

# Compensation Improvement and Motivation on Employee Performance in Pt. X in Bandung

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Giving compensation and motivation is very important to support employee performance satisfaction so that employee productivity improves. 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 is to find out how the compensation received by employees, at PT. X in Bandung, increases work motivation and its relationship in improving employee performance. The Research method uses regression analysis. The variables used are compensation and motivation as independent variables, employee performance as the dependent variable. The results of this study are that compensation and motivation at PT. X in Bandung jointly influences employee performance.

**Key words:** *Compensation, motivation, employee performance.*

## Introduction

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

Giving compensation and motivation is very important to support employee performance satisfaction so that employee productivity improves. Likewise, providing compensation for the performance of employees will provide reciprocal contributions to the survival of the organization or company.

Achievement targets in the performance of PT. X is not always fully achieved and it can be seen that the number of achievements is unstable, where in the last 4 years there has been a decline in performance and in some situations the employee performance has not reached the target. The following is data on the achievement of performance targets of PT. X in Bandung.

Table 1  
Achievement of Employee Performance at PT. X in Bandung in 2014 - 2018

| Year | Target | Achievement | Information  |
|------|--------|-------------|--------------|
| 2014 | 100%   | 75%         | Not achieved |
| 2015 | 100%   | 73%         | Not achieved |
| 2016 | 100%   | 70%         | Not achieved |
| 2017 | 100%   | 70%         | Not achieved |

Based on table 1 above, this shows that employees are carrying out their duties and responsibilities in a less than optimal way. This impacts on the achievement of employee performance targets that have been determined by the company. From this data, the targets set by the company also reflect a decrease in the performance achievements of the employees so that the set targets have not been able to be achieved. This means that the achievement is not achieved due to a lack of employee motivation.

To improve the performance of its employees the company must also be able to meet the needs of employees, the company's business in meeting the needs of its employees is through providing appropriate and fair compensation. The company is considered not good at giving salaries to its employees so there are still many employees who feel that the salary given does not meet the needs of employees.

## Literature Review

### *Compensation*

Basically, human who work also want to get money to meet their needs. For this reason, an employee starts to appreciate hard work and increasingly shows loyalty to the company and because of that the company rewards the employees' work performance by providing compensation. One way of management to improve work performance, motivate and improve employee performance is through compensation (Marwansyah, 2015). Compensation is something that an employee receives as remuneration 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 an employee to motivate them to achieve the desired goals of the company (Husein, 2015). Compensation is anything that is given by a company to employees, as a reward for the performance produced by an employee, for the benefit of the company. Compensation can take the form of money or facilities provided by the company (Salem et al., 2018).

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

1. Association of Cooperation, employees must do their tasks well, while employers / employers must pay compensation in accordance with the agreed agreement.
2. Job Satisfaction
3. Effective Procurement
4. Motivation, a factor that encourages someone to do a particular job and will affect the high or low productivity.
5. Employee Stability
6. Discipline, employee discipline behaviour is displayed as a form of employee gratitude towards the company for the compensation they have received.
7. Effect of Trade Unions
8. Government Influence, the government stipulates the minimum wage limit (UMR) or the minimum remuneration that is deserved by employers for their employees.

Compensation given by the company to employees can be classified into several types, namely:

1. Direct Compensation, is an award received by employees in the form of money. Direct compensation can be in the form of wages, salaries, incentives, and other benefits. Compensation is also called basic wages, namely wages or fixed salaries received by a worker in the form of a monthly salary or weekly wages or hourly wage in work.
2. Indirect Compensation, is a service 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 are health insurance, lunch, recreational programs, office facilities.

Factors influencing compensation include Supply and Demand for Labor, Capability and Willingness of Companies, Labor Unions / Employee Organizations, Employee Productivity, Government with Laws and Presidential Decrees, Cost of Living, Position of Employee Position, Education and Work Experience, Conditions National Economy, Types and Nature of Work. Some compensation indicators are Payment rates, Payment Structure, Individual Pay Determination, Payment Methods, and Payment Control.

