

---

## **THE EFFECT OF DIRECT COMPENSATION AND WORK MOTIVATION ON EMPLOYEE PERFORMANCE (Study at a Government Office in Bandung Regency)**

---

**Awal Purnomosidi<sup>1</sup>, M. Sidik Priadana<sup>2</sup>**

<sup>1</sup> Inspektorat Kabupaten Bandung. <sup>2</sup> Universitas Pasundan, Bandung.

E-mail: awalpurnomo@gmail.com<sup>1</sup>, msidik.priadana@gmail.com<sup>2</sup>

### **ABSTRACT**

*This study aimed to determine the effect of direct compensation and work motivation on employee performance—this study conduct by taking a sample of employees at one of the government offices in Bandung Regency. The research method used is a qualitative method with a total of 50 respondents using path analysis techniques. As for his research results, there is a significant effect of direct compensation and work motivation on employee performance either partially or simultaneously. Direct compensation and work motivation together affect employee performance by 64.04%. The proportionate amount of influence caused by other variables other than direct compensation and work motivation is 35.98%. The study results recommend that direct compensation and efforts to increase work motivation should always increase performance according to what has been determined.*

*Keywords: direct compensation, work motivation, employee performance.*

### **INTRODUCTION**

An organization that either serves the public interest, such as government organizations or private organizations, wants maximum achievement related to increasing work results to achieve organizational goals. To achieve organizational goals, one of the essential elements that must consider is human resources. This condition is because human resources, in this case, employees, carry out and organize and run the organization's activities. To achieve good performance, it is necessary to take some concrete steps that need taking: compensation, motivation at work, and other factors that support employee performance.

Based on field data, it knows that employees' direct compensation and work motivation at one of the regional government offices in Bandung Regency are still inadequate. This situation was identified as a problem with work achievement that has not met the target.

Employee compensation is all forms of compensation given to employees in return for their work. Compensation or benefits or remuneration includes all expenses incurred by the

company for workers and received or enjoyed by workers, either directly, routinely, or indirectly (in the future). The research results by Namasivayam, Miao & Zhao (2007) proved that by using a sample of 1223 hotels in the US, there was a direct and indirect effect of compensation on employee performance.

Güngör (2011) concluded in research that there are several things that companies need to remember in compensation. That the compensation give must be felt fair by employees; The amount of compensation is not much different from what employees expect. The relationship between compensation and employee performance improvement if the awards (bonuses, salary increases) given by the company are following expectations and can satisfy the employees will further improve their performance.

Osibanjo, Adeniji, Falola & Heirsmac (2014) state that rewards are in the form of money or additional salaries or awards because performance is still the most popular tool for optimizing employee satisfaction and motivating them to do better work. The reason is simple, the more money he offers, the more active he will work. Furthermore, many employers and managers believe that money is enough to bring happiness to employees so that high performance can expect of them.

Every employee has psychological factors that show individual interest in the job he chooses, a sense of satisfaction, and his responsibility for the work activities. Motivation is a factor that moves humans to act, as a psychological factor that can grow because of meeting needs' demands. The higher the fulfillment of needs will foster a strong motivation to work to predict that work motivation influences performance. The results of Kallio & Kallio's (2014) research show that motivation affects employee performance because if employees are motivated to work, someone will work happily and with enthusiasm, resulting in a good performance.

Motivation is a skill in directing employees and organizations to work so that the wishes of employees and organizational goals are achieved simultaneously. So that employees can work more optimally, the leadership must motivate employees so that it has an impact on improving their performance. This situation is under Güngör's (2011) statement that motivation can affect a person's performance.

Employees' motivation can carry out in various ways, namely positive motivation such as giving gifts, bonuses, awards, and promotions and negative motivation. Such as giving warnings/punishments for employees who make mistakes, suspending employees who violate regulations, and sanctions expelled from the organization. Suppose proven to have made a fatal mistake. This work is under Ekundayo's (2018) statement, which states that one factor affecting employee performance is motivation.

Motivation has the power of a person's / individual tendency to involve themselves in activities that lead to work goals as satisfaction. However, furthermore, it is a feeling of pleasure or willingness to work to achieve work goals. It can be interpreted that with motivation, someone is moved or compelled to do something. Thus work motivation affects performance as a positive attitude will impact employee performance in their field of work.

