

THE EFFECT OF COMPENSATION ON ENHANCING EMPLOYEE PERFORMANCE

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ABSTRACT

This research was conducted with the main objective of identifying the influence of compensation on employee performance at PT Citra Sejati Lestarindo in Bekasi. The research method used is explanatory research, which aims to explain the cause-and-effect relationship between the compensation variable and employee performance. A sample of 68 respondents was taken from the company, using statistical analysis techniques such as regression, correlation, determination, and hypothesis testing. The results of this research show that the compensation variable, expressed in an average score of 3.74, falls within the "good" criteria according to the scale range used in this study. Similarly, the employee performance variable, which obtained an average score of 3.79, also falls within the "good" criteria. This indicates that the majority of respondents view the compensation provided by the company as adequate and having a positive impact on employee performance. Regression analysis shows that compensation has a significant influence on employee performance, with the regression equation $Y = 13.242 + 0.658X$. A correlation value of 0.754 indicates a strong relationship between the two variables, with the contribution effect of compensation on employee performance reaching 56.9%. The hypothesis test also yielded a t count significantly greater than the t table value, and a significance level smaller than the alpha set, thus accepting the hypothesis that compensation has a positive and significant effect on employee performance statistically. Based on the results of this research, it is recommended that the company maintain and improve its already good compensation policies, and empower employees through the implementation of good regulations and more intensive motivation, in order to continue improving employee performance and satisfaction in the future.

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INTRODUCTION

An organization needs to be supported by qualified and professional employees. So that employees can have good work performance, organizations really need to pay attention to the compensation given to employees. Aware of the importance of human resources for the survival and progress of a company, a company must pay special attention to this production factor and it is natural for company owners to view human resources as more than just company assets and make them partners in business.

Apart from that, the company must also be able to be fair regarding what human resources have provided to the company, because every employee has the right to receive appreciation and fair treatment from their leadership as reciprocity for the services they provide, so that it can encourage employees to be more motivated in carrying out their activities. his obligations as a worker. A mutually beneficial working relationship between the company and employees is very necessary in order to encourage employee morale. Employees provide good work results for the progress of the company, while the company provides appropriate compensation for the work results that employees have provided to the company.

Leaders are needed who are able to foster good relationships with employees, by providing incentives, salaries, honoraria, overtime, bonuses and welfare benefits to employees. Because in essence the workforce will be more productive if the workforce receives a salary and honorarium that is commensurate with the work they have done. However, these benefits are not provided by the organization for free. Employees must be able to demonstrate the achievements they have had while working in the organization. Salaries, honorariums and incentives are not just a way to satisfy physical needs, but are also recognition and a sense of achievement. Salary and honorarium are a means of motivation to work harder and have an impact on reducing employee turnover.

Compensation is everything that employees receive as remuneration for their work. The purpose of providing this compensation is to help employees meet needs beyond the need for fairness, as well as increasing employee work motivation in completing the tasks for which they are responsible.

This is in line with S's opinionImamora (2019) said that compensation is all forms of financial returns, realized services and benefits that employees receive as part of the employment relationship.

PT. Berdikari Manunggal Perkasa is a company engaged in the production of clothing thread. Based on survey data in the field, the company has an obstacle, namely the decreasing target for completing house construction work. This is allegedly a result of providing compensation that has not been fully implemented properly by the company.

With the compensation received, employees will be motivated to work as well as possible and with full responsibility so that work performance increases. The more employee performance increases, the more profitable it will be for employees and the company so they can compete. Providing compensation in accordance with applicable regulations can increase employee enthusiasm in carrying out their duties and obligations.

Performance can influence the ongoing activities of an organization. The better performance shown by employees will really help in the development of the organization. According to Mangkunegara (2019) performance is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. One way to motivate them to improve employee performance is by providing compensation to them. It is hoped that this will create a pattern of good relationships between employees and the company where employees will think that the place they work can understand and fulfill the life needs that are the trigger for why they work.

BeBased on the description explained above, the author is interested in conducting more in-depth research with the title "The Influence of Compensation on Employee Performance at PT. Berdikari Manunggal Perkasa in Bekasi".

LITERATURE REVIEW

1. Compensation

Compensation in the context of this research refers to a broad concept, which includes various forms of financial and non-financial rewards given to employees as a reward for their contribution and performance in the organization. According to Hendry Simamora (2016),

compensation includes not only salary and health benefits, but also incentives, bonuses, pension guarantees, and various other forms of rewards that can motivate employees to increase productivity and loyalty to the company.

