The Effect of Compensation and Motivation on Performance Employees at Public Works and Spatial Planning Service of North Aceh

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Abstract:
This research explores the intricate relationship between compensation, motivation, and employee performance within the Public Works and Spatial Planning Office of North Aceh Regency. Through a quantitative approach employing multiple and simple linear regression analyses with SPSS, the study investigates the impact of compensation and motivation on employee performance, using a sample of 60 employees selected through random sampling. The findings indicate that both compensation and motivation significantly contribute to heightened employee performance, constituting crucial elements for organizational success. The compensation regression coefficient is 0.569, affirming that increased compensation positively influences employee performance. Similarly, the motivational regression coefficient is 1.022, suggesting that heightened motivation positively impacts employee performance. The study underscores the theoretical significance of recognizing compensation and motivation as pivotal factors in human resource management. Practical implications include the need for well-structured compensation systems and effective motivational strategies to optimize employee performance. Despite these contributions, caution is advised in generalizing findings, and future research could delve into additional factors influencing employee performance for a more comprehensive understanding in the public sector.

Keywords: Compensation, Motivation, Employee performance, Human resource management, Public sector

ABSTRAK

Kata kunci: Kompensasi, Motivasi, Kinerja karyawan, Manajemen sumber daya manusia, Sektor publik
INTRODUCTION

The significance of human resources within a company is quantifiable in its ability to achieve goals, ultimately enabling the company to compete effectively with its counterparts. Given the substantial role the company plays, it is imperative to ensure the retention of employees to facilitate their optimal performance. The primary objectives of employee retention for the company encompass enhancing work productivity, fostering discipline, reducing absenteeism, cultivating loyalty, minimizing turnover, mitigating conflicts, and fostering a harmonious work environment (Carpenter et al., 2014). Simultaneously, employee retention efforts undertaken for the benefit of employees aim to enhance their welfare and that of their families, provide peace and security, and uphold employee health by improving physical well-being, mentality, and attitude (Ahmad, 2013). For the effective implementation of employee retention processes, attention must be devoted to several fundamental principles. These include the principles of benefits and efficiency, needs and satisfaction, fairness and feasibility, adherence to legal regulations, and alignment with the company’s capabilities (Ghani et al., 2022; Stone et al., 2020). The integration of these principles ensures a comprehensive approach to employee retention that not only meets organizational goals but also addresses the well-being and satisfaction of individual employees and their families.

The principle of benefit and efficiency stipulates that maintenance efforts should be streamlined and generate maximum advantages for both the company and employees, with a focus on improving work performance, safety, health, and fostering loyalty (Cachón-Rodríguez et al., 2022). Effectively managing human resources (HR) maintenance within the company can directly influence overall profits, driven by the individual contributions of each employee (Mayo, 2016). Consequently, meticulous planning of work targets by the company is imperative to attain optimal work outcomes. In recent years, the company’s management has grappled with various challenges in meeting employee targets, as multiple factors have contributed to a decline in achieving these objectives. The Public Works and Irrigation Management Office of North Aceh Regency has encountered noteworthy issues, particularly a substantial number of employees resigning, predominantly attributable to perceived inadequate compensation that did not align with their needs. The repercussions of employee resignations on the company’s failure to achieve its targets are delineated in Table 1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Achieved (%)</th>
<th>Target (%)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>80</td>
<td>100</td>
<td>Not achieved</td>
</tr>
<tr>
<td>2017</td>
<td>85</td>
<td>100</td>
<td>Not achieved</td>
</tr>
<tr>
<td>2018</td>
<td>95</td>
<td>100</td>
<td>Not achieved</td>
</tr>
<tr>
<td>2019</td>
<td>82</td>
<td>100</td>
<td>Not achieved</td>
</tr>
<tr>
<td>2020</td>
<td>80</td>
<td>100</td>
<td>Not achieved</td>
</tr>
</tbody>
</table>

Within the data on target achievement, there are notable fluctuations and declines observed annually. Theoretically, it becomes apparent that one contributing factor to employees leaving their positions is associated with compensation issues, a recurrent phenomenon in both institutional and corporate settings. The company’s capacity to provide rewards is limited and tailored to the available resources, as reflected in the diverse compensation facilities offered, surpassing basic salary provisions. Employees within an organization necessitate compensation that is not only equitable and adequate but also competitive when benchmarked against other organizations or companies. The ability to attract and retain skilled individuals is frequently intertwined with the competitiveness of the compensation package. Within the specific context of the Public Works and Irrigation Management Office of North Aceh Regency, the data underscores the impact of compensation-related issues on the company’s ability to reach its targets. Addressing these concerns and establishing a more competitive compensation structure
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holds the potential to enhance employee retention and overall target achievement (Khalid & Nawab, 2018; Kashyap & Rangnekar, 2014)).

