
Effect of Compensation on Employee Performance

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ABSTRACT

In a company, employee performance is very influential on company development and one of the factors that affect performance is compensation with various indicators. The formulation of the problems in this study are (1) How is the application of compensation to company?, (2) What factors affect employee performance at company?, (3) How does compensation affect employee performance at company? This study aims to determine how much influence there is on compensation on employee performance at company. The data used is through a questionnaire by taking 30 employees as a sample and measured using a Likert scale. Answers from strongly disagree to strongly agree. The data were processed using SPSS and the data used were quantitative analysis and were processed using quantitative methods of analysis and simple linear regression analysis. Form of Compensation at company does not only cover the matter of wages / salaries but the provision of facilities and allowances provided by the company to have an effect on the performance of every employee at company.

Keywords: *Compensation, Employee Performance*

1. INTRODUCTION

One of the factors that determine work productivity is compensation, because for the company this is very influential for the company's goals. Therefore, professional human resources are needed. With professional human resource regulations, it is expected that employees can work productively. This professional management of employees must begin with the recruitment of employees, selection, classification, placement of employees according to their abilities, upgrading and career development. On the other hand, employees must accept their rights as employees, namely rewards or compensation after they carry out their obligations. The definition of compensation is everything that employees receive in return for their work, in an organization. Employees are the most important part in achieving company goals. In this case, company management must encourage its employees to maximize performance to achieve company goals. This is related to the duties and functions of an important employee in the company, so that employees in the company must be managed properly and correctly. In general, human resource management is intended to improve company performance, so that the formation of human resources with qualified capabilities is a must. Therefore, the management and utilization of these human resources must be a concern to be developed optimally. Employee work results are influenced by several factors, namely internal factors and external factors. Internal factors are factors related to a person's characteristics, including attitudes, personality traits, physical characteristics, desire or motivation, age, gender, education, work experience, cultural background, and other personal variables. External factors are factors that affect employee performance that come from the environment, leadership, actions of colleagues, type of training and supervision, pay system and social environment. Compensation is a very complex issue, but it is the most important for employees and the organization itself. In increasing efficiency and productivity, one of the efforts taken by the organization to create these conditions is to provide satisfactory compensation.

Performance is a very important part and very beneficial. an institution wants employees to work seriously according to their abilities to achieve good work results, without good performance from all employees, success in achieving goals will be difficult to achieve. Performance basically includes mental attitudes and behaviors that always have the view that the work being carried out at this time must be of higher quality than the execution of past work, for the future to be of higher quality than at present. An employee or employees will feel that they have their own pride and satisfaction with the achievements achieved based on the performance they provide for the company.

Factors that can affect performance are motivation, competence, leadership and work environment. The success of a company is not always measured by how much money it has, but there are other things that are more important, namely Human Resources (HR) in the company. In the current era of globalization, quality human resources are urgently needed because the success of a company depends on the quality of its human resources or employees. The better the quality of a company's employees, the higher the company's competitiveness against other companies. Employees are valuable assets that need to be properly cared for and nurtured so that companies must pay attention to every detail of programs related to human resource development in order to produce competent and highly competitive employees. In the process, company performance or company performance experiences ups and downs in line with the ups and downs of the performance of the company's employees themselves. This indicates that there is a positive relationship between company employees and the company where they work.

CV. XXX is a company engaged in the manufacturing of Forklift Rentals, with 30 employees consisting of Operators, Mechanics, Helpers and Office Staff. Based on the results of this temporary observation CV. XXX in providing compensation to employees has differences in each of their respective fields. Based on the description above, the writer is interested in writing a Final Project report regarding, The Effect of Compensation on Employee Performance at CV. XXX.

2. LITERATUR REVIEW

Human Resource Management is one area of management which includes aspects of planning, organizing, implementing and control. This process is in the function or field of production, marketing, finance. Because human resources are considered to have an increasingly important role in achieving goals companies, various experiences from the results of research in the field of human resources human beings are collected systematically in what is called Resource Management Human human. The term "management" has the meaning as a collection of knowledge about how to manage human resources

Human resource management has several definitions put forward by experts. According to Hasibuan (2019), resource management Man is the science and art of managing relationships and roles in order to effectively and efficiently help the realization of company goals, employees, and public. According to Dessler (2010), human resource management as policies and exercises to meet employee needs or aspects contained in human resources such as management positions, procurement employee or recruitment, screening, training, compensation, and appraisal employee performance. Based on some of the above understanding can concluded that human resource management is a study concerning human labor issues that are arranged according to the order of their functions, so that they are effective and efficient in realizing company goals, employees and society.

