

**THE EFFECT OF DIRECT AND INDIRECT COMPENSATION  
TO EMPLOYEE'S LOYALTY:  
CASE STUDY AT DIRECTORATE OF HUMAN RESOURCES IN PT POS INDONESIA**

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**ABSTRACT**

As a company's main resource, the employee's welfare need to be assured, such as through compensation. A proper compensation will make the employee loyal to the company and increase their contribution and productivity. The phenomenon that occurs is the high turnover rate of state-owned company or government-owned company caused by the low level of compensation. This research was conducted in Directorate of Human Resources PT. Pos Indonesia (Persero), Jalan Cilaki No. 73 Bandung to assess the influence of the direct and indirect compensation to the employee's loyalty. PT. Pos Indonesia (Persero) is a state-owned company engaged in couriers, logistics, and financial transactions in Indonesia. The multiple linear regression analysis indicates that the direct compensation has 38.8% significant and positive relation to the employee's loyalty, while indirect compensation has 48.2% significant and positive relation to the employee's loyalty.

**Keywords:** employee, compensation, loyalty

**JEL Classifications:** J33, J81

**INTRODUCTION**

Every successful company has always been closely related to good resources and management systems. One of the resources that best support the company is the human resources, where the human resources are the main input in the company to be processed into goods or service.

Employee as a man power, become the main capital in the company if seen from 5M's (Man, Material, Method, Machine, and Money), because employee is the organizer, implementer, and decision maker in the process of operation and management of the company itself and also the conductor of the four other main capital (Morato, 2012).

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The company expects the employee who has a good work ethic and highly contributed to the company, but more than that, the company wants the employees who dedicate themselves to company with integrity and loyalty. With loyalty, employees can work actively and have high awareness of their tasks and responsibilities in company.

The employees' behavior to the company (mainly for being loyal) influenced by the combination of two factors which are the primary and secondary factors. The primary factor is the influenced by genetic characteristics of each individual, such as age, race, ethnic, quality of life, physical ability, and sexual orientation. While the behavior that is affected by the secondary factor is influenced by the things that lived, passed or received throughout the life of each individual, such as education, experience, income, marital status, social status, religion, behavior, and the origin. Thus, to produce a loyal employees, the company need to pay attention to the two factors above, so that it is able to answer the needs and orientations of each employee (Anantadjaya et al, 2015)

One that affects the behavior especially about the employee loyalty is the income (Anantadjaya et al, 2015). This is strengthened by the theory put forward by Hasibuan (2013) said that the compensation serves to increase the employee loyalty and interest to the company. The compensation means the provision of fringe benefits provided by the company to the employees, where the compensation is directly or indirectly received by the employees (Supriyatin, 2013).

The direct compensation can be such as salary or wages. While indirect compensation can be such as welfare supporting facilities. The compensation is closely related to the company's strategic policies in building a strong and sturdiness man power in order to achieve the main objective of the company's business activities.

One of the functions of the compensation in the company is as a bond of cooperation (Suwatno and Priansa, 2011). It means that compensation raises formal cooperation between the company and employees. The employees must perform his duties properly, while the company is obliged to pay the compensation in accordance with the agreement agreed by the company. The bondage is expected to be intertwined to the best possible period and the best possible contribution.

The phenomenon that occurs nowadays is the massive resignation of the employees caused by the lack of compensation, as reported by Kontan news website (Kharismawati, 2014). The case occurred in government enterprises engaged in the field of taxation, namely Directorate General of Taxation (DJP) of Indonesia in 2014. The lack of incentive is the main reason related to almost 100 employees DJP chose to resign from their job.

Similar phenomenon happened to Directorate General of Taxation (DJP) also occurred in PT. Pos Indonesia (Persero) was published in Republika news website, about 5000 employees of PT. Pos Indonesia (Persero) stroked for three days to submit six demands to the management, three of which related to the issue of compensation (Putra, 2012). PT. Pos Indonesia (Persero) is a state-owned Enterprise that engaged in courier, logistics, and financial transactions. It is the first postal services and gyro company that already well known to the public.