## **Work Motivation**

Motivation comes from the Latin word *movers* which means encouragement or driving force. Motivation questions how to encourage subordinates' work passion, so they want to work hard. The effort to grow the willingness to work from employees can be approached through knowledge of the source of the power that drives employees to behave in a certain way. Motivation is important for the company because it is the cause, channel and supporter of human behaviour to want to work hard and to enthusiastically achieve optimal results. Motivation is increasingly important because managers give jobs to their subordinates to be done well and integrated to the desired goals. Motivation is an impulse to the needs of employees who need to be fulfilled so that employees can adjust to their environment, while work motivation is a condition that moves employees to be able to achieve the goals of their motives and get satisfaction from the work they achieve.

The purpose of giving motivation to employees is to increase morale and employee job satisfaction, increase employee productivity, improve employee discipline, create good work atmosphere and relationships, improve good working relationships and to enhance employees' sense of responsibility towards their duties. There are two types of motivation, namely positive motivation, where managers motivate subordinates by giving gifts to those who have good achievement, and negative motivation, where managers motivate subordinates by giving punishment to those who do not perform their jobs adequately. With this negative motivation, the subordinate work morale in the short term will increase, because they are afraid of being punished, but for the long term it will have a negative effect. Positive motivation is for the long term while negative motivation is effective for the short term. However, managers must be consistent and fair in implementing each motivational type.

## **Employee Performance**

Performance is a description of the level of achievement of an activity program or policy in realizing the goals, objectives, vision, and mission of the organization as outlined through the strategic planning of an organization. Employee performance is the work of quality and quantity achieved by an employee in carrying out his/her duties in accordance with the responsibilities given to him/her. Performance is the work produced by employees or real behaviour that is displayed according to their role in the organization. Performance also means that the results achieved by a person are of good quality according to the responsibilities given to them. In addition, a person's performance is influenced by the level of education, initiative, work experience, and employee motivation. The work of a person will provide feedback for the person themselves to always actively carry out his/her work

properly. Education influences a person's performance because it can provide broader insights to initiate and innovate which in turn influences their performance.

Descriptions of performance involve three important components, namely objectives (giving direction and influencing how the organization's expected work behaviour towards each person), size (knowing whether a person has achieved the expected performance), assessment (associated with the process of achieving each person's performance goals). The benefits of employee performance include analyzing and encouraging production efficiency, to determine targets or real conditions, then to exchange information between labour and management related to associated problems.

The purpose of assessing the performance or work performance of employees basically includes finding out the level of employee achievement so far, providing matching rewards, encouraging accountability of employees, differentiating between employees with one another and increase work motivation. Companies than need to examine the usefulness of Performance Assessments namely, performance improvement, compensation adjustments, placement decisions, training and development, career planning and development.

Performance appraisal is an effort to compare the actual performance of employees with their expected work performance (Dessler, 2015). This requires evaluating the performance of employees not only by assessing the physical, but the implementation of the overall work that involves various fields, such as the ability to work, craft, discipline, work relations or special matters in accordance with the field and level of occupation he/she occupies. There are 5 factors in the assessment of popular performance, namely job performance (including accuracy, accuracy, skills, and acceptance of output), the quantity of work (including: volume of output and contribution), leadership needed (including: advice, direction or improvement), discipline (includes: presence, sanction, script, regulation, trustworthiness / reliability and timeliness), Communication (including: relationships between employees and leaders, communication media). Performance measurement is an effort to plan and control the work management process so that it can be carried out in accordance with predetermined goals, work performance assessment is also a process of evaluating employee work performance in the past or to predict work performance in the future (Hani Handoko, 2015).

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

- a. Individual Attributes, consisting of:
  - Demographic characteristics, for example: age, gender, etc.
  - Characteristics of Competition, for example: talent, intelligence, ability, and skills.

