Research Article

The Size of the Influence of Compensation on Employee Work Productivity

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Abstract

Providing fair compensation is important for companies to increase employee motivation so that they can increase their work productivity. This study aims to test how much influence compensation has on employee work productivity at PT Nenggapratama Mobilindo Gorontalo. The data in this study were obtained through questionnaires to respondents, the data obtained primarily will be analyzed using regression. The results of this study indicate that compensation has a significant effect on employee work productivity at PT Nenggapratama Mobilindo Gorontalo. The positive regression coefficient indicates that if the compensation variable given is greater, employee work productivity will also be greater. It can also be seen that the ability of the independent variable to explain the dependent variable is good with a determination coefficient value of 22.8%. This is because there are still various other factors that affect employee work productivity.

Keyword: Compensation, Work Productivity, Performance, Employee.

1. Introduction

Human resources are people who work and function as assets of an organization/company that can be counted (quantitative) (Rony et al., 2024); (Asika et al., 2017). So it can be interpreted that HR is a potential that can be the driving force of an organization. As expressed by Gaol in (Hassan, 2007) that the human value it has require that human resources are needed simultaneously with other human resources. Thus it can be said that human resources need to be managed so that they will be able to achieve company goals. Human resource management (HRM) is a policy or practice that determines the human aspect or human resources in management positions (Jackson & Schuler. 1995), including recruiting, screening, training, rewarding and evaluating (Bao et al., 2021). The general purpose of human resources is to ensure that the organization is able to achieve success through people (Dhabuwala & Pitroda, 2021). The human resource management system can be a source of organizational capability that allows companies or organizations to learn and use opportunities for new opportunities (Anggraini, 2024); (Anwar & Abdullah, 2021). Human resources can be interpreted as laborers, employees, workers, who are essentially assets in the organization. Therefore, human resource management is a means to improve the quality of human resources, especially employees (Rony et al., 2024). By motivating employees, it is expected to also increase the productivity of employees in an organization (Sabir, 2017). One step to maximize employee productivity is by providing compensation. With compensation (Igbaji et al., 2024); (Hansen, 2007), employees will be more active in achieving targets that have been set or targeted by the company (Asika et al., 2017). The same thing was expressed by Ilham (2022) that compensation is something that is received by employees, either in the form of money as a reward for employee efforts (employee contributions) that they provide to an organization. Compensation is very important for employees (Darma & Supriyanto, 2017), because the amount of compensation is a measure of employee work performance, so if the compensation system provided by the company is fair enough for employees, it will encourage employees to be better at doing their jobs and more responsible for each task given by the company.

Meanwhile Iptian, et al. (2014) stated that compensation is one of the important things in a company, because this is the main goal for employees who are willing to work hard and work enthusiastically. Compensation is one of the implementation of HR functions related to all types of individual reward ideas as an exchange for carrying out organizational tasks (Kang & Lee, 2021). Compensation is something that employees receive in exchange for their service contributions to the company. Compensation is one of the implementations of human resource management (HR) functions related to all types of individual reward ideas as an exchange for carrying out organizational tasks (Daniel, 2019). So it can be said that compensation is an important aspect in increasing employee productivity. This is also reinforced by the statement from Haltiwanger, et al. (2007) who said that productive employees can be born from good wages, in this case it can be interpreted that productivity can be born if there is proper compensation given to the employee as a form of motivation and as a form of reward by the leadership to the employee. The impact of compensation on work productivity is very strong. If the compensation given is considered reasonable or appropriate by the employee, the higher the work productivity. Conversely, if lower compensation is given to employees, the lower the employee's productivity.

Employee productivity is the ability of a set of economic resources to produce something or a comparison between sacrifice (Input) and income (Output) (Dugguh & Dennis, 2014). The smaller the sacrifice required to achieve a certain income, the less

productive it is said (Becchetti et al., 2013). Research on the influence of compensation has indeed been widely conducted by previous researchers. So the researcher wants to reflect on the research, especially the research from (Dewi, 2014) entitled The influence of compensation on employee work productivity at the Samarinda Industry, Trade, Cooperatives and UMKM Office. The difference is in the organization used, previous research examined government agencies (employees) whose compensation is regulated universally by the government through the Employment Law. While this research focuses on companies that implement compensation based on company management decisions and policies. Compensation is one of the important aspects in human resource management that can affect employee work productivity. This study aims to analyze the extent to which compensation impacts the level of employee productivity in an organization. By understanding the relationship between these two variables, it is expected to provide insight for companies in designing an effective compensation system to improve employee performance and motivation.