The effectiveness of a compensation system significantly influences an individual’s morale and productivity. A well-designed compensation system requires rational methods to ensure that individuals are remunerated in accordance with the demands of their work (Mangale, 2017; Gerhart, 2008). Performance fluctuations in employees are also influenced by factors such as motivation. Employee motivation serves as the driving force that encourages individuals to undertake work with the expectation of achieving desired results (Ramlall, 2004). Typically, supervisors play a crucial role in motivating subordinates, providing inspiration, enthusiasm, and encouragement to employees to guide their actions. In the corporate context, employee motivation is deemed highly significant, as the attainment of goals is inherently tied to the motivation levels of employees, ultimately culminating in the realization of optimal work results (Govender & Parumasur, 2010). The company’s initiatives to boost employee motivation encompass creating a work environment conducive to comfort, fostering mutual respect, and cultivating positive relationships; leaders actively avoid words and actions that could lead to conflict; and both superiors and employees cultivate a positive mindset. These efforts collectively contribute to an environment that enhances motivation, thereby influencing employee performance positively and facilitating the achievement of maximum work results (Kim & Jang, 2020).

When the leader provides feedback to subordinates, consider it as constructive input, and conversely, if subordinates offer advice to the leader, use it as an opportunity for self-improvement to become a more effective leader. Additionally, expressing appreciation through praise or rewards for employee achievements can enhance enthusiasm in the workplace. Lately, there has been a noticeable decline in the motivation of employees at the Office of Public Works and Spatial Planning. This decline not only impacts individual performance but is also evident in the timeliness of task completion. On average, employees are submitting requested reports to the company with a delay of up to 2 (two) weeks, compromising the accuracy and negatively affecting the company’s ability to assess and achieve set targets. Recognizing these trends, the authors are inclined to delve deeper into analyzing the impact of compensation and motivation on employee performance at the Office of Public Works and Spatial Planning. The study aims to scrutinize the influence of compensation and motivation on the overall performance of the Public Works and Spatial Planning Office in North Aceh Regency.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The relationship between Compensation and Employee Performance

Employees within an organization necessitate compensation that is not only sufficient and fair but also competitive in comparison to other organizations or companies. The effectiveness of a compensation system is crucial as it significantly influences an individual’s morale and productivity. According to Hasibuan (2017), compensation encompasses all monetary or non-monetary rewards received by employees as a direct or indirect acknowledgment for services rendered to the company. Establishing an effective compensation system holds paramount importance in human resource management, playing a pivotal role in attracting and retaining talented individuals. Handoko (2016) emphasizes that compensation, as remuneration for work, also impacts a company’s strategic performance. Wibowo (2016) defines compensation as the packages offered by organizations to workers in exchange for their workforce. According to various scholars, including Nawawi (2011) and Marwansyah (2016), compensation is awarded to employees for their contributions towards achieving organizational goals, whether in financial or non-financial forms. In the context of this study, compensation encompasses everything received by employees as remuneration for their work activities. Job evaluation is deemed essential to ensure fairness in compensation distribution, as highlighted by Sutrisno (2019). The determination of compensation is influenced by factors such as labor demand and supply, the company’s financial capability and
willingness to pay, the presence of labor unions or employee organizations, and the perceived importance of employees in achieving company goals.