Based on the problems mentioned earlier, the research problem can influence direct compensation and work motivation on employee performance. The study aims to determine

and analyze the significance of direct compensation and work motivation on employee performance.

## METHOD

The research method used in this research is a quantitative method that this method can use to test hypotheses or research questions. This method can also use for correlation research.

In this study, the following variables are defined as direct compensation and work motivation to function independently. With indicators of the level/amount of salary/wages received for direct compensation, work motivation with indicators of the level/size of the employee's need for self-development achievement, level/size Employee needs for Affiliation/recognition by superiors and co-workers, and the level/size of the employee's need for power. And variable. Performance functions as the dependent variable. The measurement indicators are the level/magnitude of the number of work results, the level/magnitude of the work quality, the level/amount of timeliness & results; level/magnitude of Attendance; level/magnitude of the ability to work together.

The research conduct at one of the regional governments in Bandung Regency. In this study, the sample of respondents was 50 people.

Path analysis shows the relationship that shows how much influence a particular variable has, either directly or indirectly, on other variables. So, in this case, the problem is cause and effect. The terms to be used in this path analysis are exogenous variables which are causal variables (X), endogenous variables, which are the result (Y), and implicit variables ( $\epsilon$ ), which are other factors of exogenous and endogenous variables.

## RESULTS AND DISCUSSION

In conducting this research, the writer used an instrument in the form of a questionnaire. In collecting data, it equips with the results of interviews, survey documents. For this research instrument to be suitable for use, it first tested respondents who have the same characteristics as the respondents who will use it as research samples. To assess the feasibility of the questionnaire to be used, validity and reliability tests use. The results of the validity and reliability testing are as shown in Table 1 below:

Table 1. The Data Quality Test Results

Variable	CA	r	Results
Direct compensation	0,859	0,426 – 0,895	Valid and Reliabel
Work motivation	0,820	0,352 – 0,792	Valid and Reliabel
Employee performance	0,805	0,314 – 0,799	Valid and Reliabel

Based on the results of the calculation of table 1, it knows that the research instrument has met the data quality test.

The path analysis test results obtained the following results:

Table 2. The Path Analysis Coefficients Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.369	4.087		2.537	.014
	X1	.483	.083	.596	5.842	.000
	X2	.291	.098	.301	2.955	.005

a. Dependent Variable: Y

Based on the calculation results, the path analysis can describe as follows:

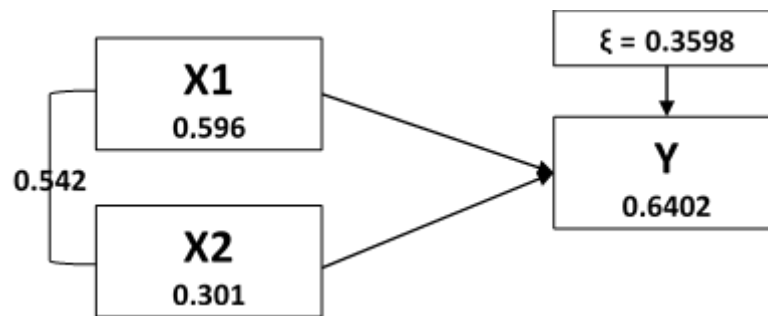


Figure 1. The Path Analysis

By paying attention to the image above, the path equation can obtain as follows:

$$Y = 0.596X1 + 0.301 X2 + \epsilon$$

Based on the above calculations, the research results that can state are as follows:

1. Direct compensation that directly determines changes in employee performance is 35.48%, then through its relationship with Work Motivation (X2) of 9.73% in total direct compensation determines changes in employee performance by 45.21%

2. Work motivation that directly determines employee performance changes is 9.08%, then through direct compensation is 9.73%. Thus, total work motivation determines changes in employee performance by 18.81%.

