THE ROLE OF COMPENSATION IN IMPROVING EMPLOYEE PERFORMANCE WITH WORK MOTIVATION AS AN INTERVENING VARIABLE

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Article Info	Abstract
Received: 3 Mei 2023 **Revised:** 12 Juli 2023 **Accepted:** 9 Juli 2023	*Human resources of a company are an important element. To promote strong employee performance, pay and encourage work motivation are necessary. On work motivation acting intervening variables, the aim of this study was to ascertain how salary affects employee performance. 37 individuals were included in the sample through saturation sampling or census.*
Keywords: *Employee performance, Work motivation, Compensation*	*The Classical Assumption Test and the Path Analysis Test are the data analysis techniques used. The findings of this study show that salary has a direct impact on employee performance as well as an indirect impact through work motivation.*

INTRODUCTION

The most important factor for a company's sustainability is its human resources. Employee performance results have a lot of potential to drive business initiatives that will ultimately result in production or sales goals for the organization. Human resource management, according to Mathis and Jackson (2011), is an art that regulates relationships and responsibilities between employees to be more effective and efficient in achieving organizational goals.

Companies must take into account employee performance because it can affect the achievement of goals and organizational development in order to survive in the face of fierce company competition. As a result, the company must work to improve the performance of employees to meet its goals. According to (Nawawi, 2015), the performance of a person or group in an organization is the result of its work in accordance with its authority and duties.

payments directly or indirectly approved by employees as rewards for providing good services according to business criteria. Collaborative relationships, job happiness, motivation, and employee stability are among the goals and advantages of compensation.

Work Motivation

Employees need to be motivated to achieve company or organizational goals Robbins (2007) defines motivation as a process that affects the breadth, focus, and length of each person's efforts to achieve a goal. The promotion of motivation results in human behavior, which may take the form of productivity, attendance, or other innovative work behaviors. Motivation is a procedure that begins with a physiological that has behavioral movements in order to realize goals or incentives (Luthans, 2006).

Since a corporation does not function if it does not have adequate resources, it is inseparable from their existence. HR management is an important thing that must be prioritized so that employees have good performance quality by managing employees, the company must prioritize several aspects that become a benchmark for good employee performance. One of them is by compensation in accordance with the workload and motivation that can be provided or created by the company for its employees.

Based on the above phenomenon, the results of the hypothesis in this study are as follows:

Hypothesis

H1 : Compensation has a direct influence on the performance of KSU Dana Artha employees

H2 : Compensation has an influence on the motivation of KSU Dana Artha

H3 : Work Motivation has an influence on the performance of KSU Dana Artha employee

H4 : Compensation has an indirect impact on employee performance with KSU Dana Artha's work motivation

RESEARCH METHOD

Work motivation as an intervening variable, where this study was conducted to ascertain the impact of salary in improving employee performance. In this study, quantitative methods were used, which involved testing and analyzing data before making conclusions from the findings. Variable descriptive statistical tests, traditional assumption tests, determination coefficient tests, simple regression tests, route analysis tests, model feasibility tests (F tests), and partial regression coefficient tests (T tests) are analytical techniques that have been used. SPSS 22 is used to run these tests. A total of 37 employees of KSU Dana Artha were included in the study population. Since the entire population is used as a research objective, this study is referred to as population research (census). In this study, questionnaires and interviews were used to collect data.

RESULT AND DISCUSSIONS

Validity Test

This research utilizes Pearson Product Moment to assess the feasibility of an item. All goods owned by variables Y and M are also declared valid with values of 0.457 - 0.897 and 0.532 - 0.763, respectively, based on the test results of goods owned by variable X, which are validly shown by pearson correlation results of 0.572 - 0.835. Therefore, it is stated that all variables are feasible.

Employee motivation and remuneration can increase productivity. As salaries increase, workers often feel more motivated, disciplined, and committed to producing their best work.

Compensation refers to everything that workers, whether monetary or non-monetary, earn in return for the tasks they have performed. In this context, compensation can be wages, benefits, facilities, insurance, and other things. According to (Syahreza et al., 2017), organizational remuneration policies have a beneficial effect on employee performance. Therefore, to maximize employee performance, companies must provide rewards that correspond to the work that workers complete. Motivation in the workplace is essential to improve employee performance in addition to pay. According to (Sukma et al., 2015) employee performance increases to a greater extent as work motivation grows.