Thus, the determination of compensation is contingent upon several factors. Firstly, work productivity and employee performance significantly impact the compensation amount. The living costs in a specific area, referred to as the cost of living, play a crucial role in defining the compensation level. Additionally, the employee’s position or title within the organizational hierarchy influences the compensation amount, aligning with the severity of workload and responsibilities associated with the role. Furthermore, the employee’s level of education and work experience are contributing factors; higher education and greater work experience typically result in higher compensation. Government intervention, particularly in the public sector, serves as a protector of societal interests by mandating fair and proper compensation systems implemented by companies and organizations. Government policies, such as the issuance of minimum wage regulations, contribute to ensuring employees receive just compensation. According to Hasibuan (2017), compensation indicators can be categorized into direct and indirect compensation. Direct compensation, including salaries, wages, and incentive payments, is considered a right for employees and must be paid by the company. Indirect compensation, on the other hand, encompasses benefits and services such as health insurance, pensions, uniforms, cafeteria facilities, prayer rooms, sports facilities, and excursions. Indirect compensation, provided based on company policies, aims to enhance employee welfare collectively.

Afandi (2018) stated that performance is the outcome of work achieved by individuals or groups within a company, adhering to their respective authorities and responsibilities to attain organizational goals lawfully and in alignment with moral and ethical standards. Fahmi (2016) asserts that performance is the result produced by an organization, whether profit-oriented or non-profit-oriented, developed over a specific period. Additionally, Kasmir (2018) posits that performance is the culmination of work and behavioral efforts realized in completing assigned tasks within a defined timeframe. Meanwhile, Edison (2016) states that performance results from a process measured over a specified period under predetermined conditions or agreements. In the context of this study, employee performance is construed as the output or work results in terms of both quality and quantity. It can be gauged based on their role in the organization or company, coupled with their abilities, skills, and competence in fulfilling their tasks (Afandi, 2018). Employee performance is influenced by various factors, each playing a distinct role in shaping the overall effectiveness of individuals within an organization. Firstly, the importance of Competence/Ability is highlighted, emphasizing the need for requisite skills and expertise in executing job responsibilities. Knowledge is underscored as a factor, signifying the impact of job-related information and expertise on the outcomes of job performance. The role of Work plan is emphasized, focusing on how job design facilitates the achievement of organizational goals. Personality is deemed critical, pointing to how an individual’s character significantly influences the quality of their work. Work motivation is another influential factor, drawing attention to the motivational aspects that drive overall performance. Leadership holds a pivotal role, centering on the leader’s responsibilities in organizing and managing subordinates. Lastly, Leadership style is crucial, highlighting the leader’s attitude and approach when dealing with subordinates, which can profoundly affect the overall work environment and employee performance (Kasmir, 2018).

The relationship between Motivation and Employee Performance

According to Marliani (2015), work motivation can be defined as a sequence of attitudes and values influencing individuals to achieve specific objectives aligned with their personal goals. Hasibuan, as cited in Sutrisno (2019), characterizes work motivation as a stimulant that fosters desire and acts as a driving force, with each motivation being linked to a particular goal. Furthermore, Sutrisno (2019) describes work motivation as a
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This shows that in practical application, the implementation of leadership styles is contingent upon the specific conditions prevailing within an organization. Organizational culture, marked by habits or norms unique to a particular company, is a crucial aspect influencing employee behavior. Job satisfaction, defined as the emotional contentment derived before and after job execution, contributes significantly to overall performance. The work environment encompasses the physical and relational aspects surrounding the workplace, including rooms, layouts, facilities, infrastructure, and coworker relationships. Loyalty, demonstrated through steadfast commitment even during challenging organizational phases, is integral to employee dedication. Commitment reflects employees’ adherence to company policies and regulations in their work, while work discipline involves the earnest execution of job responsibilities, including adherence to specified timeframes. According to Kasmir (2018), several indicators, such as quality, quantity, and time, can be employed to measure employee performance. Quality assessment involves evaluating the excellence of work produced through defined processes, while quantity considers the volume of output. Time serves as a parameter in cases where specific work types are assigned deadlines, with non-compliance indicative of suboptimal performance.

In fostering positive relationships and motivating employees, a supervisor plays a crucial role by upholding fairness and non-discrimination, facilitating work flexibility and balance, offering constructive feedback that acknowledges employee effort and performance, and supporting career planning and development. Career guarantees are paramount, representing the series of work-related positions an individual occupies throughout their life. An individual’s commitment to working hard for the company is often influenced by a clear career guarantee, manifesting in opportunities for promotion, higher ranks, and assured chances to develop employee potential. The pursuit of status and responsibilities within an organization is a significant motivator, as employees not only seek compensation but also aspire to hold positions that instill trust, greater responsibility, and authority in carrying out activities.

