The Role of Compensation and Job Satisfaction to Improve Employee Performance

PT. A

Sari Dewi Oktari¹, Agatha Rinta Suhardi ², Andi Budiawan³
1,2,3Universitas Widyatama, Bandung, Indonesia
Email: agatha.rinta@widyatama.ac.id

Abstract
The low performance of employees is thought to occur due to less optimal compensation and low job satisfaction felt by employees. This study aims to examine and analyze the effect of compensation and job satisfaction on employee performance at PT. A. Research methods using descriptive and verification, data collection techniques using primary data obtained through questionnaires. The research sample was 82 respondents, the sampling method used purposive sampling. The data analysis technique uses multiple linear regression. The results showed that descriptively compensation, job satisfaction, and employee performance were classified as lacking. As for the verification results obtained that compensation and job satisfaction affect employee performance both partially and simultaneously, with a contribution of 39.9% and the remaining 60.1% influenced by other factors not examined in this study.

Keywords: Compensation, Job Satisfaction, Employee Performance.

A. INTRODUCTION
The organization is a container consisting of people who work together to achieve a common goal. In achieving organizational goals, the most important factor is human resources (Saban et al., 2020; Rinny et al., 2020). No matter how good an organization is, as well as how many infrastructure facilities the organization has, without the role of human resources, all of this will not run well. Human resources act as a driving force for organizational life, it is humans who organize and run the facilities and infrastructure that exist within the organization. Without human resources, other resources owned by the organization will not be able to run optimally (Susiawan, 2015; Ali & Anwar, 2021).

Human resources are a very important factor for an organization or company. Therefore, the involvement of employees as human resources in company activities needs to be equipped with capabilities in terms of knowledge and skills. Management of human resources is a top priority. Every company tries to utilize its human resources as expected. Through human resources, companies can develop and achieve company goals that have been previously set (Dodanwala & Santoso, 2022; Aburumman et al., 2020).

In improving the quality of human resources, it is inseparable from the role and support of the company's management. Management is divided into several parts in the organization one of which is human resource management (Riyanto et al., 2021; Cherif, 2020). Human resource management handles the scope of labor such as...
employees, laborers, managers and others to support company activities. Human resource management aims to increase the productive contribution of people in the company through a number of responsible ways. Humans are the main assets (wealth) owned by the company, so they must be properly maintained (Safrizal, 2011; Kollmann et al., 2020).

But in practice, there are problems in managing human resources found at PT. A, one of which is related to employee performance. The employee performance data at PT. A in recent years as follows:

Figure 1. Achievement of PT. A
Source: Company Data (2020)

Based on the data above it is known that the achievement of employee performance at PT. A showed a declining trend from 2015 to 2019. In addition, the employee’s performance achievements also did not meet the performance standards desired by the company, namely 85% per year. This phenomenon indicates that the achievement of employee performance is not optimal.

Employee performance needs to be improved so that they have the ability and skills to work according to the company’s expectations. Performance is an achievement or result of work in activities or activities or programs that have been planned previously in order to achieve the goals and objectives set by an organization and carried out within a certain period of time which is influenced by several factors. Performance success is achieved when a person has carried out the tasks assigned to him based on skills, experience, sincerity, and time. Poor employee performance at PT. A is feared that the company will gradually experience a deficit in the quality of human resources in producing its superior products (Yukongdi & Shrestha, 2020; Jung & Suh, 2019).

Many factors can affect employee performance. Giving compensation can improve employee performance. Compensation received by employees every month as a reward for their contribution to the company can provide stimulation to employees to further increase their morale so that it will produce good performance (Leonardo, 2015). Every job can be completed properly if there is encouragement to work on it. In other words, compensation is a system capable of guaranteeing a number of employees’ productive activities for the benefit of the company.
Compensation is all forms of payment or rewards, both in cash and in non-cash, given to employees arising from their work (Dessler, 2017). From the dimensions regarding compensation, information is obtained that: (1) employees feel dissatisfied with the amount of salary given which is not in accordance with expectations and the level of difficulty of the job; (2) Companies set high targets as work performance standards but do not provide incentives/bonuses that are evenly distributed if employees work beyond the target; (3) Insurance benefits are not given to all employees equally; (4) Leave allowances are only given to employees who have worked for a certain term of office. This proves that the phenomenon of giving compensation is one of the causes of low employee performance at PT. A.