One of the key factors in employee effectiveness is work motivation. Work motivation, according to Rivai (2013), is the act of encouraging people to do their jobs successfully. Motivation is also referred to as a set of behaviors and values that impact a person to act, think, and say according to their goals. In the company, motivation is very necessary, with the encouragement of motivation from the company, both from superiors and friends, in this work environment will provide comfort for employees so that if employees feel comfortable, the resulting performance will also be maximized.

KSU Dana Artha is a multi-purpose cooperative in the field of daily needs in sales both from consumption and services, loans and savings. In achieving its vision and mission, KSU Dana Artha always tries to prioritize its human resource management in order to create quality employees. KSU Dana Artha also strives for all employees to have and get sufficient compensation and work motivation so that all employees feel comfortable and satisfied while doing their work. Without appropriate compensation, employees tend to feel dissatisfied in carrying out their duties, as well as motivation without motivation created in the work environment, employees feel bored quickly feel uncomfortable with their work, this all clearly results in employee performance becoming less than optimal and even bad.

Based on the results of initial observations, employees still do not produce maximum performance. This can be seen from the sales results and new customer registrations which decreased compared to the previous year. Employees believe that their salaries are inadequate compared to the workload they are expected to perform, which lowers employee work motivation. This is the root reason for the reduction in the profitability of the enterprise. Given the context mentioned above, research will be conducted on the impact of remuneration on improving employee performance, with work motivation serving as the intervention variable.

LITERATUR REVIEW
Employee Performance

Performance is the final product of work completed in harmony with its obligations on both quantity and quality. According to (Panjaitan, n.d.) performance is a work result that is realized by someone in line with standards and setting criteria for a period of time. The role in the organization is in line with the employee's work product, so that performance is said to be a real attitude that is highlighted by all humans (Eva & Lestari, 2018).

Compensation

Everything that concerns employees as their labor mix is considered compensation. Compensation is sometimes seen as a reward given to staff for their efforts or services to the business. According to Hasibuan (2013), compensation includes monetary or commodity

Reliability Test

In this reliability test, Cronbach alpha 0.6 was used. The employee performance scale has a reliability value of 0.932, the work motivation scale has a reliability value of 0.920, and the reliability test findings using SPSS have a reliability value of 0.911 for the pay scale. This variable has been considered trustworthy and usable because all variables used have a reliability rating of > 0.6.

Figure 1. Table Validity and Reliability

Variable Instrument		Validity		Reliability	
		Pearson Correlation	**Result**	*Cronbach's Alpa*	**Result**
Compensation	X1	0,589	Valid		
	X2	0,677	Valid		
	X3	0,572	Valid		
	X4	0,691	Valid	0,911	Reliable
	X5	0,835	Valid		
	X6	0,605	Valid		
	X7	0,790	Valid		
Work Motivation	M1	0,763	Valid		
	M2	0,619	Valid		
	M3	0,532	Valid		
	M4	0,628	Valid	0,920	Reliable
	M5	0,597	Valid		
	M6	0,674	Valid		
	M7	0,713	Valid		
	M8	0,591	Valid		
Employee Performance	Y1	0,457	Valid		
	Y2	0,642	Valid		
	Y3	0,531	Valid		
	Y4	0,562	Valid	0,932	Reliable
	Y5	0,897	Valid		
	Y6	0,693	Valid		
	Y7	0,763	Valid		
	Y8	0,740	Valid		
	Y9	0,485	Valid		
	Y10	0,855	Valid		

Classical Assumption Test
Normality Test

Smirnov's kolmogrov normality test, used in this investigation, has a significant value of 0.05. The sample is said to be distributed regularly if the significant value is greater than 0.05. According to the significant value of the compensation variable data, the result is 0.129, followed by 0.073 for the work motivation variable and 0.053 for the employee performance variable. Variables are expressed to be distributed regularly based on the values mentioned above.