Flexible regulations within an organization contribute to motivation, with rigid policies potentially leading to decreased employee motivation. Motivation dimensions, including the need for achievement, affiliation, and power, are enhanced through indicators such as creativity development, enthusiasm for high achievement, the desire for acceptance and respect, a sense of progress, a sense of belonging, and the pursuit of influential positions. These indicators, as outlined by Hasibuan (2017), encompass the multifaceted nature of motivation, reflecting the intricate interplay between individual needs, organizational dynamics, and career aspirations.

H2. Motivation has a positive and significant effect on employee performance
RESEARCH METHODS

This research employs a quantitative approach to elucidate the causal relationship between compensation, motivation, and employee performance at the Public Works and Spatial Planning Office of North Aceh Regency. The analytical framework relies on multiple and simple linear regression analyses, facilitated by the statistical software SPSS. The study population encompasses 60 employees from the Public Works and Spatial Planning Office, North Aceh Regency. Random sampling techniques are employed to select a representative subset of participants from the larger population.

Quantitative methods are chosen for their ability to quantify relationships and patterns, providing numerical data for statistical analysis. The implementation of regression analyses allows for the examination of how changes in compensation and motivation variables relate to variations in employee performance. The utilization of SPSS as the analytical tool ensures rigorous statistical analysis of the collected data.

The research’s focus on the Public Works and Spatial Planning Office of North Aceh Regency enhances the specificity and relevance of findings to the organization under study. This quantitative research design aims to contribute valuable insights into the dynamics of compensation, motivation, and employee performance within the context of the public sector organization.

RESULTS AND DISCUSSION

The study employed a validity test to assess the 26 statements encompassing each research variable, with responses obtained from 60 participants. Criteria for statement validity were set at a confidence level of 95% (α = 5%), degrees of freedom (df) calculated as 60 – 2 = 58, resulting in an r table value of 0.266 (Ghozali, 2016). Validation was confirmed if the computed r value exceeded the critical r table value, and the r value was positive. The analysis indicated that the r count surpassed the r table value of 0.266, affirming the validity of the statements. Subsequently, a reliability test assessed the consistency and dependability of measurement outcomes, revealing that all variables achieved alpha values above 0.6, signifying high reliability and consistency across all variables in the study (Table 2). The outcomes of the Cronbach alpha reliability examination indicate that the statements comprising the dimensions of compensation, work motivation, and employee performance collectively establish a dependable measure.

| Table 2. Research Variable Instrument Reliability Test Results |
|------------------|-----------------|----------------|
| Variable         | Cronbach Alpha (α) | Description   |
| Compensation     | 0.979            | Reliable      |
| Work motivation  | 0.977            | Reliable      |
| Employee Performance | 0.966          | Reliable      |

As per Table 3, the calculated F value of 66.781 surpasses the critical F value in Table 3.11, indicating that compensation and motivation exert a significant influence on the performance of employees at the Public Works and Spatial Planning Office of North Aceh Regency. The coefficient of determination (R2) is 0.952, denoting that compensation and motivation collectively contribute to 95.2% of the variation in employee performance, while the remaining 4.8% is attributable to unexplored factors. Both compensation and motivation exhibit a positive and statistically significant impact on employee performance at a confidence level of 99%. The linear regression coefficient for compensation is 0.439, suggesting that an increase in compensation corresponds to a rise in employee performance, assuming motivation remains constant. Similarly, the linear regression coefficient for motivation is 0.238, signifying that an increase in motivation leads to enhanced employee performance, assuming compensation remains unchanged.
Derived from the outcomes of the impact of Compensation and Motivation on Employee Performance, the equation can be formulated as follows:

\[ Y = 4.646 + 0.439(X_1) + 0.238(X_2) \]

In this equation, \( Y \) represents the Employee Performance, \( X_1 \) denotes Compensation, and \( X_2 \) signifies Motivation. The numerical coefficients 0.439 and 0.238 indicate the respective contributions of Compensation and Motivation to Employee Performance.