Another factor that can affect employee performance is job satisfaction. Job satisfaction can improve employee performance. Employees who are satisfied with what they get from the company will give more than what is expected and will continue to try to improve their performance. Conversely, employees with low job satisfaction tend to see work as boring, so they work compulsorily and carelessly (Elbudrah, 2018). Job satisfaction is an individual's general attitude towards his work, including a set of feelings about whether or not work is enjoyable that comes from evaluating one's work or experience (Robbins, 2015). Job satisfaction is a form of motivator for workers to work more productively and is one of the most important factors in order to obtain optimal work results. Job satisfaction can assist companies in maximizing company profits in the long term as a result of satisfied employees tend to work with higher quality work, are more productive, and can last a long time in the organization.

Job satisfaction survey at PT. A conducted on 30 employees also cannot be said to be optimal or lacking. From the dimensions regarding job satisfaction, information is obtained that: (1) the amount of compensation received is not in accordance with the work results achieved so that employees feel the demands of work are not comparable with the remuneration. (2) Opportunities to be given a promotion are only seen based on seniority and not results of work, even though seniority does not guarantee competence because competence cannot be measured through loyalty and years of service. (3) The supervisory burden is carried out directly by the lower leadership so that the leadership shows concern and provides minimal direction at work.

B. LITERATURE REVIEW

1. Compensation

Compensation is everything that employees receive in lieu of their service contribution to the company. Compensation is carried out in an effort to carry out one of the human resource management functions related to all types of individual awards in exchange for carrying out organizational tasks. Compensation is all forms of payment or awards, both in cash and in non-cash, given to employees arising from their work (Dessler, 2017). Compensation is the total of all individual rewards given to employees in return for the work they have done for the organization (Mondy &
Compensation is all payments in the form of money and goods, both directly and indirectly received by employees in return for remuneration provided to the company (Hasibuan, 2016). Compensation relates to all kinds of individual rewards in exchange for performing organizational tasks. So that compensation is the main cost of employee remuneration in the form of expertise and loyalty in the agency.

For companies, compensation has an important meaning because compensation reflects the organization’s efforts to maintain and improve the welfare of its employees. The objectives of providing compensation include determining living standards, influencing attitudes, aligning employee desires with company goals (Mondy & Martocchio, 2016). Factors that can affect compensation are the Labor Market, Labor Union, Economy. (economics), Interindustry Wage Differentials (compensation differences), Legislation (government regulations). Several types of compensation that can be used as a compensation measurement tool, namely:

a. Financial Compensation

Financial compensation means compensation realized in a certain amount of currency to the employee concerned. Financial compensation in its implementation is divided into 2, namely direct financial compensation and indirect financial compensation. Direct financial compensation is payment in the form of money that employees receive directly in the form of salary/wages, benefits, incentives/commissions. Meanwhile, indirect financial compensation is all financial awards that do not include direct compensation. The form of indirect compensation includes labor insurance programs, leave, and pension funds.

b. Non-Financial Compensation

Non-financial compensation is remuneration provided by the company to employees not in the form of money, but in the form of facilities. This type of compensation is divided into two, namely compensation related to work and compensation related to the work environment. Compensation related to work can be in the form of the assumption that employees are important to the company in the form of job satisfaction, opportunities for development, training, and rewards for performance. Meanwhile, compensation related to the work environment can be in the form of manager competence, comfortable working conditions, clear division of labor (job sharing), and flexible working time.

2. Job Satisfaction

Everyone who works expects to get satisfaction from his place of work. Basically job satisfaction is an individual thing because each individual will have different levels of satisfaction according to the values that apply to each individual. The more aspects of work that are in accordance with individual wishes, the higher the level of satisfaction felt. A person’s satisfaction with one another will vary depending on the level of pleasure a person feels for his role or work in the
organization. Job satisfaction includes the level of individual satisfaction that they can be rewarded appropriately from various aspects of the work situation of the organization where they work. Employees who are satisfied with their remuneration will be proportional to the results of the work done.