- Characteristics of Psychology, namely adopted values, attitudes and personality.
- b. Ability to work
- c. Organizational Support

So, the conclusion is that the high and low performance achieved by employees is influenced by three things, namely the willingness, support and opportunities provided by the company. While capability is something that is within the employees themselves that can be developed.

There are also performance criteria types that assess and evaluate employee performance based on specific behavioural descriptions including quality of work, job knowledge, creativity, cooperation, dependability, initiative, personal qualities.

1. Quality of work, quality achieved based on the requirements of suitability and readiness of the employee itself.
2. Quantity of work, the amount of work done in a given period and the time determined by the company.
3. Job knowledge, knowledge of work and skills.
4. Creativeness, ideas that come from their own thoughts, then appear and actions to solve problems that arise.
5. Cooperation, willingness to cooperate with other people.
6. Dependability, awareness and trustworthiness in terms of attendance and work completion.
7. Initiative, enthusiasm for completing new tasks and in enlarging its responsibilities.
8. Personal qualities, leadership and personal integrity of the company.

### ***Relationship of Compensation Variables to Employee Performance***

One way for management to improve work performance, motivate and improve employee job satisfaction is through compensation (Mathis and Jackson, 2016). In simple terms compensation is something that employees receive as pay for their work. Compensation is generally directed at the amount paid to employees. The effect of compensation on employees is very large, high morale, unrest and employee loyalty are largely influenced by the amount of compensation (Moehariono, 2016). From this information we can develop the hypothesis that 'Compensation Has a Positive Effect on Employee Performance'.

### ***Relationship between Motivation Variables on Employee Performance***

Work motivation is an encouragement to do a job. Work motivation is closely related to one's performance. Basically, everybody's work motivation is different. There is a high motivation to work, and there is a low work motivation, if the work motivation is high it will effect high

performance and vice versa if the work motivation is low then it will cause a person's performance to be low. If the employee has high work motivation then he/she will work hard, diligently, happily, and with high dedication so that the results are in accordance with the goals to be achieved.

The performance of an employee will easily reach the expected level if supported by high motivation. Motivation to carry out work well will emerge if the work done has a value or meaning for the employee concerned. Factors that influence performance are ability and motivational factors (Mangkunegara, 2016). From this information we can develop the hypothesis that 'Motivation has a Positive Effect on Employee Performance'.

### **Research Method**

In this study the author uses descriptive and verificative research methods with a quantitative approach, to determine the significant relationship between the variables studied so that the conclusions will clarify the object under study. This study focuses on the entire population, namely the subject of 98 employees of PT. X in Bandung, used as a sample.

In this study there are three variables. Two variables are independent variables and one variable is the dependent variable.

1. Independent Variables are variables where their existence is not influenced by other factors, this variable is a causal factor that will affect other variables, in this study the independent variable is compensation and motivation.
2. Dependent variables are variables that are influenced by other variables. In this study the dependent variable is performance, which means work achieved by someone in carrying out tasks assigned to him/her based on skills, experience and sincerity as well as time.

The stages of data processing that will be carried out are reliability testing and validity test, classic assumption test (normality test, multicollinearity test, heterocedasticity test), regression analysis, hypothesis testing.

### **Result and Discussion**

Respondents to variable compensation, namely PT. X in Bandung has provided a salary that can meet the family needs of employees, provide salaries to employees in accordance with the agreement, provide incentives to outstanding employees, incentives provided by PT. X in Bandung to employees can give more enthusiasm for work, insurance provides a sense of security in working with employees, office facilities provided by PT. X in Bandung can

provide comfort while working for employees, Overtime wages received by employees of the company are inadequate, do not provide sufficient leave for employees.

