

# Compensation and Motivation in Affecting Employee Performance PT. X

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**Abstract-** Providing compensation and motivation is very important to support employee performance satisfaction so that employee productivity will be better. Likewise, providing compensation for the performance of employees will provide reciprocal contributions to the survival of the organization or company. The purpose of this study was to determine how compensation and motivation influence employee performance at PT. X. As well as to determine compensation and motivation for the performance of employees of PT. X partially. The research method used is a quantitative research method with a survey approach, the population used is all employees at PT. X. The sample of this study is the same as the population, namely 98 respondents. The analysis method used is multiple regression analysis and hypothesis testing. The results of the analysis show that compensation has an effect on employee performance and motivation has an effect on employee performance.

**Keywords:** *compensation, motivation, employee performance, contributions.*

## I. INTRODUCTION

The existence of human resources in a company plays a very important role. Workforce has great potential to carry out company activities. The potential of each human resource in the company must be utilized as well as possible so as to provide optimal output for the company. Good human resource management is the key to the successful achievement of organizational goals, to assess the quality of human resources that can be measured from employee performance. Even the back and forth of the company is determined by the existence of human resources. For this reason, every company pays attention to and regulates the existence of its employees in an effort to improve good performance.

Employees work with the hope of getting a wage / salary that can meet their needs. The needs that are currently very complex, from the most basic / primary issues, especially the need for clothing, food, housing, education, adequate work rest, need to get a top priority scale in terms of fulfillment. Meanwhile, companies are required to have qualified employees who are able to overcome all obstacles related to the company's human resources. One of the obstacles in question is the difficulty of one's performance which will later affect the overall performance of the organization (Saudi, 2018). Without compensation and motivation to work, the results of performance will not be optimal. Several performance indicators such as strength of work results, quality of work results and timeliness of completion of the task itself really need to be considered by the company in carrying out its duties in accordance with the responsibilities assigned to it. Table 1 shows that there has been a decline in the performance achievements of employees so that the targets that have been set have not been able to be achieved due to a lack of employee motivation.

**Table 1. Performance Achievement of Employees of PT. X in 2014 - 2018**

Year	Target	Achievements	Result
2014	100%	75%	Not achieved
2015	100%	73%	Not achieved
2016	100%	70%	Not achieved
2017	100%	70%	Not achieved

*Source: Data of PT. X*

To improve the performance of its employees, the company must also be able to meet the needs of employees, the company's efforts to meet the needs of employees are through the provision of appropriate and fair compensation. Compensation is one way that companies can provide rewards to employees. Compensation can increase or decrease employee performance. Providing compensation to employees needs more attention by the company. Compensation must have a strong, correct and fair basis. If the compensation is felt to be unfair, it will cause disappointment to employees, so that good employees will leave the company (Wijaya & Andreani, 2015). The compensation provided by the company is used by employees to meet their daily needs, especially if the employee is married and has a family, the employees will be encouraged to work more optimally so that they get greater compensation. Compensation is the main need that connects the fulfillment of further needs. Compensation is not only for physical gratification, it is also a recognition and a sense of accomplishment.

Companies are considered to be not good at providing salaries to their employees so that there are still many who feel that the salaries given do not meet the needs of employees. But here the company provides health insurance which is one of the positive things that can motivate employees to work.

In addition to providing adequate and fair compensation in an effort to improve employee performance, companies can also do other ways, namely by providing good work motivation to employees Motivation will grow in employees if the appropriateness of employee needs is met properly, because basically humans are motivated to get things that can make ends meet. Work motivation is one of the important things that every employee in private companies and government agencies must have. The good and bad performance of a company can be seen from the work motivation of its employees. Employees who have high work motivation will always strive to obey predetermined rules such as coming to work on time, carrying out activities or office work during working hours, obeying work procedures, and being loyal to the company.

## II. LITERATURE REVIEW

### Compensation

Basically, working people also want to get money to make ends meet. For this reason, an employee begins to appreciate hard work and increasingly shows loyalty to the company and that's why the company rewards employee work performance by providing compensation. One way for management to increase work performance, motivate and improve employee performance is through compensation (Marwansyah, 2015). Compensation is something that employees receive in return for their work, before compensation is given, the compensation process is first carried out, namely a network of various sub-processes to provide remuneration to employees to motivate them to achieve the desired level of achievement. Compensation is anything that is given by the company to employees, as remuneration or compensation for the performance generated by the employee, for the benefit of the company. Compensation can be in the form of money or facilities provided by the company to employees.