2. The Art of Research

Compensation is one of the key factors that influence employee motivation and performance in an organization (Anwar & Abrar, 2023; Nguyen et al., 2020; Putra et al., 2020). In general, compensation can be interpreted as any form of reward given by a company to employees as a reward for their contribution in achieving organizational goals (Putra et al., 2020). Compensation does not only include salary or wages, but also other benefits such as bonuses, allowances, incentives (Anwar & Abrar, 2023), and non-financial programs such as training and career development (Yousaf et al., 2014). Providing fair and competitive compensation can create a sense of employee satisfaction and loyalty, which ultimately has an impact on increasing work productivity (Fitri, 2024; Hossain & Islam, 2024).

Employee work productivity itself is a measure of the extent to which employees are able to produce optimal output within a certain time (Anwar & Abrar, 2023). Factors such as motivation, work environment, and reward systems play an important role in determining the level of productivity (Nguyen et al., 2020). In this case, compensation functions as an extrinsic motivational tool that can encourage employees to work harder and more efficiently (Hossain & Islam, 2024). When employees feel appreciated and treated fairly through a good compensation system, they tend to be more motivated to make maximum contributions to the company (Fitri, 2024).

The relationship between compensation and work productivity can be seen from two perspectives. First, adequate compensation can meet the basic needs of employees, so they can focus on their work without worrying about financial problems (Fitri, 2024; Yousaf et al., 2014). Second, well-designed compensation, such as performance-related incentive systems, can motivate employees to achieve higher targets. Thus, compensation not only serves as a retention tool but also as a driver of increased productivity (Nguyen et al., 2020).

However, it is important to note that compensation is not the only factor that influences productivity. Other factors such as the work environment, leadership, and organizational culture also play a role. Therefore, companies need to create a balance between providing fair compensation and creating a supportive work environment so that employee productivity can continue to be improved (Anwar & Abrar, 2023; Triswanto et al., 2024). By understanding the relationship between compensation and productivity, organizations can design effective strategies to maximize employee potential and achieve business goals sustainably.

3. Research Method

This research is a type of descriptive analysis research that aims to describe the direct phenomenon of the research object. Through a quantitative approach taken to the sample and population of the study, this study aims to determine the relationship between compensation and increased work productivity of employees. All panels and research instruments are compiled based on existing literature and the research data were obtained through the distribution of questionnaires to employees of PT Nenggapratama Mobilindo Gorontalo. The research data uses a Likert scale and will be analyzed using regression statistical methods with the help of SPSS software.

4. Result

Honda expands its official dealer network by inaugurating the Honda Nengga Mobilindo dealer in Gorontalo city. Honda Nengga Mobilindo is the 102nd official Honda dealer in Indonesia and the 7th official dealer on the island of Sulawesi, as well as being the first official dealer in Gorontalo city. Honda Nengga Mobilindo has a complete address at Jl. Dr. H. Medi Botutihe No.44, Heledulaa Selatan Village, East City District, Gorontalo City, Gorontalo Province 96114. Honda Nengga Mobilindo Standing on an area of 5,150 m2, Honda Nengga Mobilindo has integrated sales and after-sales service facilities (sales, service, spare parts, body & paint) that are also in accordance with Honda standards.

a. Validity Test

The validity test is used to measure the validity of a questionnaire. If r count > r table means Valid, otherwise r count < r table means Invalid. The results of the validity test for each variable can be seen as follows

Compensation variable (X), The number of statements used to measure the effect of the application of compensation in this study was 16 statements (Sliwka, 2002). In the validity test, a statement is said to be valid if r count is greater than r table. The r table value is obtained from the rho table where n = 60 and a significance level of 5%, the r table value is 0.214. Thus,

of the 16 statements used to test the validity of the compensation variable, all statements have an r count value greater than r table 0.214 so that it is said to meet the validity test and can be used for research data collection.

Table 1. Results of Compensation Variable Validity Test

Question	T$_{Count}$	r$_{table}$ (n=60)	Information
Compensation 1	0.256		Valid
Compensation 2	0.307.		Valid
Compensation 3	0.489		Valid
Compensation 4	0.264		Valid
Compensation 5	0.409		Valid
Compensation 6	0.473	df = n-2	Valid
Compensation 7	0.369	df = 60-2	Valid
Compensation 8	0.645	(0,214)	Valid
Compensation 9	0.446		Valid
Compensation 10	0.447		Valid
Compensation 11	0.259		Valid
Compensation 12	0.602		Valid
Compensation 13	0.379		Valid
Compensation 14	0.589		Valid
Compensation 15	0.329		Valid
Compensation 16	0.324		Valid

Employee work productivity variable (Y). The number of statements used to measure employee work productivity variables in this study was 9 statements question (Beaton et al., 2009; Pidada, 2019). The results of the validity test of all statements are as follows:

Table 2. Results of Employee Work Productivity Validity Test

Question	T$_{Count}$	r$_{table}$ (n=60)	Information
Productivity 1	0.770		Valid
Productivity 2	0.711		Valid
Productivity 3	0.417	df = n-2	Valid
Productivity 4	0.601	df = 60-2	Valid
Productivity 5	0.535	(0,214)	Valid
Productivity 6	0.507		Valid
Productivity 7	0.685		Valid
Productivity 8	0.650		Valid
Productivity 9	0.883		Valid

In validity testing, a statement is said to be valid if r count is greater than r table. The r table value is obtained from the table where n = 60 and a significance level of 5%, then the r table value is 0.214. Thus, of the 9 statements used to measure the influence of employee work productivity variables, all statements have an r count value greater than r table 0.214 so that they are said to meet the validity test and can be used for research data collection.

b. Reliability Test

In the Reliability test, decision making is based on the Cronbach alpha value if the Alpha value exceeds or is equal to 0.6 then the variable statement is reliable and vice versa (Amirrudin et al., 2021; Harun et al., 2023). The results of the reliability test for the research variables are described below:

Table 3: Results of Compensation and Productivity Reliability Tests

Variable	Reliability Coefficient	Provision Number	Status
Compensation	0.667	0.6	Valid
Productivity	0.678	0.6	Valid

Based on the results of the analysis using the cronbach-alpha technique as presented in table 6 above, the reliability coefficient value is 0.667 for the Compensation variable and 0.678 for the compensation variable. The Cronbach's Alpha coefficient value is greater than the predetermined benchmark value of 0.6. This shows that the statement instrument of 58 compensation variables is reliable and can be used

c. Data Normality

Normality testing can also be identified by the Normal Probability Plot method which compares the cumulative distribution of the actual data with the cumulative distribution of the normal distribution. If the data distribution is normal, then the line depicting the actual data will follow its diagonal line. The results of the Normal Probability Plot for the normality test as in

Figure 1 can be seen that the data (points) are spread around the diagonal line and follow the direction of the diagonal line. By following the basis for decision making above, it is concluded that the data in this regression model meets the assumption of data normality: It can also be seen that there are several data distribution points that are somewhat deviant, so that the Kolmogorov Smirnov test needs to be carried out.
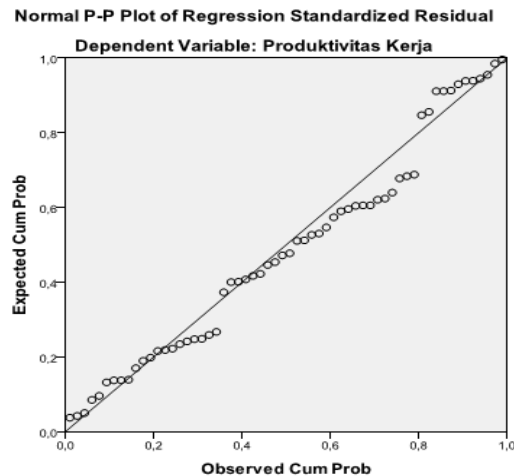

Figure 1. Normal Probability Plot Test Results

Kolmogorov Smirnov is a normality test performed on the residuals of regression testing (Amirrudin et al., 2021; Anggraini et al., 2024). In order to determine whether the distribution of variables in this study is normal, a non-parametric Kolmogorov-Smirnov statistical test (K-S 66 test) was used. If the Kolmogorov-Smirnov significance value is greater than the alpha value (0.05), then the data follows a normal distribution. The results of the One Sample Kolmogorov Smirnov test can be seen in the following table 4:

Table 4. Normality Test Results

		Compensation	Productivity	Unstandardized Redusial
N		60	60	60
Normal Parameter	Mean	50.068888	27.3762	,000000
	Std Deviation	6.1948888	4.29532	3.77331432
Most Extreme Dif	Absolute	,144	,098	,110
	Positive	,144	,098	,110
	Negative	,144	,065	,080
Kolmogorov Smirnov Z		,887	,757	,854
Asymp. Sig. (2.failed)		,411	,615	,459

Based on the table above, it was found that the Kolomogorov Smirnov (KS) value of Compensation was 0.887 and Employee work productivity was 0.757. This value is smaller than the Z table value. So it can be said that the data in this study has a normally distributed value. The same thing can also be seen from the test by looking at the probability value (Kolomogorov Smirnov significance). The probability of testing Employee work productivity is 0.615 and compensation is 0.411. The probability or significance value is greater than 0.05 so that Ho is accepted, the data in this study meets the Normality test (Data is normally distributed)

d. Hypothesis Testing

Simple regression analysis is used to see the effect of independent variables on dependent variables and to predict the value of dependent variables using independent variables. After the normality assumption test is carried out and it is met, the next stage is data modeling using simple regression analysis.