A holistic approach to compensation has become a primary focus in modern human resource management (HRM). Based on research by Milkovich and Newman (2018), an effective compensation strategy does not only consider financial aspects, but also pays attention to employees' psychological and social needs. This includes recognition of their contributions, career development and improved work-life balance.

In the context of this research, a deep understanding of compensation is key in evaluating its effect on employee performance. According to Lawler and Milkovich (2020), compensation that is fair and appropriate to the contribution provided can increase employees' intrinsic motivation, such as a sense of achievement, responsibility and self-development. As a result, employees tend to be more dedicated and high-performing, which has a positive impact on the overall productivity and success of the organization.

Thus, a broad and comprehensive definition of compensation provides a solid foundation for this research in identifying the relationship between compensation given to employees and the resulting performance in the context of PT Citra Sejati Lestarindo in Bekasi.

2. Employee performance

Performance in the context of this research refers to the quality and quantity of employee work results, which are achieved in carrying out tasks in accordance with the responsibilities given to them. This definition refers to the view of Mangkunegara (2019), which states that performance is the result of work that includes aspects of quality and quantity, which is reflected in an employee's ability to carry out their duties in accordance with the responsibilities given. A clear understanding of the concept of performance is important in the context of evaluating the influence of compensation on employee productivity. In a study by Armstrong and Taylor (2014), employee performance is seen as the result of a combination of individual ability, motivation, and a supportive work environment. These factors interact with each other and contribute to the achievement of organizational goals through increased productivity and effectiveness. In a dynamic work environment like PT Citra Sejati Lestarindo in Bekasi, understanding and measuring employee performance appropriately is a critical step in optimizing human resource management. The study by Dessler (2017) emphasizes the importance of identifying relevant performance indicators and measuring them objectively to evaluate employee contributions to organizational goals. Thus, a comprehensive understanding of performance provides a strong basis for this research in investigating the relationship between compensation given to employees and the resulting performance, as well as its impact on overall organizational effectiveness.

METHOD

This research took a population of employees of PT Citra Sejati Lestarindo in Bekasi, totaling 68 respondents. The sampling method used was saturated sampling, where all members of the population were used as samples, so that the total sample used was 68 respondents.

The type of research used is associative research, which aims to determine the relationship between the independent variable (in this case, compensation) and the dependent variable (employee performance). The data analysis methods used include validity testing, reliability testing, simple linear regression analysis, correlation coefficient analysis, coefficient of determination analysis, and hypothesis testing. With this method, researchers can explore information regarding the relationship between the compensation given to employees and the resulting performance.

RESULT

1. Descriptive Analysis

This test is used to determine the minimum and maximum scores, the highest scores, rating scores and standard deviation of each variable. The results are as follows:

Table 1. Results of Descriptive Statistics Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Compensation (X)	68	29	49	37.47	4,547
Employee Performance (Y)	68	29	48	37.91	3,969
Valid N (listwise)	68				

In the descriptive analysis carried out, there are two main variables observed, namely Compensation (X) and Employee Performance (Y), which are measured using a certain scale. Data was analyzed from 68 respondents who were members of the employee population of PT Citra Sejati Lestarindo in Bekasi.

In terms of Compensation (X), the observed value ranges from 29 to 49, with a minimum value of 29 and a maximum value of 49. The average value of Compensation is 37.47, with a standard deviation of 4,547. This shows quite significant variations in the level of compensation given to employees.

Meanwhile, for the Employee Performance variable (Y), the value range is between 29 to 48, with a minimum value of 29 and a maximum value of 48. The average value of Employee Performance is 37.91, with a standard deviation of 3,969. From this data, it can be seen that there are variations in the level of performance achieved by employees in carrying out their duties.

This descriptive analysis provides an initial picture of the distribution of data from these two variables, which will later become the basis for further analysis regarding the relationship between Compensation and Employee Performance in the context of this research.

2. Verification Analysis.

This analysis is intended to determine the influence of the independent variable on the dependent variable. The test results are as follows:

a. Simple Linear Regression Analysis

This regression test is intended to determine changes in the dependent variable if the independent variable experiences changes. The test results are as follows:

Table 2. Results of Simple Linear Regression Testing

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
1	(Constant)	13,242	2,663		4,972
	Compensation (X)	,658	0.071	,754	9,330

a. Dependent Variable: Employee Performance (Y)

- 1) Regression analysis was carried out to evaluate the relationship between the Compensation variable (X) and Employee Performance (Y). The regression results show the coefficients related to the model, which can be interpreted as follows:
- 2) Constant: The constant coefficient is 13,242 with a standard error of 2,663, indicating the average value of Employee Performance if the Compensation value (X) is zero. This coefficient is significant at a significance level of 0.05, with a t-value of 4.972 and a p-value of 0.000.
- 3) Compensation (X): The coefficient for the Compensation variable is 0.658 with a standard error of 0.071. This coefficient has a beta value of 0.754, which shows the contribution of compensation to employee performance after being controlled by other variables in the model. This coefficient is also statistically significant, with a t-value of 9.330 and a p-value of 0.000.