The purpose of providing compensation (remuneration) includes cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline, and the influence of labor unions and the

government (Hasibuan, 2016). The compensation provided by the company to employees can be classified into several types. Compensation can generally be divided into two types, namely: direct compensation and indirect compensation. Direct compensation is an award or reward called a salary or wage, which is paid regularly based on a fixed grace period. Direct compensation is also referred to as basic wage, which is the wage or regular salary received by a worker in the form of a monthly wage (salary) or weekly wages or hourly wages at work (hourly wage). Direct compensation consisting of: Salary, Incentives and Bonuses. Indirect compensation includes all financial benefits that are not covered by direct compensation. Indirect compensation is a “program of rewards or rewards with a wide variety, as part of the organization's or company's profits. Indirect compensation is a complementary remuneration or benefits provided to employees based on the company's capabilities. Indirect compensation is remuneration provided in the form of employee services, because it is treated as an effort to create pleasant working conditions and environments. Examples of indirect compensation include health insurance, lunch, recreation programs, office facilities.

The factors that affect compensation are as follows: Supply and Demand for Labor, Company Ability and Willingness, Labor Unions / Employee Organizations, Employee Work Productivity, Government with Laws and Presidential Decrees, Cost of Living, Employee Position, Education and Work Experience, National Economic Conditions, Types and Nature of Work (Hasibuan, 2016).

### **Work Motivation**

Motivation comes from the Latin word moveree which means encouragement or driving force. Motivation questions how to encourage the morale of subordinates so that they are willing to work hard. We can approach the efforts of cultivating a willingness to work from employees through knowledge of the sources of power that move employees to certain behavior. Motivation is important for the company because it is the cause, agent and support for human behavior so that they are willing to work actively and enthusiastically to achieve optimal results. Motivation is increasingly important because managers provide work to their subordinates to be done properly and integrated to the desired goals. Motivation is an impetus for an employee's needs that need to be met so that the employee can adapt to his / her environment, while work motivation is a condition that moves employees to be able to achieve the goals of their motives, and to get satisfaction from the work they achieve. The purpose of providing motivation to employees is to:

- a. Improve employee morale and job satisfaction.
- b. Increase employee productivity.
- c. Improve employee discipline
- d. Creating an atmosphere and good working relationships.
- e. Promote a good working relationship.
- f. Enhance employees' sense of responsibility for their duties.

There are two methods of motivation, namely as follows:

- a. Direct Motivation is motivation (material and non-material) that is given directly to individual employees to meet their needs and satisfaction.
- b. Indirect Motivation, namely the motivation provided is only the facilities that support and support work passion / smoothness of duties, so that employees feel at home and are excited to do their job.

There is a positive relationship between achievement motivation and work achievement. A person who has high motivation will achieve high performance and vice versa whose performance is low due to low work motivation (Mangkunegara, 2015).

### **Employee performance**

Employee performance is the work result in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities assigned to him (Mangkunegara, 2015). There are several objectives of performance appraisal (Rivai, 2016) including:

- a. This is to determine the level of employee achievement so far.
- b. Providing matching rewards, for example for the provision of periodic salary increases, basic salaries, special salary increases, cash incentives.
- c. Encourage accountability from employees.
- d. To differentiate between one employee and another.
- e. Increase work motivation

The benefits of performance appraisal (Rivai, 2016):

- a. Performance improvements.
- b. Compensation adjustment.
- c. Placement decision.
- d. Training and development.
- e. Career planning and development.

Performance appraisal is an attempt to compare an employee's actual performance with the work performance he expects. In the employee performance appraisal, it does not only assess the physical aspect, but the overall work implementation which involves various fields such as work ability, craft, discipline, work relations or special matters in accordance with the field and level of work they hold. There are 5 factors in popular performance appraisal, namely:

1. Job performance, including accuracy, skill, and acceptance of output.
2. Quantity of work, including: volume of output and contribution.
3. Leadership that is needed, includes: advice, direction or improvement.
4. Discipline, including: attendance, sanctions, documents, regulations, trustworthiness / dependability and timeliness.
5. Communication, including: relations between employees and leaders, communication media.

The performance of an employee can be influenced by various factors, both external and internal factors of the employee (Mangkunegara, 2016). Performance is generally influenced by three factors, namely:

- a. Individual Attributes consist of:
  - Demographic characteristics, for example: age, gender, and others.
  - Competitive characteristics, for example: talent, intelligence, abilities and skills.
  - Psychological characteristics, namely adopted values, attitudes and personality.
- b. Ability to Work
- c. Organizational Support

There is a positive relationship between the motive for achievement and the achievement of performance (Mangkunegara, 2016). Achievement motive is an encouragement within an employee to carry out an activity or task as well as possible in order to achieve a commendable work performance (performance). Employees will be able to achieve maximum performance if they have high achievement motives. The

motivation for achievement that is needed by employees must be grown from within themselves apart from the work environment. This is because the achievement motive that is grown from within oneself will form a self-strength and if the work environment supports it, it will be easier to achieve performance.