Respondents to the motivation variable, namely employees have a passion for achievement in work, employees want the results of work to be better and faster from time to time. Even so, there are still some employees who do not have the desire to produce better jobs, employees are very happy if there is a training and development program provided by the company. Employees have good relationships with superiors and co-workers, not all employees feel comfortable working with superiors or a friend at work in doing corporate work, not all employees can submit input, ideas, or new ideas to the company, not all employees will compete in a healthy manner to get more positions, employees feel happy if their service while working in this company is recognized by their superiors.

Respondents to performance variables, namely employees can complete a number of jobs that are their responsibility, not all employees can complete the work carefully and on time. Employees have sufficient knowledge of the tasks that are their responsibility, not all employees have initiatives in doing new work, not all employees can cooperate in completing tasks, employees have responsibility in carrying out work, not all employees are happy with their current work, many employees are considered to have bad personalities by work colleagues.

### **Classic assumption test**

From the normality test, the sig. Value is  $0.695 > 0.05$ , so that it can be said that the data is normally distributed. From the multicollinearity test, tolerance value for each  $x$  is  $0.840 > 0.10$  while the VIF value of each  $x$  is  $1.191 < 10$ , so it can be concluded that there is no multicollinearity in the data. The heterocedasticity test results concluded that this study did not occur heterocedasticity.

### **Analysis of Multiple Linear Regression**

The F test shows that the F-value is 66.649 and the sig.value  $0.000 < 0.05$ ). If the value of F is compared to the F-table value of 3.119 obtained, then  $F\text{-count} > F\text{-table}$ , which means that the regression model can be used in this study.

**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      |

The regression coefficient value describes if the compensation and motivation variables are estimated to be constant, the performance variable value is 0.215. Signs of the regression coefficient of the independent variable indicate the direction of the relationship of the compensation and motivation variables concerned with Performance. Regression coefficients for independent variables X1 are positive, indicating the existence of a unidirectional relationship between Compensation (X1) and Performance (Y). The regression coefficient X1 of 0.302 means that for each increase in Compensation (X1) it will cause an increase in Performance (Y) of 0.302. Regression coefficients for independent variables X2 are positive, indicating a direct relationship between Motivation (X2) and Performance (Y). The regression coefficient of X2 variable of 0.617 means that for each increase in Motivation (X2) it will cause an increase in Performance (Y) of 0.617. While the value of the correlation coefficient (R) is 0.800. This shows that there is a very strong relationship between Compensation (X1), Motivation (X2), and Performance (Y).

**Table 3**  
**The amount of influence partially**

| Variabel        | Standardized Coefficients | Correlations | The amount of influence partially | The amount of influence partially (%) |
|-----------------|---------------------------|--------------|-----------------------------------|---------------------------------------|
|                 | Beta                      | Zero-order   |                                   |                                       |
| X <sub>1</sub>  | 0.299                     | 0.552        | 0.165                             | 16.50%                                |
| X <sub>2</sub>  | 0.632                     | 0.752        | 0.475                             | 47.53%                                |
| Total Influence |                           |              | 0.640                             | 64.0%                                 |

The magnitude of the influence of Compensation (X1) and Motivation (X2), on Performance (Y) of 64.0% means that the variable Compensation (X1) and Motivation (X2) has an influence of 64.0% on Performance (Y). While the remaining 36.0% is the contribution of other variables besides Compensation (X1) and Motivation (X2).

### *Hypothesis Testing*

**Table 4**  
**Comper+ition Regression Analysis of Performance**

| Variable | Regression Coefficient | t     | t-tabel | Sig   | Remarks     | Conclusion  |
|----------|------------------------|-------|---------|-------|-------------|-------------|
| X1       | 0.302                  | 3.955 | 1.992   | 0.000 | Ho rejected | Significant |
| X2       | 0.617                  | 8.358 | 1.992   | 0.000 | Ho rejected | Significant |

The value of t variable compensation of  $3.955 > 1.992$  means that there is a significant influence between Compensation to Performance. The value of t variable motivation of  $8.358 > 1.992$  means that there is a significant influence between Motivation to Performance.