The first, raise employee pensions, which the amount is still far below the civil servant pensions, which is only 29% to 45% from their basic salary. Second, raise the basic salary, which amount is only 15% of the salary each month. Third, reimburse all the employees medical costs. This phenomenon indicates the dissatisfaction of compensation received by employees on both a basic salary constitute the direct compensation, while pension and medical costs constitute the indirect compensation.

**Table 1. Reasons for Termination of Employment**

Year	Number of Employees	Reasons for Termination of Employment			
		Normal	Pass Away	Sick	Own Request
		2012	832	25	-
2013	902	29	4	1	10
2014	889	47	3	-	11

Source: PT. Pos Indonesia (Persero)(2015)

From the above data (table 1), there are four reasons termination of employment of the company. The first, the normal reason means that the age of the employee has entered a period of normal retirement. Second, the employee cannot work because he was passed

away. Third, by reason of illness which the employee resigned due to physical reasons and is not able to fulfill the duties and responsibilities within the company. The last, employees own request is an employee who chose to resign because of personal reasons. From interviews with employees of PT. Pos Indonesia (Persero) from Performance and Administration in Human Resource Unit, generally the employees who are resigned on their own request was received less salary sufficient to meet their needs, so they chose to build their own business or working in other companies. In the last three years, the employees were out on the grounds at his own request are increasing each year, especially in 2013. If cannot be controlled, this problem will continue getting worse.

One part of the Pos Indonesia organization that has the complex work is Directorate of Human Resources (SDM) which is responsible to arrange Human Resource planning in accordance with the corporate strategy, implementing employee training and development, managing employee career planning, assessing job performance, disciplining and rewarding, ensuring employees quality of life by providing proper compensation. The employees at Directorate of Human Resources (SDM) are divided into the structural and non-structural employees. Structural employees are employees who served as Directors up to Managers, while the non-structural employees are employees who served as Functional firm and implementers or staff. According to the interviews with employee of Remuneration, Health, and Work safety unit, the non-structural employees tend to have problems with the salary satisfaction. While the structural employees are already in the stable position and have a good salary level. As the organizational tasks implementer that directly confront and face the user, in this case are the employees around the Head Office of PT. Pos Indonesia (Persero).

By looking at the phenomena that occur above, then this research will analyze the effects of Direct and Indirect Compensation for Non-Structural Employees Loyalty (Case Study at Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung) to examine the effect of salaries, allowances and other facilities on non-structural employees at Directorate of Human Resources in PT. Pos Indonesia (Persero)

Jalan Cilaki No. 73 Bandung as the efforts of remuneration of company against the non-structural employees loyalty.

## **LITERATURE REVIEWS**

### **Compensation**

Quality of life of an enterprise can be reflected by the quality of life of its human resources. The company that has a good output quality cannot be separated from the good input quality. Input is the source of the output before it is processed. Thus, as the company's main input in producing goods or services, human resources should be guaranteed by good quality of life. In ensuring quality of life for employees, the company obliged to provide fringe benefits to employees with appropriate appreciate at the employees' contribution. The reward for a work is something important in the company. As a human being, the employees have the necessities of life, both physical and spiritual. With a reward or remuneration given by the company, the employees can meet the physical needs related to food, clothing, and house, as well as mental needs such as motivation and sense of worth.

The compensation is a part of the human resource management function. As described by Supriyatin (2013), human resource management is a planning, organizing, directing and controlling, developing, compensating, integrating, maintaining, and terminating employees, for realization of company, individuals, employees and society objectives. The compensation means the provision of fringe benefits provided by the company to its employees where the compensation is directly or indirectly received by the employees in the form of money, goods, or other facilities to employees in exchange for the contribution given by the employees for the company (Suwatno and Priansa, 2011).

The compensation is divided by two, direct and indirect compensation. Direct compensation is a direct reward provided to its employees such as wages, salaries, bonuses and incentives. While the indirect compensation is an indirect reward provided by the company to employees such as allowances, health insurance, and other facilities.

## **Employees Loyalty**

Literally, loyalty comes from the word loyal means faithful. Hasibuan (2013) argued that loyalty or allegiance is one element that is used to the assessment of employees including loyalty to their job, position and organization. Loyalty is reflected by the willingness of employees to maintain and protect the organization inside and outside the work from the people who are not responsible.