Job satisfaction is a pleasant or unpleasant emotional state of employees in viewing their work (Handoko, 2015). Job satisfaction is an individual’s general attitude towards his work, including a set of feelings about whether or not work is enjoyable that comes from evaluating one’s work or experience (Robbins, 2015). Job satisfaction is an emotional state that is the result of evaluating one’s work experience regarding pleasant or unpleasant according to the way employees view their work (Wibowo, 2014). Job satisfaction can be enjoyed at work by getting results from achieving work goals, placement, treatment, and a good work environment. Employees will feel more satisfied if the remuneration is proportional to the results of the work done. Employee job satisfaction must be created as well as possible so that employee morale, dedication, love and discipline increase.

There are five factors that can affect job satisfaction, namely need fulfillment, discrepancies, value attainment, equity, genetic components (Wibowo, 2014). Job satisfaction can be divided into three types, namely job satisfaction in work, job satisfaction outside work, combined job satisfaction inside and outside work (Hasibuan, 2016). Job satisfaction can be measured through the work itself, salary/wages, promotions, supervision, co-workers (Luthan, 2012).

3. Employee Performance

Performance is a description of the level of achievement of the implementation of a program of activities or policies in realizing the goals, objectives, vision and mission of the organization as outlined in an organization’s strategic planning. Employee performance includes work results that can be achieved by a person or group of people in the organization, in accordance with their respective authorities and responsibilities in an effort to achieve the goals of the organization concerned legally, not violating the law and in accordance with morals and ethics. Performance is an achievement or result work in activities or activities or programs that have been planned beforehand in order to achieve the goals and objectives set by an organization and carried out within a certain period of time which is influenced by several factors.

Performance is the result of quality and quantity work achieved by an employee in carrying out his duties in accordance with the responsibilities given to him (Mangkunegara, 2014). Performance is an optimal achievement in accordance with the potential of an employee and has always been a matter of concern for company leaders, organizations and agencies (Robbins, 2015). Performance is the result of a process that is measured over a certain period of time both in quality and quantity, in accordance with the tasks assigned and the time set by the head of the agency. Agencies need to pay attention to the performance of their employees because good or bad performance will greatly affect how much these employees can contribute to the agency.
Performance appraisal has several objectives, namely obtaining data that is factual and systematic in determining the value of a job, obtaining fairness in the wage and salary distribution system implemented within the organization, obtaining data to determine wage and salary structures that are in accordance with general implementation, assisting management in measuring and supervising more accurately the costs used by agencies, aligning performance appraisals with business policies so that movements within an organization are always in line with objectives (Sudarmanto, 2015). Performance appraisal is a systematic evaluation of employee performance so that you can understand how far where is the ability of the employee so that the organization can plan further career development for the employee concerned. In other words, performance appraisal evaluates the skills, abilities, achievements and growth of an employee and so on. Factors that influence a person's performance appraisal include ability factors and motivational factors (Mangkunegara, 2014). Dimensions and indicators in evaluating employee performance are quality, quantity, timeliness, effectiveness, independence (Robbins, 2015).

Some of the hypotheses proposed in the study are:
H1: Compensation has an effect on employee performance
H2: Job satisfaction affects employee performance
H3: Compensation and job satisfaction affect employee performance

C. METHOD

The method in this study uses descriptive and verification. The descriptive method is intended to answer the formulation of the problem, namely how compensation, job satisfaction, and employee performance at PT. A. Verification research methods are used to determine and assess the magnitude of the influence of compensation and job satisfaction on employee performance at PT. A either partially or simultaneously.

The population in this study were all employees of PT. A totaling 427 people. The sampling technique used was purposive sampling method. Purposive sampling is a technique that deliberately uses its own judgment in selecting members of the population that are considered appropriate to provide the required information (Sugiyono, 2017). The consideration is that the respondent has worked for more than 3 years. The number of research samples (n) used was 82 respondents.

Variables are anything that can be distinguished or have variable values. In this study, there are two main variable elements, namely the independent or independent variable (Variable X) and the dependent or dependent variable (Variable Y). In this study, the independent variables are compensation (X1) and job satisfaction (X2) and the dependent variable is employee performance (Y).

Quantitative data analysis techniques by conducting instrument testing, regression model testing, and hypothesis testing. Instrument testing was carried out using the validity test, reliability test and classic assumption test (normality test, heteroscedasticity test, and multicollinearity test). In testing the regression model, the
Data is tested using the model test (F test) for further analysis of multiple regression, analysis of the correlation coefficient, and the coefficient of determination.