Compesation

Compensation is all income in the form of money, goods directly or indirectly received by employees as compensation provided by the company to employees. one of the factors that both directly affect high or low employee motivation and performance is compensation. Because it's a gift Compensation for employees needs special attention from the management company so that employee motivation can be maintained and employee performance can be increase. In general, the purpose of compensation is as a bond of cooperation , job satisfaction, effective procurement, motivation, stability employees, discipline and influence of trade unions and government.

Compensation is divided into two namely: (1) Direct compensation in the form of: salary is remuneration paid on a regular basis periodical to permanent employees and have a guarantee that is certain. Wages are remuneration paid to daily workers based on the agreement agreed to pay. Wages are not the same as salaries.If the salary is paid regularly and is fixed while the wage is the amount may vary depending on output produced and in accordance with the agreement. Incentives are direct rewards paid to due employees performance exceeds the specified standard. (2) Indirect compensation is the additional compensation given based on company policy towards all employees as efforts to improve the welfare of employees. Like insurance, benefits, pensions and etc.

In A compensation given by the company to employees or parties involved in the business process in a business institution, can take the form of 4 things, namely:

1. Wages/Salary. Wages or salaries are usually related to rates hourly wages. Wages are a frequent basis of payment used by production and maintenance workers, while wages generally apply to weekly rates, monthly or yearly.
2. Incentives, incentives are in addition to the salary above or apart from the salary provided by the company. this incentive program provided with an additional fee based on productivity, sales, sales, profit margins or cost-cutting efforts.
3. Benefits, Benefits in a company usually includes health insurance, life insurance, and vacations the costs of

which are borne by the company as well pension plans and other related benefits with employment.

4. Facilities, is the pleasure that can be obtained for support work more effectively and efficiently, such as cars companies, club members, parking lots and others

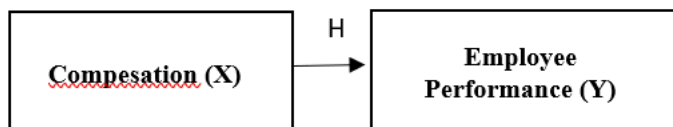
Employee Performance

the result of a process of completing work and the behavior needed to achieve the desired result is called performance. According to (Mangkunegara, 2017:67) Performance comes from the word Job Performance or Actual Performance, namely work performance or performance actually from an employee, or in other words the notion of performance is the result of work in quality and the quantity achieved by an employee in carrying out their duties in accordance with responsibility assigned to him. Then according to Simamora (2006) in Estiana and Pramulanto (2020), performance is a person's overall level of success during certain period of carrying out the task compared to various possibilities, such as standards of work results, targets or goals that are determined and mutually agreed upon. According to Mangkunegara (2011) employee performance indicators can be measured based on (1) quality of work, quantity of work, execution of duties and responsibility for the work performed.

3. RESEARCH METHOD

The type of data used in this study is the type of data quantitative. According to Sandu and Ali Sodik (2015:17) research method Quantitative is a type of research whose specifications are systematic, planned, and clearly structured from the start to creation, data collection, analysis of the data, and the appearance of the results the. Meanwhile, according to Juliansyah (2016: 38) quantitative research is method of testing certain theories by examining the relationship between variables. So the way to measure these variables is data that consists of numbers can be analyzed based on statistical procedures.

The subjects in this study were employees of a CV. XXX in Bekasi Regency which is engaged in heavy equipment vehicle rental services such as Forklifts, Cranes, Plates and Trucks. The population in this study is all employees at CV. XXX totaling 30 employees, and because the population is small and limited it is not possible to use samples, therefore the author takes the same amount as the total population of employees a total of 30 employees. the sampling technique used is the Probability Sampling technique, namely Random Sampling technique. Probability sampling. Instrumental analysis research, namely by testing the validity, reliability of the questionnaire and test normality. Data collection was carried out using a questionnaire instrument, namely by provide a closed list of questions to respondents. This research uses techniques quantitative data analysis, which performs analysis of data that has been given a score according to measurement scale. The method for analyzing this research is Validity Test, Test Reliability and Simple Linear Regression.