Loyalty is also a process that arises as a result of the desire to be faithful and dutiful on their job, group, employer, or on his company. This causes a person willing to sacrifice something in order to satisfy the other party or community (Robbins and Timothy, 2010).

Loyalty to the company disclosed in two forms, first as an attitude which is how far an employee identifies his/her workplace indicating a great desire to work and do the best. Second, loyalty to the company as behavior which is the process of an employee to become loyal and not deciding resign from the company as long as he/ her does not make a fatal mistake (Martiw, Triyono, & Mardalis, 2012).

From above theory, we concluded that employee loyalty is the attitude and behavior of employees of the company where their worked, which is reflected in the willingness to give their best performances and responsibilities to the company.

## **The Aspects of Employee Loyalty**

Loyalty is not naturally formed, but there are many aspects contained on each employee's loyalty according to Soegandhi et al (2013);

### **a. Obedience**

Obedience means employee obeys every policy that is applied within the company that implemented to execute and manage the operations of company's management. Obedience will lead to discipline attitude that profitable to the organization both internally and externally.

### **b. Responsible to the company**

The Job characteristics and the implementation of the tasks have different consequences should be imposed to employees. The ability of employees in doing

their best on their tasks and every risk awareness of their duties will give an understanding to being courage and aware of risks for what has been done and will be done.

c. Willingness to cooperate

Employees that are willing to cooperate with others in groups will support the company to achieve goals that cannot be individually achieved.

d. Sense of belonging

The sense of belonging of company will make the employees have attitude of care and responsible to company that would eventually lead to employee's loyalty and achieve company's objectives.

e. Interpersonal relationships

Employees who have a high level of loyalty will have a flexible attitude towards the interpersonal relationship in the company.

f. Preference for employment Companies must be able to face the fact that their employees come to work as human beings and they should have a pleasure of doing the work itself. This can be seen from the best contribution employee's gave without any intention of more benefit demand.

### **THEORETICAL FRAMEWORK**

The compensation means the provision of fringe benefits given by the company to the employees, where compensation is directly or indirectly received by employees in form of money, goods, or other facilities to employees in exchange for contribution given by employees to the company (Suwatno and Priansa, 2011). The principle of compensation is fair and reasonable. Fair interpreted in accordance with his performance, worthy interpreted to meet the primary needs and are guided by the government minimum wage limit.

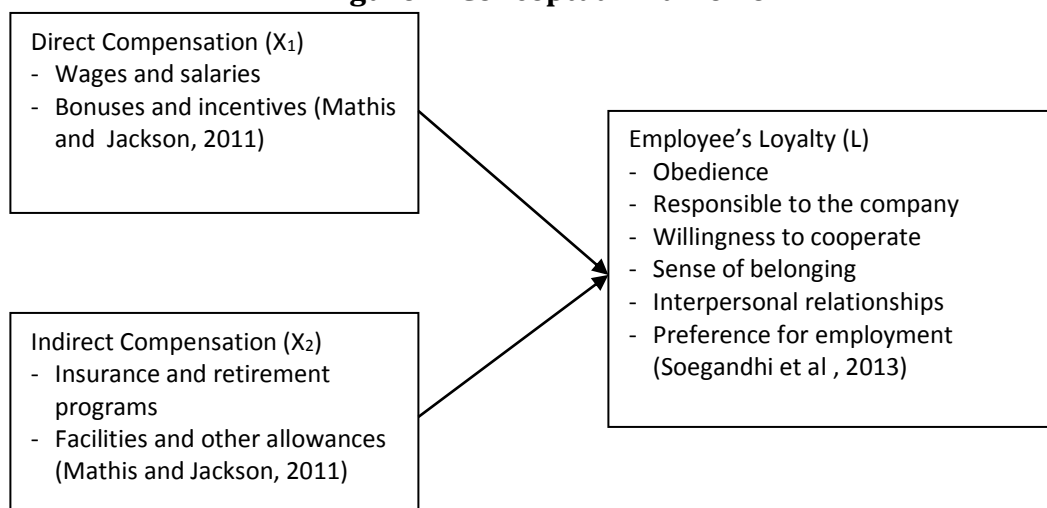
Direct compensation is a direct reward given to the employees such as wages, salaries, bonuses and incentives. While, indirect compensation is an indirect reward given by the company to employees such as allowances, health insurance, and other facilities.