These results indicate that there is a positive and significant relationship between the compensation (X) given to employees and the employee performance (Y) achieved. In other words, the higher the level of compensation received by employees, the greater the likelihood that employee performance will also increase. This interpretation is supported by the results of

statistical analysis which shows the significance of the Compensation coefficient at the specified significance level.

b. Correlation Coefficient Analysis

This correlation coefficient analysis is intended to determine the level of strength of the relationship between the independent variable and the dependent variable. The test results are as follows:

Table 3. Results of Compensation Correlation Coefficient Testing on Employee Performance

Correlations b			
		Compensation (X)	Employee Performance (Y)
Compensation (X)	Pearson Correlation	1	,754**
	Sig. (2-tailed)		,000
Employee Performance (Y)	Pearson Correlation	,754**	1
	Sig. (2-tailed)	,000	

** . Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=68

The results of the correlation analysis show that there is a significant relationship between the Compensation variable (X) and Employee Performance (Y). The Pearson correlation between Compensation and Employee Performance is 0.754, which shows a strong positive correlation between the two variables.

The significance value (Sig.) for the correlation between Compensation and Employee Performance is 0.000, which is smaller than the specified alpha value (0.05), indicating that the relationship between the two variables is statistically significant at the 95% confidence level.

The results of this correlation indicate that the higher the level of compensation received by employees, the higher the level of employee performance achieved. This strong positive relationship provides additional support for the results of the previous regression analysis, which shows a significant contribution from Compensation to Employee Performance.

c. Analysis of the Coefficient of Determination

This analysis of the coefficient of determination is intended to determine the percentage influence of the independent variable on the dependent variable. The test results are as follows:

Table 4. Results of Testing the Coefficient of Determination of Compensation on Employee Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754a	.569	.562	2,626

a. Predictors: (Constant), Compensation (X)

The regression model summary shows important information regarding the suitability and accuracy of the model in explaining the relationship between the Compensation (X) and Employee Performance (Y) variables. Here are the model summary results:

- 1) Coefficient of determination (R Square): The R Square value of 0.569 or 56.9% indicates that 56.9% of the variability in employee performance can be explained by variability in the compensation given to employees. This means that the regression model used has a fairly good ability to predict or explain the dependent variable (Employee Performance) based on the independent variable (Compensation).
- 2) Correlation coefficient (R): The R value of 0.754 indicates a strong positive relationship between Compensation and Employee Performance, in accordance with the results of previous correlation analysis.
- 3) Adjusted coefficient of determination (Adjusted R Square): The Adjusted R Square value of 0.562 indicates the level of adjustment of the model to the number of predictor variables. A

value close to 1 indicates a good model, but keep in mind that this value can also be influenced by the number of samples and model complexity.

- 4) Standard Error of the Estimate: The standard error of the estimate of 2.626 shows how far the observation data differs from the regression line obtained from the model. The lower this value, the better the model is at explaining the variability of the data.

This model summary provides an overview of how well the regression model can explain the relationship between Compensation and Employee Performance based on the sample used in the research.

d. Hypothesis testing

Hypothesis testing with the t test is used with the aim of finding out which hypothesis is accepted.

Hypothesis formulation: There is a positive and significant influence between compensation on employee performance.

Table 5. Compensation Hypothesis Test Results on Employee Performance

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t Sig.
1	(Constant)	13,242	2,663		4,972 ,000
	Compensation (X)	,658	0.071	,754	9,330 ,000

a. Dependent Variable: Employee Performance (Y)

Based on the test results in the table above, the calculated t value > t table or (9.330 > 1.997), Constant: The constant coefficient (B) is 13,242 with a standard error (Std. Error) of 2,663. Beta values are not given because the constant is not included in the independent variables being modeled. The t value of 4.972 indicates statistical significance at a significance level of 0.05 (p-value = 0.000), which means that the constant has a significant influence on employee performance.