D. RESULT AND DISCUSSION

Descriptive data analysis aims to describe the extent to which respondents' responses regarding compensation, job satisfaction, and employee performance at PT. A. The compensation variable has 2 dimensions, namely financial compensation and non-financial compensation. Respondents' responses regarding compensation at PT. A as a whole is in the less category with an average of 3.28, because it is in the interval 2.60 – 3.39. The statement with the highest score with a score of 3.71 states "the salary/wages I receive are given fairly according to the level of difficulty of the job". However, there is a statement with the lowest score in the statement "the company provides flexible working time." with a score of 2.93.

The variable of job satisfaction has 5 dimensions, namely the work itself, salary/wages, promotions, supervision, and colleagues. Respondents' responses regarding job satisfaction at PT. A as a whole is in the less category with an average of 3.37, because it is in the interval 3.40 - 4.19. The statement with the highest score with a score of 3.80 states "the company provides rewards based on the results I have achieved". There is still a statement with the lowest score stating "the superior where I work provides guidance and direction at work" with a score of 3.06.

Employee performance variables have 5 dimensions, namely quality, quantity, timeliness, effectiveness, and independence. Respondents' responses regarding employee performance at PT. A as a whole is in the less category with an average of 3.30, because it is in the interval 2.60 – 3.39. Statement with the highest score with a score of 3.67 which states "I carry out work according to work standards". However, there is still a statement with the lowest score stating "I have fulfilled the work according to the standard amount set" with a score of 3.02.

The results of instrument testing are that all data from each variable shows valid, reliable, normally distributed, does not have multicollinearity problems, does not have heteroscedasticity problems, and can use regression models. The next test is by performing multiple linear regression analysis. Multiple linear regression analysis is used to determine the direction of the effect of compensation and job satisfaction on employee performance. The results of the multiple regression analysis are that if the compensation and cooperation satisfaction do not change (constant), then the employee's performance will be worth 0.163. If compensation increases assuming other variables are constant, then employee performance will also increase by 0.358. Meanwhile, if job satisfaction increases assuming other variables are constant, then employee performance will also increase by 0.664.

The next step is to do a correlation coefficient analysis. Analysis of the correlation coefficient is used to measure how strong the relationship between the variables of compensation, job satisfaction, and employee performance. The results of the calculation of the correlation coefficient (R) is 0.632 indicating a close relationship between the variables of compensation, job satisfaction, and employee performance.
including strong criteria which are in the interval 0.60 – 0.799. The magnitude of the contribution of the effect of compensation and job satisfaction on and the performance of employees of PT. A is shown through the coefficient of determination. It is known that the coefficient of determination (R square) is 0.399 or 39.9%. This means that compensation and job satisfaction have a contributing influence on the performance of employees of PT. A is 39.9% and the remaining 60.1% is influenced by other factors not examined in this study.

The final stage in data analysis is by testing the hypothesis. Partial hypothesis testing (t test) is performed to show how far the independent variables influence individually in explaining the variation of the dependent variable using an alpha (α) confidence level of 5%. It is known that the test results for the compensation variable (X1) obtained a t value of 5.432 and a ttable of 1.990. Because the calculated t value is greater than t table (5.432 > 1.990) with a significance value of 0.000 <0.05 then Ho is rejected and H1 is accepted. This means that compensation has a significant effect on the performance of employees of PT. A. The test results for the variable job satisfaction (X2) obtained a t value of 3.721 and a ttable of 1.990. Because the calculated t value is greater than t table (3.721 > 1.990) with a significance value of 0.012 <0.05 then Ho is rejected and H2 is accepted. This means that job satisfaction has a significant effect on the performance of employees of PT. A.

Respondents’ responses regarding compensation at PT. A as a whole is in the less category giving the impression that all forms of payment or rewards, both cash and non-cash given to employees arising from their work, cannot be said to be optimal. PT. A need to pay attention to this. Compensation received by employees can determine employee living standards, influence attitudes, and align employee desires with company goals (Mondy & Martocchio, 2016). This can affect their work results because employees who receive high compensation are able to meet their basic needs, make their attitude to contribute better, and will try to maximize the common interest compared to employees who receive low compensation. Things that become obstacles in the lack of optimal compensation at PT. A, namely the lack of providing benefits according to employee needs, the lack of providing insurance guarantees, the lack of job satisfaction, the lack of clear division of labor (job sharing), and the lack of flexible working time. The level of work difficulty is in accordance with the remuneration provided to employees in the form of financial compensation, which can create a conducive working climate, because the provision of remuneration that is in accordance with the responsibilities and skills of employees can motivate employees towards the company’s goals set. There are still deficiencies in the provision of non-financial compensation such as flexible working hours. Flexible working time can be used by employees to do other activities outside of work. This can reduce employee work stress so as to reduce boredom at work.