In practice, compensation has the same purpose as the bonding work, job satisfaction, effectiveness, motivation, employee stability, discipline, the influence of trade unions, and government influence (Suwatno and Priansa, 2011). The fulfillment of compensation, the company creates a job satisfaction and stimulates employee motivation, so that employees can feel pleasant and will faithfully serve the company.

Loyalty or allegiance is one element that is used in the assessment of employees including loyalty to his job, position and organization. Loyalty is reflected by the willingness of employees to maintain and protect the organization inside and outside the work from people who are not responsible (Hasibuan, 2013). The employees' loyalty is one of the important points to build a successful company. With loyalty, employees can work actively and high awareness of the duties and responsibilities to the company.

**Figure 1. Conceptual Framework**



The employees' loyalty is also reflected by the commitment of employees to the company, and it is influenced by several factors, such as by the organization and the employees itself (Suhendi and Anggara, 2010). Loyalty that is built by organization factor can be built by providing an assurance of good quality of life. Aspects that contained in employee's loyalty are obedience, responsible to the company, willingness to cooperate, sense of belonging, interpersonal relationships, and preference for employment (Soegandhi

et al, 2013). The determinants factors that influence the loyalty are facilities, assurance of welfare, working ambience and conditions, and wages received from the company (Soegandhi et al, 2013).

Thus, from the explanation above shows that the compensation, direct or indirectly are closely related to the creation of employee's loyalty. With the provision of appropriate remuneration, the employee can meet the physical and psychological needs. Three of the four factors influencing employee's loyalty explained by Soegandhi et al (2013) are part of the compensation. Therefore, in the framework of this study can be described by the diagram.

### **RESEARCH METHODS**

#### **The Object and Type of Research**

The objects in this research are non-structural employees of Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung which consists of the Human Resource Strategy Division, Career Management and Human Resources Assessment Division, Human Resources Service Division.

This research is a descriptive research. The descriptive is a way to find new meaning, describing a condition of existence, determining the frequency of occurrence of something, and categorize the information (Sugiyono, 2012). Descriptive study aimed to obtain a description of the data that is able to describe the composition and characteristics of the studied unit. This type of research includes the collection of data for hypotheses test, which is generally collected through a list of questions in the surveys, interviews, or observation (Kuncoro, 2013).

The method used in this research is quantitative and qualitative. Quantitative method performed by processing the data through statistical tests. Qualitative method performed by describing conclusions on the results of interviews, observations, and questionnaires.

#### **Definition of Variables**

The research variables that used in this research are:

### 1. Independent variable (X)

The independent variables in this research are direct compensation ( $X_1$ ) and indirect compensation ( $X_2$ ).

### 2. Dependent variable (Y)

The dependent variable in this study is non-structural employee's loyalty (Y).