Compensation (X): The coefficient for the Compensation variable is 0.658 with a standard error of 0.071. The beta coefficient (Beta) of 0.754 shows the contribution of compensation to employee performance after being controlled by other variables in the model. The t value of 9.330 and p-value of 0.000 indicate that this coefficient is statistically significant at a significance level of 0.05, indicating that compensation has a significant influence on employee performance.

Thus, the hypothesis proposed that there is a significant influence between compensation on employee performance is accepted.

DISCUSSION

1. Respondent's Answer Condition Compensation Variable

Based on data analysis from the results of respondents' answers, the Compensation variable obtained an average value of 3.74. This value is obtained from the score given by the respondent on the assessment scale, where the scale indicates the respondent's perception of the level of satisfaction or suitability of a variable. A score range between 3.40 to 4.19 indicates "good" or "agree" criteria in the context of this study.

From this average value, it can be concluded that the majority of respondents think that the compensation received is in good condition. This indicates that the majority of employees at PT Citra Sejati Lestarindo in Bekasi are satisfied with the level of compensation they receive from the company.

The importance of the compensation variable which is perceived positively by employees is because compensation is one of the factors that can influence employee motivation, loyalty and performance. With a positive perception of compensation, it can be expected that employees will be more motivated to work well and maintain loyalty to the company, which in the end can have a positive impact on the productivity and success of the organization as a whole.

2. Conditions of Respondents' Answers Employee Performance Variables

Based on the results of surveys and assessments carried out on respondents, the employee performance variable obtained a rating score of 3.79. This score ranges between 3.40 to 4.19, which in this research criteria is considered good performance or agree. This shows that the majority of respondents see the performance of employees at PT Citra Sejati Lestarindo in Bekasi as being in good condition.

Positive perceptions of employee performance are important in the context of human resource management. Performance that is considered good or agreeable not only reflects the achievement of routine tasks quantitatively, but also qualitative aspects such as innovation, responsibility, and positive contributions to the team and company.

Factors that can influence positive perceptions of employee performance include organizational support, recognition of achievements, career development opportunities, and a supportive work environment. With this positive perception, it is hoped that employees will be motivated to continue to improve their performance and make a greater contribution to company goals.

In the context of this research, the assessment results which show that employee performance is in good condition provide a positive picture of the effectiveness of human resource management and motivation strategies implemented at PT Citra Sejati Lestarindo. This can also be used as a basis for further improvements in an effort to increase employee performance and satisfaction in the future.

3. The Effect of Compensation on Employee Performance

Regression analysis shows that compensation has a positive and significant influence on employee performance. The resulting regression equation is $Y = 13.242 + 0.658X$, where Y is the employee's performance and X is the compensation received. The correlation coefficient value of 0.754 indicates a strong level of relationship between compensation and employee performance.

From the results of the coefficient of determination analysis, amounting to 56.9%, shows that 56.9% of the variability in employee performance can be explained by variability in the compensation provided. This means that compensation has a significant contribution in influencing the level of employee performance at PT Citra Sejati Lestarindo in Bekasi.

Hypothesis testing also produces a calculated t value of 9.330, which is greater than the t table of 1.997. This shows that there is a significant difference between the compensation received by employees and the level of performance achieved. Thus, the hypothesis proposed that there is a positive and significant influence between compensation on employee performance can be accepted.

These results provide a strong understanding that good compensation strategies can increase employee motivation and performance. This is important to consider in managing human resources and planning company strategy in the future.

CONCLUSION

Based on the results of the research that has been carried out, it can be concluded that employee compensation and performance variables have rating scores that fall within the good or agree criteria, according to the scale range used. The compensation variable obtained a value of 3.74 while the employee performance variable obtained a value of 3.79. This shows that the majority of respondents consider that the compensation provided by the company is adequate and has a positive impact on employee performance.

In addition, regression analysis shows that compensation has a positive and significant influence on employee performance. The value of the regression equation shows that every one unit increase in compensation will contribute to an increase in employee performance. The strong correlation coefficient, amounting to 0.754, also confirms the positive relationship between compensation and employee performance.

Furthermore, hypothesis testing shows that there is a significant difference between the compensation received by employees and the level of performance achieved. With a calculated t value that is much greater than the t table, and a significance that is smaller than the specified alpha, the hypothesis that compensation has a positive and significant effect on employee performance can be accepted.

Based on this conclusion, there are several suggestions that can be given to companies. Improvements related to wages and salary standards, in accordance with government regulations, can increase employee morale. Apart from that, empowering employees through implementing good regulations and providing more intensive motivation can also improve overall company performance. Thus, it can be hoped that the implementation of this suggestion will have a positive impact in increasing employee performance and satisfaction in the company.

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