### *Compensation on Employee Performance*

From descriptive analysis, the data shows that the employee's response to compensation provided by PT. X in Bandung meets the criteria of 3.10 and are in intervals 3.40 - 4.19 which means that it is within the 'good' range. The largest average value is 4.26, which means that, according to employees, incentives give more enthusiasm in work. Some employees have received incentives from the company, this can affect the performance of employees to further increase. And the lowest average statement value was 2.02, which means that, according to employees, some have not received adequate overtime wages; employees feel the company is not appropriate in providing wages which results in employees working less effectively in carrying out work. The level of effect between Compensation and Employee Performance of PT. X in Bandung has a significant relationship.

Based on the hypothesis test, partial compensation has a positive and significant effect on employee performance in the company. The results of this study are in accordance with research indicating that compensation has a positive impact on employee performance (Ramzan, et all, 2014). And the results of another research which shows that compensation and employee performance have a positive and significant effect on the performance of employees (Wijaya and Andreina, 2015).

### *Motivation on Employee Performance*

Descriptive analysis results show that employee responses to Employee Performance at PT. X in Bandung, all statements meet the criteria of 3.63 and are in the intervals of 3.40 - 4.19 which means that it falls within the 'good' range. The largest average value is 4.14 which

means that according to employees, they feel happy if their service, while working in the company, is recognized by superiors, employees feel they have a desire to work harder to create good work results. The lowest statement average value is 2.95, which means employees feel comfortable working with superiors or work colleagues in doing company assignments. Which means that here employees do work with superiors to achieve targets, companies or employees have targets that they have determined; employees aim to be better at carrying out their jobs. Hypothesis test results show the results of the Motivation variable coefficient (X<sub>2</sub>) of 1,004 and the resulting t-count is 11,551. The value of t is  $11.551 > 1.991$  with a significance value of  $0.000 < 0.05$  which means that the hypothesis is significant and positive. Thus, partially motivation has a positive and significant effect on employee performance. The results of this study are in accordance with other studies which show that motivation has a significant effect on employee performance (Omollo, 2015). Further, the results of other research conducted shows that motivation has a positive and significant effect on employee performance (Akbar, et all, 2017).

### ***Compensation and Motivation on Employee Performance***

The F test produces a value of 68,225 with a significance level of 0,000. F-table value is 3.11. F value of  $68.225 > 3.11$ , it can be concluded that compensation and motivation influence the employee performance of PT. X in Bandung. The coefficient of determination is 0.320 which means that the influence of compensation and motivation on employee performance is 36%, the remaining 64% is influenced by other variables outside of compensation and performance. The results of other research shows that compensation and motivation have a significant and positive effect on employee performance (Padmaja, et all, 2016). Further, the results of other research shows that compensation and motivation have an influence together on employee performance (Savila, 2016).

### **Conclusion**

Research on compensation and work motivation on employee performance at PT. X in Bandung, can concluded that compensation, motivation and performance of employees at PT. X in Bandung is considered quite good. There are still many factors that need to be considered because they have values below the average, compensation has a positive significant impact on employee performance, motivation has a positive significant impact on employee performance, compensation and motivation at PT. X in Bandung affects employee performance by 64% and 36% is influenced by other factors not included in research, such as leadership, stress, and others.

Implications for companies include:

1. Companies should increase employee compensation by providing incentives to employees so that employees feel that the rewards provided by the company are more in line with their needs.
2. Companies must create a good working atmosphere for all employees. A good working atmosphere can create good work motivation so that a good work situation can provide work enthusiasm for employees, work morale or work motivation can also be created through appreciation of work for employees who excel; to trigger motivation to perform better.
3. In improving the performance of employees, the company is expected to prioritize compensation and motivation improvements because compensation and motivation have a greater influence in relation to improving employee performance. Management of PT. X in Bandung needs to include employees in activities / events so that the employees feel valued and accepted in the company.

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