**Table 2. Variable Operational**

No.	Variable	Indicator	Measurement
1	Direct compensation ( $X_1$ )	Wages and salaries (Mathis and Jackson, 2011)	<ol style="list-style-type: none"> <li>1. Wages and salaries are appropriate with employee's tasks and responsibilities.</li> <li>2. Sufficient in fulfillment of daily needs.</li> <li>3. On time.</li> </ol>
		Bonuses and incentives (Mathis and Jackson, 2011)	<ol style="list-style-type: none"> <li>1. Appropriate with employees contributions.</li> <li>2. Appropriate with employees expectations.</li> </ol>
2	Indirect compensation ( $X_2$ )	Insurance and retirement programs (Mathis and Jackson, 2011)	<ol style="list-style-type: none"> <li>1. Availability of insurance and health program.</li> <li>2. Availability of retirement program.</li> </ol>
		Facilities and other allowances (Mathis and Jackson, 2011)	<ol style="list-style-type: none"> <li>1. Availability of facility that helps employee in his work.</li> <li>2. Availability of allowances to reduce the work load.</li> </ol>
3	Employee's loyalty (Y)	Obedience (Soegandhi et al, 2013)	<ol style="list-style-type: none"> <li>1. Level of obedience to obey the rules.</li> <li>2. Level of obedience in superior's instructions.</li> </ol>
		Responsible to the company (Soegandhi et al, 2013)	<ol style="list-style-type: none"> <li>1. Ability to complete the tasks on time.</li> <li>2. Willingness to maintain equipment and facilities in the office.</li> <li>3. Ability and willingness not to misusing the authority.</li> </ol>
		Willingness to cooperate (Soegandhi et al, 2013)	<ol style="list-style-type: none"> <li>1. Ability to complete the tasks in team.</li> </ol>
		Sense of belonging (Soegandhi et al, 2013)	<ol style="list-style-type: none"> <li>1. Ability to take a good care of company's reputation when he is working or not.</li> </ol>
		Interpersonal relationship (Soegandhi et al, 2013)	<ol style="list-style-type: none"> <li>1. Ability to build a good relationship with the colleagues.</li> <li>2. Ability to reconcile with the colleagues or superior in any problems.</li> </ol>
		Preference of employment (Soegandhi et al, 2013)	<ol style="list-style-type: none"> <li>1. Ability to do the task without any compulsion.</li> <li>2. Employee's effort to sincerely contribute for the sake of company.</li> <li>3. Availability to prior the company's interest.</li> </ol>

## Types and Sources of Data

### Data Types

The types of data used in this study, as follows (Sugiyono, 2012):

#### 1. Qualitative Data

Data obtained from the Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung, such as company profiles, results of questionnaires, interviews and other data that support the research.

### 2. Quantitative Data

Data obtained from the Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung which is in the form of numbers and figures, that obtained by questionnaires. Questionnaire contents are questions that related to the research variables and then converted into Likert scale. So that qualitative data can be transformed to quantitative data, then be processed in order to answer the hypotheses.

### **Data Sources**

Sources of data needed in this research are:

#### 1. Primary Data

Primary data is obtained directly from the object of study, by observation, interviews, surveys and questionnaires in the Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung.

#### 2. Secondary Data

Secondary data is obtained from company's documents, previous research, scientific literature and other references that are required to support this research.

### **Data Collection Techniques**

To collect data relating to direct and indirect compensation and non-structural employee's loyalty, techniques of data collection this research used are:

#### 1. Observation

Observation is data collection technique by observing phenomena and facts that occur in the company.

#### 2. Interviews

Interviews are data collection technique directly by doing a question and answer with the parties concerned.

### 3. Questionnaires

Questionnaires are data collection technique by asking a set of written questions to the respondent.

### Population

Population is the generalization region consisting of objects or subjects that have certain qualities and characteristics defined by the researchers to be studied and then drawn conclusions (Sugiyono, 2012). Population to be studied is the non-structural employees in Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung.

This study used a technique of nonprobability sampling, which does not provide the same opportunities for every member of the population to be elected as members of the sample (Widiyanto, 2013). Therefore, this study was conducted by distributing questionnaires to all employees of the non-structural Directorate of Human Resources in PT. Pos Indonesia (Persero) Cilaki 73 Jalan Bandung. Below is the total population in this research:

**Table 3. Total Population**

<b>Division</b>	<b>Total</b>
Human Resource Service	40
Human Resource Strategy	12
Career Management & HR Assessment	16
<b>Total</b>	<b>69</b>

### Research Instrument

The Instrument used in this research was in the form of a questionnaire. The measurement technique of each question in the questionnaire used in this research is Likert scale. The value of each item measurement scale consists of five alternatives begin with very low up

to very high level, using a scale of 1-5. Likert scale is used to measure attitudes, opinions and perceptions of a person or group of people about the phenomenon (Sugiyono, 2012).

### **Validity and Reliability Test**

To produce an accurate research, it requires a valid and reliable research instrument, in this case is questionnaire. Validity and reliability test are used to test whether the questions posed in research instrument are valid and reliable. The questions that are not valid and reliable have to be removed or replaced with another questions (Sugiyono, 2012).

