable for use as a research instrument. Hence, the instrument utilized in this study satisfies the statistical criteria for validity.

4. Normality Test

Table 4. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		141
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.50615160
Most Extreme Differences	Absolute	.064
	Positive	.045
	Negative	-.064
Test Statistic		.064
Asymp. Sig. (2-tailed) ^c		.200
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Data Processed SPSS 25 (2025).

Based on the normality assessment shown in Table 4, which utilized the One-Sample Kolmogorov–Smirnov Test, the Asymp. Sig. (2-tailed) value was found to be 0.200. Since this value is greater than the 0.05 significance level, it demonstrates that the residuals are normally distributed. Consequently, the normality assumption is fulfilled, validating the suitability of the data for further analysis using multiple linear regression.

5. Multicollinearity Test

Table 5. Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	<i>Compensation</i>	.983	1.017
	<i>Job Security</i>	.925	1.081

<i>Employee Engagement</i>	.940	1.064
a. Dependent Variable: <i>Employee Loyalty</i>		
Source: Data Processed SPSS 25 (2025).		

Table 5 presents the multicollinearity test outcomes, showing tolerance values of 0.983 for Compensation, 0.915 for Job Security, and 0.940 for Employee Engagement. Because each figure exceeds the minimum threshold of 0.10, no signs of multicollinearity are observed. In addition, the corresponding Variance Inflation Factor (VIF) scores 1.017, 1.081, and 1.064 are far below the critical limit of 10. These findings verify that the regression model is free from multicollinearity issues and is therefore suitable for subsequent analysis.

6. Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Dependent Variable: <i>Employee Loyalty</i> ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.409	1.951		2.260	0.25
Compensation	-.057	.056	-.089	-1.016	.312
Job Security	-.037	.042	-.076	-.876	.383
Employee Engagement	-.014	.045	-.028	-.320	.749

a. Dependent Variable: ABS_RES
Source: Data Processed SPSS 25 (2025).

Table 6 presents the results of the heteroscedasticity test, showing significance (Sig.) values of 0.312 for Compensation, 0.383 for Job Security, and 0.749 for Employee Engagement. Since all values exceed 0.05, it can be inferred that the regression model is free from heteroscedasticity issues. Therefore, the model satisfies the classical assumption of homoscedasticity and is considered appropriate for further regression analysis.

7. Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.

	B	Std. Error	Beta	t	Sig.
1 (Constant)	14.324	3.009		4.760	.000
<i>Compensation</i>	.272	.097	.180	2.811	.006
<i>Job Security</i>	.658	.070	.620	9.405	.000
<i>Employee Engagement</i>	.168	.077	.143	2.187	.030

a. Dependent Variable: *Employee Loyalty*

Source: Data Processed SPSS 25 (2025).

Table 7 displays the results of the multiple linear regression analysis, which reveal that all independent variables Compensation, Job Security, and Employee Engagement significantly influence Employee Loyalty, as each has a significance value below 0.05. Compensation shows a positive effect with a regression coefficient of 0.272 (Sig. = 0.006), indicating that improved compensation is associated with greater employee loyalty. Employee Engagement also demonstrates a positive contribution, with a coefficient of 0.168 (Sig. = 0.030), suggesting that higher involvement in work enhances loyalty.

Among the three variables, Job Security stands out as the dominant factor, with the largest coefficient of 0.658 (Sig. = 0.000), underscoring its critical role as the primary determinant of employee loyalty. Collectively, these findings highlight that Compensation, Job Security, and Employee Engagement all play a significant role in strengthening employee loyalty, with Job Security exerting the strongest influence.

8. Partial Test

Table 8. Partial Test

	Coefficients ^a		Beta	t	Sig.
	Unstandardized Coefficients	Standardized Coefficients			
Model	B	Std. Error			
1 (Constant)	14.324	3.009		4.760	.000
<i>Compensation</i>	.272	.097	.180	2.811	.006

<i>Job Security</i>	.658	.070	.620	9.405	.000
<i>Employee Engagement</i>	.168	.077	.143	2.187	.030

a. Dependent Variable: *Employee Loyalty*

Source: Data Processed SPSS 25 (2025).

Table 8 displays the outcomes of the partial t-tests, showing that Compensation (X1) exerts a positive and statistically significant effect on employee loyalty, with a p-value of 0.006, which is below the 0.05 threshold. Likewise, Job Security (X2) demonstrates a positive and highly significant influence, with a p-value of 0.000, making it the most dominant factor in driving employee loyalty. Employee Engagement (X3) also has a positive and significant impact, indicated by a p-value of 0.030, which is less than 0.05. These findings confirm that each independent variable compensation, job security, and employee engagement individually affects employee loyalty, with job security emerging as the strongest contributor.

9. Coefficient of Determination (R²)

Table 9. Coefficient of Determination (R²)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.671 ^a	.450	.438	2.53344	

a. Predictors: (Constant), *Employee Engagement, Compensation, Job Security*

Source: Data Processed SPSS 25 (2025).

As presented in Table 9, the coefficient of determination test yielded an Adjusted R Square value of 0.438. This result suggests that 43.8% of the variance in employee loyalty (Y) is accounted for by the variables of compensation (X1), job security (X2), and employee engagement (X3). The remaining 56.2% is attributed to other factors not included in the research model. Hence, the regression model applied in this study demonstrates a fairly good explanatory power regarding

employee loyalty, though additional variables outside the model also contribute to its variation.

D. CONCLUSIONS

The analysis results lead to the conclusion that compensation, job security, and employee engagement positively and significantly influence employee loyalty. Equitable and transparent compensation motivates employees to maintain their commitment, while job security is identified as the most influential factor, as it offers a sense of stability and confidence to stay with the organization. Moreover, active employee involvement in organizational activities and decision-making enhances their sense of belonging and promotes long-term organizational commitment.

E. SUGGESTIONS

The results of this study offer managerial implications for PT BPR Ekadharma Bhinaraharja, emphasizing the need to reinforce a fair and competitive compensation system, establish transparent job security policies to ensure a safe work environment, and cultivate a participatory culture that promotes employee involvement in decision-making. Such initiatives are expected to strengthen employees' sense of belonging, boost motivation, and foster long-term loyalty. In addition, future studies are advised to incorporate other variables—such as leadership style, organizational culture, or job satisfaction—and broaden the scope to different companies or sectors to achieve more comprehensive findings. Employing a mixed-methods approach is also suggested to gain deeper insights into the determinants of employee loyalty.

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