3. Direct compensation and work motivation together affect employee performance by 64.04% The amount of influence proportionally caused by other variables outside of direct compensation and work motivation, namely  $P_y \epsilon = 1 - 0.6404$  of 35.96%

The coefficient of determination used to determine the contribution of the independent variable to the change in the dependent variable, results of the calculation of the total effect

obtained by 64.04%; thus, the contribution of 35.96% is the contribution of other variables not examined with the following equation:

$$Y = 0.596X_1 + 0.301 X_2 + \varepsilon = 0.6404, R^2 = 0.3596$$

Direct compensation that directly determines changes in employee performance. Naidu & Satyanarayana (2018) concluded that there are several things that companies need to remember in providing the compensation that given; it must be felt fair by employees. The amount of compensation is not much different from what is expected by employees. The relationship between compensation and employee performance improvement is that if the company's awards are following expectations and can be satisfactory, the employees will be motivated to improve their performance further.

The results of research conducted by Nzyoka & Orwa (2016) show that compensation directly impacts employee performance.

Work motivation that directly determines changes in employee performance Motivation is a skill in directing employees and organizations to work successfully so that the wishes of employees and organizational goals are achieved simultaneously. So that employees can work more optimally, the leadership must motivate employees so that it has an impact on improving their performance. This result is by Ekundayo's (2018) statement that motivation can affect a person's performance. Employees' motivation can carry out in various ways, namely positive motivation such as giving gifts, bonuses, awards, and promotions and negative motivation. Such as giving warnings/punishments for employees who make mistakes, suspending employees who violate regulations, and sanctions expelled from the organization. Suppose proven to have made a fatal mistake. This result is under the research results by Garg (2017), which states that one of the factors affecting employee performance is motivation. The results of Riaz, Akhtar & Aslam (2018) show that work motivation has an impact on improving employee performance.

## **CONCLUSION**

Based on the results of the discussion of research results, it can conclude that direct compensation and work motivation significantly affect employee performance. For this reason, it is necessary to pay attention to efforts to provide direct compensation that are fair and can meet the needs of employees, likewise with the provision of motivation that can encourage employees to complete their work well.

Direct compensation is always interesting to discuss because, for many people, salary and benefits are one of the essential factors in working; the problem is that there are two parties involved. On the one hand, employees expect to get as much salary as possible, while on the other hand, the organization expects to spend the smallest possible operational costs; how can the organization deal with the salary given to be efficient and effective in motivating employees to work and achieve.

## REFERENCES

- Ekundayo, O. A. (2018). The Impact of Motivation on Employee Performance in Selected Insurance Companies in Nigeria. *International Journal of African Development*, 5(1), 5, 31-42.
- Garg, N. (2017). Workplace spirituality and organizational performance in Indian context: Mediating effect of organizational commitment, work motivation and employee engagement. *South Asian Journal of Human Resources Management*, 4(2), 191-211.
- Güngör, P. (2011). The relationship between reward management system and employee performance with the mediating role of motivation: A quantitative study on global banks. *Procedia-Social and Behavioral Sciences*, 24, 1510-1520.
- Kallio, K. M., & Kallio, T. J. (2014). Management-by-results and performance measurement in universities—implications for work motivation. *Studies in Higher Education*, 39(4), 574-589.
- Namasivayam, K., Miao, L., & Zhao, X. (2007). An investigation of the relationships between compensation practices and firm performance in the US hotel industry. *International Journal of Hospitality Management*, 26(3), 574-587. <https://doi.org/10.1016/j.ijhm.2006.05.001>
- Naidu, A. T., & Satyanarayana, G. (2018). Impact of Compensation on Employee Performance. *Intercontinental Journal of Human Resource Research Review*, 6(4), 1-7.
- Nzyoka, C. M., & Orwa, B. H. (2016). The relationship between Total compensation and employee performance in the insurance industry, case of Mayfair insurance company limited. *Psychology and Behavioral Sciences*, 5(1), 20-36.
- Osibanjo, A. O., Adeniji, A. A., Falola, H. O., & Heirmsmac, P. T. (2014). Compensation packages: a strategic tool for employees' performance and retention. *Leonardo Journal of Sciences*, (25), 65-84.
- Riaz, H., Akhtar, C., & Aslam, R. (2018). Total rewards and employee performance: Investigating the mediating role of employee motivation in telecom sector. *Pakistan Administrative Review*, 2(3), 342-356.