Respondents’ responses regarding job satisfaction at PT. A as a whole is in the less category, giving the impression that the individual’s emotional state towards his work, including feelings about how enjoyable his work is, cannot be said to be optimal. PT. A needs to pay attention to this, because job satisfaction is the result of
evaluating employee work experience, so employees will feel more satisfied if their remuneration is proportional to the work done. Job satisfaction reflects how fairly individuals are treated at work. Employees who enjoy job satisfaction at work will prioritize their work, compared to employees who are dissatisfied (Wibowo, 2014). Things that become obstacles in the lack of optimal job satisfaction at PT. A, namely the lack of pleasure in the office atmosphere, the lack of compensation to meet needs, the lack of opportunities for promotion based on performance, the lack of guidance and direction by superiors at work, the lack of concern for behavioral support, and the lack of cooperative colleagues. The company has appreciating the work of employees in accordance with the quality of work performed. Giving rewards according to performance will encourage employees to work even harder with the assumption that if their work results increase, they will get greater rewards. Awareness of superiors is low, causing employee dissatisfaction at work. Because even though the work seems light, in reality every job requires precision, tidiness, and precision so that support from superiors is very influential in efforts to maximize work results.

Respondents’ responses regarding employee performance at PT. A as a whole is in the less category giving the impression that the achievement or work results of employees in activities that have been planned previously in order to achieve organizational goals and objectives cannot be said to be optimal. PT. A need to maintain this, because the work that can be achieved by employees reflects how far the company’s ability to realize the goals, objectives, vision and mission of the organization. Employee performance is influenced by ability factors and motivation factors for each employee (Mangkunegara, 2014). The ability factor consists of potential abilities called IQ (Intelligent Quotient) and reality abilities (knowledge and skills). That is, employees who have high IQ certainly have high abilities as well. Meanwhile, the motivation factor is formed from the attitude of an employee in dealing with work situations. The mental attitude itself is a mental condition that encourages employees to try to achieve maximum work performance. This means that an employee must be prepared mentally, physically, understand the main goals and work targets to be achieved, also be able to utilize and create work situations. The things that become obstacles in the less than optimal performance of employees at PT. A, namely lack of work with full tidiness, lack of fulfillment of work results according to the standard amount set, lack of timely completion of work, lack of ability to maximize available time in order to be able to carry out other activities, lack of effective work to minimize costs, lack of ability to work in teams or individuals, as well as the lack of ability to work without the need for supervision. Employees have a good ability to complete work in accordance with applicable procedures. Completion of work according to procedures indicates that employees have the ability to avoid work error rates, one of which is by applying standards set by the company in an effort to improve work results. Even though employees are able to complete work according to procedures, they cannot be said to have work results that are in accordance with the specified quantity. Management needs to pay attention to this in
terms of setting work targets, the number of employees, and the ability of the machine to produce output.

E. CONCLUSION

Based on data processing and discussion, it can be concluded that compensation at PT. A as a whole is in the less category. This condition gives the impression that all forms of payment or rewards, both cash and non-cash given to employees arising from their work, cannot be said to be optimal. Job satisfaction at PT. A as a whole is in the less category. This condition gives the impression that the individual’s emotional state towards his work includes feelings about how enjoyable his work is, which cannot be said to be optimal. Employee performance at PT. A as a whole is in the less category. This condition gives the impression that the achievement or work results of employees in activities that have been planned previously in order to achieve the goals and objectives of the organization cannot be said to be optimal.

Compensation has a significant and positive effect on employee performance at PT. A. These results indicate that the higher the compensation, the better the employee’s performance. Job satisfaction has a significant and positive effect on employee performance at PT. A. These results indicate that the higher the job satisfaction, the better the employee’s performance.

REFERENCES