In the framework of thought above, it can be seen that there is an influence from interest in compensation variables and performance variables that can influence on the quality of work in the company.

4. RESULTS AND ANALYSIS (10 PT)

The relationship and influence of the independent variables on the dependent variable can be found using multiple linear equations. The equation of the multiple regression linear line obtained from data processing in the SPSS 25 program is as follows:

$$Y = 10,762 + 0,396X + e$$

Where:

Y = employee performance

X = compensation

e = error term

The description of the simple linear regression equation is:

1. A constant of 10.762 indicates that if the dependent variable, namely employee performance, is zero, then

employee performance is a constant of 10.762.

- The value of the compensation coefficient is 0.396 indicating that an increase in compensation in one unit number will result in an increase in employee performance of 0.396% assuming other variables are constant

Regression results can be presented as follows in Appendix Table 2

Table 1. Regression Result

Variabel Employee Performance (Y)	Unstandardized Coefficients		Uji t	
	B	Std. Error	t	Sig.
Compesation (X)	.396	.097	4.086	.000
Konstan	10.762	4.185	2.572	.016

Source: Processed Data (2023)

The positive relationship between the independent variable, namely compensation (X) on the dependent variable, namely employee performance (Y) can be seen by conducting a hypothesis test. The hypothesis test used is the t-test and the coefficient of determination.

Based on table 1 it is explained the hypothesis test show that the t_{count} of compensation (X) is 4.086 and a significant value is 0.000, or less than alpha, which is 5%. So it can be concluded that the compensation variable has a positive and significant influence on improving the employees performance of CV. XXX. Research activities carried out at CV. XXX, the implementation of compensation that applies to employees varies according to the fields contained in the company's organizational structure, for the administrative staff section compensation includes Salary, Bonus and BPJS in cash to employees, While for technicians compensation includes Salary, Bonus and BPJS is given in cash to employees, for the Operator part compensation includes Salaries, Bonuses, Incentives and BPJS is given in cash to employees, and for the helper part compensation includes Salaries and bonuses given in cash to employees. The results of this study are in line with previous research, namely Agung Surya Dwitanto (2019), by discussing and analyzing the effect of compensation on employee performance at PT. Jael Indonesia, (2019), this research was conducted at a company located in Bekasi, precisely in Jababeka-Cikarang, namely at PT. Jael Indonesia. In this study Agung Surya Dwitanto (2019) states that there is an effect of providing compensation on employee performance in the Production Department of PT. Jael Indonesia. This influence is shown in the results of the study that the R^2 value of 0.486 means that the percentage effect of compensation on employee performance is 48.6% while the rest is influenced by other variables not examined in this study. The results of the t test show that the calculated t value is greater than the t table value ($5.146 > 2.048$). This shows that the hypothesis used in this study is accepted, namely there is an effect of compensation on employee performance in the Production Department of PT. Jael Indonesia.

Table 2. Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611 ^a	.374	.351	3.42623

a. Predictors: (Constant), X

Source: Processed Data (2023)

Based on table 2, it is explained that the coefficient of determination aims to see or measure how far the model's ability to explain the dependent variable. From the SPSS output display in table 3 above, the Adjusted R Square is 0.351. This indicates that the contribution of the X variable is 35.1%, while the remaining 64.9% (100-35.1) is determined by other factors outside model that was not detected in this study.

Several studies also present the same results, namely that compensation can affect employee performance in the company. Compensation schemes shall be drawn up in keeping with the strategy goals and business objectives. The impact of compensation and benefits on employee performance and organizational effectiveness depends on the existing compensation and performance management programs in the organization. In general, the majority of employees respond positively to increased salaries and benefits with a more productive attitude (Reddy, 2020).

Syafnur (2023) shows the results of research that when KSP Sejahtera Abadi employees are given more money for their work, their performance will be better. This is evidenced by the results showing that employees who receive higher compensation have higher performance.

5. CONCLUSION

Based on the descriptions in the previous chapters, and from the results of the analysis and discussion of the effect of compensation on employee performance, it is as follows: compensation has a significant effect on employee performance.

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