Figure 2. Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Kompensasi	.096	37	.129	.968	37	.033
Motivasi	.044	37	.073	.126	37	.056
Kinerja	.065	37	.053	.324	37	.067

Linearity Test

This linearity test was conducted to see if the variables used in this study were related to each other. The selected p-value is 0.05. The variables X, M, and Y are said to be related if the p-value is greater than 0.05. The ratio of employee performance (Y) to compensation (X) is 0.897. As a result, X and Y are related. In addition, a correlation of 0.143 between Work Motivation (M) and Employee Performance (Y) indicates that M and Y are related.

Figure 3. Table Linearity Test

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Kinerja * Kompensa si	Between Groups	(Combined)	1091.360	37	72.757	15.387	.000
		Linearity	983.853	2	983.853	208.072	.000
		Deviation from Linearity	107.507	35	7.679	1.624	.897
	Within Groups		321.533	70	4.728	.143	
	Total		1412.893	74			

Multicolinearity Test

Using the variance inflation factor (VIF) value, multicollinearity can be detected. The free variable does not correlate with itself if the value of the free variable has an inflation factor variance of 10 and a tolerance value of > 0.1. The tolerance value for both variables was 0.461, or > 0.1, indicating that multicoloniality did not occur. Both VIF variables have a combined value of 1.651, or > 10.

Figure 4. Multicolinearity Test

		Unstandardized Coefficients		Collinearity Statistics	
Model		B	Std. Error	Tolerance	VIF
1	(Constant)	2.367	2.354		
	Kompensasi	.745	.054	0,46	1.000
	Motivasi	.055	.034	1.65	1.000

Heteroscedasticity Test

In this study, a heteroscedasticity test was used to determine whether or not there was a variation in variance between spearman rho results with a sig value of > 0.05, namely sig 0.918 and 0.723. These findings suggest that no heteroscedasticity was found.

Figure 5. Table Heteroscedasticity Test

Spearman's rho	Kinerja	Correlation Coefficient	1.000	.021	.394
		Sig. (2-tailed)	.	.021	.724
		N	37	37	37
	Kompensasi	Correlation Coefficient	.021	1.000	-.340
		Sig. (2-tailed)	.918	.	.336
		N	37	37	35
	Motivasi	Correlation Coefficient	.394	-.340	1.000
		Sig. (2-tailed)	.723	.336	.
		N	37	37	37

Hypothesis Testing
The Effect Of Compensation On Employee Performance Through Work Motivation

Simultaneous evaluate (Test F) and Partial Test (Test T) can be used to evaluate the hypothesis that remuneration has an impact on employee performance with a motivation value of confidence level on the Simultaneous Test of 5% or 0.05. The significant values for the variables Compensation (X), Work Motivation (M), and Employee Performance (Y) were 0.045 and 0.000 respectively, while the significance values for the variables Compensation (X) and Employee Performance (Y) were 0.008. When the dependent variable is strongly influenced by the independent variable, an overall significant value of 0.05 is expressed.

To determine whether a hypothesis is correct, a partial test compares the estimated t value with the t table. The t column of the model table contains the percentage point of the known distribution, which is 1.786. While t calculates the variables X, M, and Y at 7.683, it calculates X, Y, and Y at 1.892. As a result, the hypothesis is confirmed or claimed that the independent variable and the dependent variable have an impact.
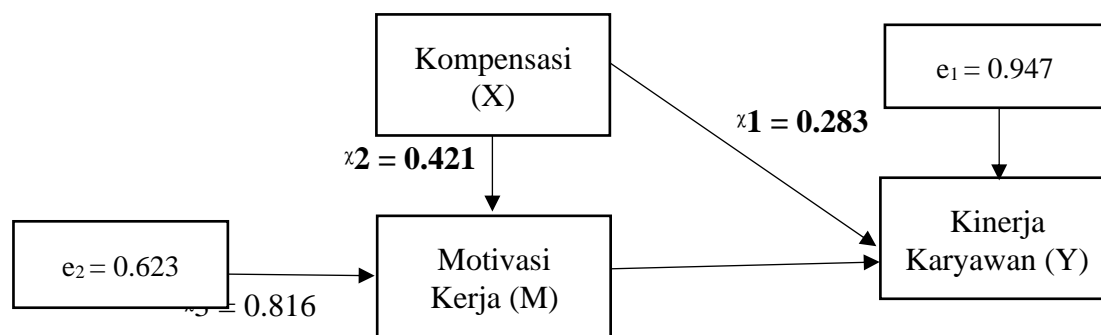
Figure 1. Work Motivation-Based Compensation Pathway Analysis Model for Employee Performance