### **III. METHODOLOGY**

This research is a quantitative research with a survey method. Survey research is a type of research using a questionnaire or questionnaire as the main data source, where respondents are asked to give short answers that have been written in the questionnaire or questionnaire, then the answers of all respondents are processed using certain quantitative analysis techniques (Sugiyono, 2015).

This study uses three variables, namely two independent variables and one dependent variable, among them:

1. Independent variable (X)

Independent variables are variables that affect the dependent variable, either positively or negatively. If there are independent variables, the dependent variable is also present with each unit of increase or decrease in the independent variable. It can be said that the variant in the dependent variable is caused by the independent variable. In this study, the independent variables are compensation and motivation.

2. The dependent variable (Y)

The dependent variable is a variable of primary concern to researchers who are used by researchers to understand and describe the dependent variable, as well as explain its variability or predict it. It can be said that the main variable is suitable for investigation Through this variable, researchers can obtain solutions to the problem under study. In this study, the dependent variable used is the employee performance variable.

The population of this study were all employees at PT. X, amounting to 98 people. Sampling was done by means of saturated samples, that is, all members of the population were used as samples. The data used in this study include primary data (data from the distribution and processing of questionnaires created by researchers) and secondary data (data from books, internet, journals and previous research).

The stages of data analysis used qualitative analysis and quantitative analysis. The quantitative analysis in this study uses the classical assumption test, f test, multiple regression analysis and t test.

### **IV. RESULTS AND DISCUSSION**

Responses of respondents regarding Compensation Variables, namely respondents agree that PT. X has provided a salary that can meet the needs of the employee's family, has provided a salary to employees in accordance with the agreement, has provided incentives for high-performing employees, the incentives given by the company to employees can provide more enthusiasm for work, the overtime wages received by employees from the company are inadequate , has provided insurance that provides a sense of security in working for employees, does not provide sufficient leave for employees, leaves leave for employees is inadequate, office facilities provided by the company can provide comfort while working for employees.

Responses of respondents regarding Motivation Variables, namely respondents agree that some employees have a passion for achievement in work, employees want work results to be better and faster over time, employees are very happy if there is a training and development program provided by the company, employees have a good relationship. both with superiors and co-workers, not all employees feel comfortable working with superiors or co-workers in doing company tasks, not all employees can convey input, ideas, or new ideas to the company, not all employees will compete fairly for a better position, employees feel happy if their dedication while working at this company is recognized by their superiors.

Responses of respondents regarding Performance Variables, namely respondents agree that employees can complete a number of jobs that are their responsibility, not all employees can complete work carefully and on time, employees have sufficient knowledge about the tasks that are their responsibility, not all employees have the initiative to do new jobs, not all employees can work together in completing tasks, some employees have responsibilities in carrying out work, not all employees are happy with their current jobs, many employees are judged to have bad personalities by their colleagues.

### Multiple Linear Regression Analysis

**Table 2. Multiple Regression Analysis**

Variable	Regression Coefficient	Std. Error
(Constant)	0.215	0.221
X1	0.302	0.076
X2	0.617	0.074

*Source: Results of data processing (2020)*

The regression coefficient value illustrates that if the independent variables are estimated to be constant, then the employee performance value is 0.215. The sign of the independent variable regression coefficient shows the direction of the relationship of the independent variables concerned with performance. The regression coefficient for the compensation variable is positive, indicating a unidirectional relationship between compensation and performance. The compensation regression coefficient of 0.302 means that for each increase in compensation will cause an increase in performance of 0.302. The regression coefficient for the motivation variable is positive, indicating a unidirectional relationship between motivation and performance (Y). The motivation regression coefficient of 0.617 means that each increase in motivation will cause an increase in performance of 0.617.

**Table 3. Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.800 <sup>a</sup>	0.640	0.630	0.37476

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

*Source: Results of data processing (2020)*

Based on Table 2, the correlation coefficient (R) is 0.800. This shows that there is a very strong relationship between compensation, motivation and performance.

**Table 4. The Amount of Influence Partially**

Variable	Standardized Coefficients	Correlations	The amount of influence partially	The amount of influence partially (%)
	Beta	Zero-order		
Compensation	0.299	0.552	0.165	16.50%
Motivation	0.632	0.752	0.475	47.53%
<b>Total Effect</b>			<b>0.640</b>	<b>64.0%</b>

*Source: Results of data processing (2020)*

The magnitude of the influence of compensation and motivation on performance can be shown by the coefficient of determination of 64.0%. This means that the compensation and motivation variables have an effect of 64.0% on performance. While, the remaining 36.0% is the contribution of variables other than compensation and motivation.