### **Classical Assumption Test**

After the instrument is confirmed valid and reliable, then the next step is to doing classic assumptions test. This classic assumption test held to see whether the data in the regression model has been distributed normally and make sure that autocorrelation, multicollinearity, and heteroscedasticity does not exist, so the multiple linear regression analysis can be carried out appropriately (Widiyanto, 2013).

### **Multiple Linear Regression Analysis**

According to Sarwono (2012), multiple linear regression analysis is used to measure the influence of independent variables on the dependent variable and to measure the dependent variable by using the independent variables.

Thus, the methods of analysis used in this research is multiple linear regression analysis. As described above, multiple linear regression is used to predict how the situation (increase or decrease) of dependent variable (Y) if two or more independent variables as predictors factors is estimated.

## **EMPIRICAL FINDINGS**

Pre-test was conducted to test whether questionnaire is valid and reliable according to results of 30 random respondents of research object. The result of pre-test of validity is this questionnaire is valid because the significance in KMO and Bartlett test is 0.00, which the

criteria is  $<0.05$  (Priyatno, 2012). The result of pre-test of reliability is this questionnaire is 93.2% reliable because the Cronbach's Alpha Based on Standardized Items is 0.932. The pre-test of reliability showed a good result, means that criteria of good reliability level is 0.80-1.00 (Priyatno, 2012).

After having a valid and reliable questionnaire, then subsequently conducted post-test. Post-test conducted by distributing to the whole population of as many as 69 respondents. The result of post-test of validity is this questionnaire is valid because the significance in KMO and Bartlett test is 0.00. The result of pre-test of reliability is this questionnaire is 92.6% reliable because the Cronbach's Alpha Based on Standardized Items is 0.926, and it categorized as a good reliability.

Having proven valid and reliable, this research followed by other statistical test to test whether this regression model is appropriate to be studied, named classical assumption test. According to the tests, can be concluded that the data are distributed normally, and no autocorrelation, multicollinearity, and heteroscedasticity.

After performing classical assumption test and this regression model confirmed as a good regression model for the research, the next step is analyzing the regression model itself (Widiyanto, 2013). The result of multiple linear regression is:

$$Y = 22.050 + 0.388X_1 + 0.482X_2 \quad (1)$$

Constant value ( $\alpha$ ) means that if the direct compensation (and indirect compensation) are 0, then the employee's loyalty (Y) worth 22.050.

Regression coefficient of direct compensation ( $X_1$ ) at a significance value of 0.001 means it has a significant relation between direct compensation and employee's loyalty, because the value is smaller than 0.05, so is accepted and is rejected.

This variable regression coefficients positive value of 0.388 means that the variable has an in line relationship with the variable Y. The coefficient of 0.388 means that if direct compensation ( $X_1$ ) changed at 1 Rupiah, then it will change by 38.8% on employee's loyalty. Thus, each increment 1 Rupiah on the compensation component of non-structural employee in Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung, such as basic salary, conjuncture allowances, grade allowances,

occupational allowances, and the unfixed income like bonuses and incentives, will significantly increase the level of employee's loyalty by 38.8%.

Otherwise, if the direct compensation component is reduced by 1 Rupiah then there will decrease the level of employee's loyalty by 38.8%. This loyalty can be measured by how employees obey the rules, have a responsibility to the company, willingness to cooperate with other colleagues, sense of belonging to the company, continues to build a personal relationship between the other colleagues, and gives a preference of employment (Soegandhi et al, 2013).

The regression coefficient of indirect compensation ( $X_2$ ) at a significance value of 0.000 means it has a significant relation between indirect compensation and employee's loyalty, because the value is smaller than 0.05, so it can be accepted or rejected. This variable regression coefficients positive value of 0.482 means that the variable has an in line relationship with variable Y. Value 0.482 means that if direct compensation ( $X_1$ ) changed at 1 Rupiah, then it will change by 48,2% on employee's loyalty. Thus, each increase 1 Rupiah on components of health insurance, retirement programs, provision of *Klinik Pos* facilities, provision of physical and spiritual development programs, working uniforms, transportation cost assistance, holiday allowance and leave allowances received by non-structural employees of Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung, will significantly increase the level of employee's loyalty by 48.2%. Otherwise, if all of the facilities and other benefits included in the indirect compensation component reduced by 1 Rupiah, then the loyalty of employees will decrease by 48.2%.