Based on the analysis presented in Table 4, a t-test was conducted to assess the significance of the partial relationship between the compensation variable and employee performance, using a confidence level (\( \alpha \)) of 0.05. The resulting t-table value was found to be 2.001, considering a two-tailed test and degrees of freedom (\( n - 2; 60 - 2 = 58 \)). The calculated t-count was 34.893, exceeding the t-table value (34.893 > 2.001), signifying a significant impact of compensation on the performance of employees at the Public Works and Spatial Planning Office of North Aceh Regency. The coefficient of determination (R2) at 0.951 implies that compensation contributes substantially, accounting for 95.1% of the variance in employee performance. This suggests a positive and highly significant effect of compensation, with a regression coefficient of 0.569, indicating that an increase in compensation correlates with an improvement in the performance of employees.

Drawing insights from Table 5, a t-test was conducted to ascertain the significance of the partial relationship between the motivational variable and employee performance, utilizing a confidence level (\( \alpha \)) of 0.05. The resulting t-table value was found to be 2.001, considering a two-tailed test and degrees of freedom (\( n - 2; 60 - 2 = 58 \)). The calculated t-count was 30.663, surpassing the t-table value (30.663 > 2.001), indicating a noteworthy impact of motivation on the performance of employees at the Public Works and Spatial Planning Office of North Aceh Regency. The coefficient of determination (R2) at 0.937 implies that motivation contributes significantly, accounting for 93.7% of the variance in employee performance. This signifies a positive and highly significant effect of
motivation, with a regression coefficient of 1.022, suggesting that an increase in motivation correlates with an enhancement in the performance of employees. The research findings affirm the positive influence of compensation and motivation on the heightened performance of employees at the Public Works and Spatial Planning Office of North Aceh Regency. This aligns with prior research by Dwijayanti and Ikhwan (2022), Mubarak, and Noor (2022), asserting that compensation and motivation play pivotal roles in improving employee performance.

The study findings indicate that compensation plays a pivotal role in enhancing the performance of employees at the Public Works and Spatial Planning Office of North Aceh Regency. Employee satisfaction with the provided salary, which meets their needs, inclusion of meal and performance allowances in accordance with working hour wages, provision of incentives based on performance, ensuring employee safety through insurance and medical coverage for their families, boosting morale with family gatherings, granting holiday allowances, and aligning the holiday allowance with employee expectations contribute to employees' enthusiasm at work. These results resonate with the findings of previous research conducted by Farida and Hakim (2022) and Fanisitiya, Dwi, and Budiyanto (2022), supporting the notion that compensation significantly contributes to enhanced employee performance.

The research outcomes reveal that motivation serves as a catalyst for improving employee performance. Employees exhibit a reduced likelihood of repeating past mistakes, express a preference for challenging work environments, maintain positive relationships with colleagues, exhibit a preference for collaborative work, derive motivation from external acknowledgment of their work, and find satisfaction in influencing others to achieve superior results. These findings are consistent with the research by Dahlia and Fadli (2022) and Rika and Suci (2022), affirming that motivation is a key driver in enhancing employee performance.

CONCLUSION

The research outcomes underscore the crucial role of compensation and motivation in enhancing the performance of employees at the Public Works and Spatial Planning Office of North Aceh Regency. Both compensation and motivation have a positive and significant influence on employee performance, contributing to increased productivity and job satisfaction. The study confirms that a well-structured compensation system and effective motivational strategies can foster a more conducive work environment, leading to improved employee performance.

The study contributes theoretically by affirming and expanding the understanding of the relationship between compensation, motivation, and employee performance. It emphasizes the importance of recognizing these factors as integral components in human resource management, providing insights into their interplay and impact on organizational outcomes. Practically, the findings offer valuable guidance for organizational leaders and policymakers. Enhancing compensation structures, ensuring fair and competitive remuneration, and implementing motivational strategies can be pivotal in optimizing employee performance. For the Public Works and Spatial Planning Office of North Aceh Regency, disseminating policies effectively and fostering a conducive work environment can contribute to sustained performance improvements.

The study has certain limitations, including its focus on a specific organizational context. Generalizing the findings to different sectors or regions should be approached with caution. Additionally, the study’s reliance on self-reported data may introduce response biases. Future research should explore additional factors influencing employee performance to provide a more comprehensive understanding. Investigating the nuances of compensation and motivation in diverse organizational settings and sectors would enhance the applicability of the findings. Furthermore, longitudinal studies could offer insights into the long-term effects of compensation and motivation on employee performance.
REFERENCES


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