### T-test

**Table 5. T-test**

Variable	Regression Coefficient	t value	t table	Sig.	Result	Conclusion
Compensation	0.302	3.955	1.992	0.000	Ho rejected	Significant
Motivation	0.617	8.358	1.992	0.000	Ho rejected	Significant

*Source: Results of data processing (2020)*

Based on the table above, it can be seen that the direction of the relationship between compensation and performance is positive (note the value of the compensation regression coefficient) and there is a significant influence between compensation and performance. In addition, the direction of the relationship between motivation and performance is positive (note the regression coefficient of motivation) and there is a significant influence between motivation and performance.

### Discussion

The results of descriptive analysis show that employees' responses to the compensation provided by PT. X for all statements meets the criteria of 3.10 and is in the interval 3.40 - 4.19 which means Good. The largest average value is 4.26, which means that according to employees the incentive to provide more enthusiasm for work, some employees have received incentives from the company, this can affect employee performance to increase even more. And the average value of the lowest statement is 2.02 which means that according to employees they have not received adequate overtime wages, employees feel that the company is not appropriate and appropriate in providing wages which results in employees working less effectively in carrying out work. The level of the relationship between compensation and employee performance at PT. X has a high level of relationship. Hypothesis test results show that partially compensation has a positive and significant effect on employee performance in the company. The results of this study are in accordance with the research conducted by Muhammad Ramzan, et al (2014) about Impact of Compensation on Employee Performance, showing that compensation has a positive impact on employee performance. And the results of research conducted by Tanto Wijaya and Francisca Andreani (2015) which correspond to The effect of compensation and motivation on employee performance at PT. Sinar Jaya Abadi Bersama according to the

research results above which show that compensation and employee performance have a positive and significant effect on employee performance at PT. Sinar Jaya Abadi Bersama.

The results of the descriptive analysis show that the employee's response to the Employee Performance of PT. X, all statements meet the criteria of 3.63 and are in the interval 3.40 - 4.19 which means good. The largest average score is 4.14, which means that according to employees they feel happy if their dedication while working at the company is acknowledged by their superiors, employees feel they have a desire to work harder to create good work results. The lowest average value of the statement is 2.95, which means that employees feel comfortable working with superiors or co-workers in doing company tasks, even though this figure shows quite well, but seen from the number of questions about motivation this is one that makes them less motivated. Which means that here employees do work with superiors to achieve targets, the company or employees have targets that they have set, this is aimed at doing their job better. Hypothesis test results show that partially motivation has a positive and significant effect on employee performance. The results of this study are in accordance with the research conducted by Pamela Akinyi Omollo (2015) regarding the Effect of Motivation on Employee Performance of Commercial Bank in Kenya which shows that motivation has a significant effect on employee performance. And the results of research conducted by Rizki Akbar et al. (2017) concerning The Effect of Compensation and Motivation on the Performance of BPR Lamongan which shows that motivation has a positive and significant effect on employee performance. From the results of the coefficient of determination, the magnitude of R Square is 0.320. The results of this statistical calculation show that the effect of compensation and motivation on employee performance is 36% and the remaining 64% is influenced by other variables outside of compensation and performance. The results of research conducted by P. Padmaja, et al (2016) regarding Effects of Motivation, Stress and Compensation Benefits on Employee Performance in IT Professionals show that compensation and motivation have a significant and positive effect on employee performance. And the results of research by Dilla Savila (2016) are appropriate regarding The Effect of Compensation and Work Motivation on Employee Performance at PT. Primafood International Bandung shows that compensation and motivation have a joint effect on employee performance.

## **V. CONCLUSION**

Research on the effect of compensation and work motivation on employee performance at PT. X that has been done and has been described in the previous chapter, then the following conclusions can be drawn:

1. Compensation at PT. X can be said to be quite good with an average value of 3.02, motivation at PT. X is considered quite good and the performance of employees at PT. X is considered good enough. However, there are several factors that need to be considered because the value is below average.
2. Based on processed data, compensation has a positive and significant effect on employee performance.
3. Based on the processed data, motivation has a positive and significant effect on employee performance.

Based on the research that has been done, there are several suggestions that can be used as input and consideration for the progress of the company. The suggestions put forward include:

1. Companies should be able to increase employee compensation by providing incentives to employees so that employees feel more that the remuneration provided by the company is more in line with employee needs.
2. The company must create a good working atmosphere for all employees. A good working atmosphere can create good work motivation as well so that a good work situation can provide morale for employees, work morale or work motivation can also be created through work appreciation for high-

achieving employees so that it triggers motivation to perform better.

3. In improving the performance of company employees it is expected to prioritize improvement of compensation and motivation because compensation and motivation have a greater influence in relation to improving employee performance.
4. Management of PT. X needs to involve employees in activities / events so that employees feel valued and accepted in the company, thereby improving employee performance.

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