The results of multiple linear regression showed that indirect compensation has a greater effect on employee's loyalty than the direct compensation. It states that employees are not only paying attention or requiring direct compensation in their daily lives or even for future investment. However, it considered that the indirect compensation also has short-term and long-term value. Short-term value is indirect compensation helps employees reduce transportation cost assistance, the cost of working uniforms, medical expenses and other costs. Long-term value is indirect compensation can help employees



pay for the necessities of life after it has been unable to work due to age limit and had to retire. These things become the consideration of employees in state-owned companies or government companies when working. Whereas, there is almost no private companies provide retirement program to employees in his retired age.

Thus, the results above in line with the theory that compensation function is to improve employee's loyalty and interest to the company (Hasibuan, 2013). When employee feel their quality of life is guaranteed by the company, then the employee will devote himself to the company. However, the level of employee's loyalty itself is different, because the expectations and satisfaction levels of employees against each individual salaries also vary. Thus, company needs to constantly supervise the maintenance of employees' quality of life, in order to adjust to future growth, growth of needs, the regional minimum wage levels, and also salary levels that applied in competitor company in the same industry.

## **CONCLUSIONS**

Based on the explanation in this research according to problem formulas, it can be concluded that direct compensation has a positive and significant impact on employee's loyalty by 38.8%. Every 1 Rupiah change in direct compensation will lead to a change of 38.8% in employee's loyalty. Direct compensation received by employees of PT. Pos Indonesia (Persero) consists of a basic salary, conjuncture allowances, grade allowances, occupational allowances and unfixed income component, which consists of performance allowances and bonuses.

Indirect compensation has a positive and significant impact on employee loyalty by 48.2%. Every 1 Rupiah change in indirect compensation will lead to a change of 48.2% in employee's loyalty. Indirect compensation received by employees of PT. Pos Indonesia (Persero) consists of health insurance, retirement programs, *Klinik Pos* facilities, physical and spiritual development facilities, working uniforms, transportation cost assistance, holiday allowance and leave allowances, both annual leave and long service leave. Results of multiple linear regression states that the indirect compensation has a greater influence on employee's loyalty than the direct compensation. One of the reasons why employees of

SOEs or government enterprise survive in a work environment is certainty of their future lives.

The results state that the direct compensation given to non-structural employees of Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung categorized as good, but it is recommended to be maximized to fit the expectations of employees and the ability of the company, so that it can increase employee's loyalty. Some procedure that can be taken to maximize the direct compensation is periodic review of the salary satisfaction at all levels of the organization, especially for non-structural employees whose salary is likely to be smaller than the structural employees. This review is recommended because of the rate of inflation and the necessities of life that tend to go up, so to ensure the employees' quality of life, company needs to periodically conduct a review in salary component and the unfixed income.

The results also state that the indirect compensation given to non-structural employees of Directorate of Human Resources in PT. Pos Indonesia (Persero) Jalan Cilaki No. 73 Bandung categorized as good, but it is also recommended to be maximized to fit the expectations of employees and the ability of the company. Whereas, indirect compensation has a greater impact on employee's loyalty than direct compensation, so it would be better if be maximized. For indicators that tend to small scores, companies need to review and improve, such as the provision of working uniforms and transportation cost assistance. The company can also conduct repairs on the working atmosphere and conditions that is one of the factors that affect loyalty, in addition to working facilities, a review of welfare, and wages (Soegandhi et al, 2013). The working atmosphere and conditions can also be created with a conducive physical environment and help employees to be more productive in doing their job when they were at the office. PT. Pos Indonesia (Persero) suggested to fixing the physical workspace of employees with a more comfortable design and spur creativity of its employees. When the research was conducted, workspace one of divisions at the Directorate of Human Resources, the Division of Human Resource Services, is not conducive because the room is filled by about 40 people that do not have aircon and only

use the door or window for the air exchange, and also the layout of workbench adjacent to each other which makes the working atmosphere and conditions are not conducive.

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