The relevance value of the Compensation variable (X), which indicates that variable X has a considerable impact on the Employee Performance variable (Y), is known based on the output findings discussed earlier. According to an R2 value of 0.786, this figure shows that Compensation (X) contributes to Employee Performance (Y) by 78.6%, with other factors contributing 21.4% of the overall contribution. The variables Compensation (X), Work Motivation (M), and Employee Performance (Y) have values less than 0.05 to be considered significant. As a result, factors X to M significantly affect variable Y. The value of R2 in the table is 0.763, from these values shows X and M contribute to Y by 76.3% with the role of other variables by 23.7%.

The values of e1 and e2 are obtained from the formula $\sqrt{(1 - R^2)}$

$$e_1 = \sqrt{(1 - R^2)} = 0,947$$

$$e_2 = \sqrt{(1 - R^2)} = 0,623$$

According to the Path Analysis model, there is a direct relationship between Employee Performance (Y) and Compensation (X), with a value of 1 of 0.283. And value = 0.330 is the indirect impact of compensation (X) through work motivation (M) on employee performance (Y). The overall effect obtained was 0.613 as a consequence of the direct influence between Compensation and Employee Performance with a value of 0.283 and the indirect influence between Motivation and Performance Compensation with a value of 0.330. According to the previous statement, if the direct effect of compensation (X) through work motivation (M) on employee performance (Y) is much smaller than the indirect influence.

The Effect of Compensation on Employee Performance

It is known from experiments that Compensation for Employee Performance has a beneficial and significant impact. This is corroborated by a previous study by (Bintang et al., 2022) which found that employee remuneration has a positive and substantial impact on their performance at PT Gold Coin Specialties. This indicates that an increase in employee compensation will result in an increase in employee performance. An important component of a business that must be present if it is to produce the best personnel is compensation.

One strategy to encourage employees to do their job is to pay for it. Employees will constantly strive to work hard to achieve goals, be professional, work honestly, and passionately so this will naturally promote a higher opinion of the company and fit the goals if they receive appropriate remuneration equivalent to their work. This is in line with (Maytri & Fadhilah Ahmad Hasibuan, 2021) previous research which found that direct compensation whose mechanism has been running well in accordance with the company's operational standards (SOPs) has a significant impact on employee performance at PT. Enseval Putera Megtrading Tbk. Cab. Terrain.

The Effect Of Compensation On Employee Performance Through Work Motivation

Based on the results of testing the aforementioned data, it was found that the compensation variable, the independent variable, simultaneously affects the dependent variable, employee performance, and that work motivation, the intervening variable, in this case, has the ability to increase the effect of compensation variables on employee performance. The results of the route analysis test, which showed that indirect influence is stronger than direct influence, are proof of this.

According to previous research (Amrita & Manajemen, n.d.), the analysis findings revealed that salary has a beneficial and considerable impact on employee performance on CVs. Work motivation is a mediating factor that influences the relationship between salary and employee performance on resumes, according to Bali Commercial Ambassador. It illustrates how remuneration and incentives in the workplace become related and influence each other.

According to this study, work motivation tends to improve employee performance, which has an effect on meeting organizational goals. This is done by offering remuneration that workers consider to be in line with their jobdesk within the organization, which will undoubtedly have an impact on the performance results they have achieved. From a business perspective, employees really need to be encouraged or motivated to maintain their quality and dedication to the organization.

CONCLUSION

According to research findings, remuneration directly affects employee performance positively and substantially, while compensation through work motivation indirectly affects employee performance in an equally beneficial and significant way. In this regard, the researcher suggested that KSU companies should give employee remuneration and work motivation greater consideration. Dana Artha is an initiative to improve employee performance so that company goals remain consistent and do not drop. It is anticipated that the following researchers will use more variables to determine what factors might affect employee performance.

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