Table 5. Research Regression Test Results

Model	Unstandardrized Coefinennts		Standarized Coefinennts	t	Sig
	B	Std. Error	Beta		
1. Contants	10.789	4.034		2.674	,010
Compensation	,331	0.80	,478	4.142	,000

Based on the results of the analysis above, the simple linear regression model built is:

- $\hat{Y} = 10.789 + 0.331X$ Based on the regression equation model, the following can be interpreted:

a. Constant value 10.789 (α = 10.789) Is a fixed value when there is no impact from the independent variable or in other words shows that the value of the employee work productivity variable is 10.789 units if there is no influence from the compensation variable.
b. Regression Coefficient Value 0.331 (β = 0.331) This value is the slope of the equation which means that every change in the compensation variable by 1 unit will affect employee work productivity by 0.331 times the unit.
c. The regression coefficient value with a positive direction shows that if the compensation given is greater, the employee work productivity is also better. Based on the analysis results in table 14, it shows that the calculated t value for the compensation variable is 4.142.

5. Disscusion

There is PT. Nenggapratama Mobilindo Gorontalo, in the pre-research phase it was found that employees were less disciplined, there was still a lack of work achievements and there was still a lack of good working relationships between employees. To find out in detail the things that still need to be evaluated on the research variables. So it is necessary to analyze the respondents' responses. Based on the results of the analysis of the respondents' answers, it shows that the Compensation variable is in the good category, this can be seen from the percentage of overall score achievement for the Compensation variable which reached 69.7%. This shows that employees feel that the compensation given is quite good by the employees.

In the Compensation variable, although overall it is in the good category. However, based on the findings of the respondents' answers in the questionnaire that was distributed, there were respondents who answered less well in several statements that represented the assessment indicators. The thing that needs to be considered is the salary given to employees which employees feel has not met the standards and is balanced with the results of the work. As well as the provision of incentives that are in accordance with the results of work achievements. This needs to be considered because with a salary that is balanced with the work and according to standards and appropriate incentives, it will motivate employees to continue to improve their work results. So that the company's goals can be achieved.

The employee work productivity variable is in the good category, this can be seen from the percentage of overall score achievement for the employee work productivity variable which reached 73.1%. This shows that the work results of employees have achieved good results even though the predetermined targets have not been exceeded. In the employee work productivity variable, although overall it is in the good criteria, based on the findings of respondents' answers in the questionnaire that was distributed, there were respondents who answered less well in several statements that represent the employee work productivity assessment indicators. Things that need to be considered are the use of costs according to what is needed and the achievement of good work results even without supervision of employees in achieving good work results.

Furthermore, based on hypothesis testing, the t-count value for the Compensation variable is 4.142. While the t-table value at a significance level of 5% and degrees of freedom n-k-1 or 60-1-1 = 58 is 2.001. When compared with the t-count value obtained, the t-count value obtained is still much greater than the t-table value so that Ho is rejected. Then the significance value is smaller than the alpha value of 0.05 (0.000 <0.05). Thus it can be concluded that there is a significant influence of Compensation on Employee Work Productivity and its influence is positive. The greater the Compensation given to employees, the better the work achievement of the employees. In other words, what is the company's goal, the greater the opportunity to achieve it. Based on the analysis of the strength of the relationship between the dependent variable and the independent variable or the analysis to determine how much the independent variable explains the dependent variable, it was found that the coefficient of determination or R square was 0.228. This value means that 22.8% of the variability in employee work productivity can be explained by compensation, while the rest is influenced by other variables not examined in this study.

6. Conclusion

Compensation variables have a significant effect on employee work productivity at PT. Nenggapratama Mobilindo Gorontalo. A positive regression coefficient indicates that if the compensation variable given is greater, employee work productivity will also be greater. Furthermore, based on the analysis of respondents' answers, it was found that respondents' responses regarding Compensation were in the good category and respondents' answers regarding Employee Work Productivity were also in the good category. This indicates that good employee work productivity at PT. Nenggapratama Mobilindo Gorontalo is influenced by the large compensation given to employees. The greater the compensation given, the better the results and work achievements of PT. Nenggapratama Mobilindo Gorontalo employees. The coefficient of determination between the dependent variable and the independent variable in this study is quite good because it is around 22.8%, this shows that the independent variable is able to explain the dependent variable in this study. While the rest is explained by other variables that are not studied.

Acknowledgments

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