

## ANALYSIS OF EFFECT OF COMPENSATION AND MOTIVATION ON EMPLOYEE PERFORMANCE: STUDY IN PT. XYZ MEDAN

**Susi Handayani, SE, MM<sup>1</sup>**  
**Raihanah Daulay, SE, MSi<sup>2</sup>**

<sup>1</sup> Faculty Economy and Business University of Muhammadiyah Sumatera Utara ([susihandayani@umsu.ac.id](mailto:susihandayani@umsu.ac.id)),

<sup>2</sup> Faculty Economy and Business University of Muhammadiyah Sumatera Utara ([raihanahdaulay@umsu.ac.id](mailto:raihanahdaulay@umsu.ac.id))

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**Abstract:** In companies, it is often found that there are employees who come late, are less careful in their work, do not feel enough about their salaries and several complaints related to employee motivation. These problems are closely related to the work results of employees in the company. The purpose of this study was to determine whether compensation and motivation together (simultaneously) or separately (partially) have a significant effect on employee performance at PT. XYZ Medan. This research is a causal associative study using a quantitative approach. The sample in this study amounted to 82 respondents. The data analysis technique used is multiple linear regression. The results showed that compensation and motivation simultaneously had a significant effect on employee performance at PT. XYZ Medan, partial compensation has a significant effect on employee performance at PT. XYZ Medan and motivation partially have a significant effect on employee performance at PT. XYZ Medan.

**Keywords:** Compensation, Motivation, and Employee Performance.

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### Introduction

Work is an effort made by mankind in order to improve the quality of life. Some work alone, with certain groups and some choose to work for other people or join a company. People who work in the company are referred to as employees or human resources of the company and they work in accordance with the company's goals.

Human resources in a company greatly affect company performance, this is seen from the performance produced by its employees in a company. Employee performance greatly affects the size and size of the profits that a company gets, therefore the company must be able to manage human resources properly so that employees produce good performance for the company. Because even though the company has sophisticated equipment and technology, the quality of its human resources is low, the company's performance will not run well.

The performance of employees in a company will certainly decline over time, because employees are human beings who have unlimited needs and wants and increase from time to time, so this can cause employee performance to decline if their wants and needs are not fulfilled somewhere. company.

Talking about things or problems that affect employee performance, in this discussion the researcher conducts research on one company, namely PT. XYZ, which is one of the state-owned enterprises (BUMN). At PT. XYZ, employees as one of the main elements of HR certainly have an important role in achieving company goals. So the company must pay

more attention to its employees, because with good HR management it will produce employees with good performance, but if HR management is bad it will result in poor employee performance.

At PT. XYZ HR management is of course good, but sometimes for some reason, its performance can decrease over time. This observation was made by the author and also conducted interviews with several employees at the PT. The XYZ.

According to (Moheriono, 2012), "Employee performance is a description of the level of achievement of the implementation of an activity program or policy in realizing the goals, objectives, vision and mission of the organization as outlined in the strategic planning of an organization". From the results of observations and interviews conducted, the authors found several facts about employee performance, starting from employees who are slow in doing work and are not careful in doing their work, causing errors in work.

In this case, the writer also found a problem that the employees complained about in the form of compensation. This can be seen from the presence of employees who feel insufficient / insufficient with compensation in the form of basic salary that is given by the company, and also the salary that is often late in giving to employees. Compensation according to (Khair, 2017) is "an award as a reward for the hard work and skills attention services provided by human resources to an organization, both financial and non-financial". Although we don't need to worry about fortune, according to Allah's word: "And not a single creature moves (animates) on earth, but everything is guaranteed by Allah. He knew where it lived and where it was kept. Everything is written in a real book (Lauh Mahfuz)" (QS. Hud: Verse 6). However, it turns out that humans are still afraid of a lack of money.

Another factor that affects performance is a lack of motivation, this can be seen by the presence of employees who feel bored / not enthusiastic about doing their work, employees who are often late or undisciplined in their work, and employees leave the room to smoke during working hours. Motivation comes from the word motive which means encouragement, thus motivation means a condition that encourages or becomes the cause of someone doing an action / activity that takes place consciously or motivation can be defined as an action to influence other people to behave regularly (Bangun, 2012).

Based on the phenomenon of problems that occur in the company, this problem is limited to compensation and work motivation which are factors that affect the performance of permanent employees at PT. XYZ.

## Literature Review

### Employee performance

In the company performance is something that must be considered, because performance greatly affects the productivity of the company. The high and low performance of the company is seen from the performance produced by its employees, therefore the company must pay more attention to the performance of its employees. Employee performance has different definitions according to the views of the expertheir respective opinions.

According to Moheriono (2012 p. 95) "performance is a description of the level of achievement of the implementation of an activity program or policy in realizing the goals, objectives, vision and mission of the organization as outlined in the strategic planning of an organization". According to Rivai&Sagala (2009 p. 548) "Performance is a function of motivation and ability to complete a task or someone's job should have a certain degree of willingness and level of ability".

Performance has several indicators that show an employee's performance. According to Nawawi (Nawawi, 2016) the performance indicators are:

- 1) Specific and clear, so that it can be understood and there is no possibility of misinterpretation.
- 2) Can be measured, objectively both quantitative and qualitative.
- 3) Relevant, performance indicators must address relevant objective aspects
- 4) It is achievable, important and must be useful for demonstrating the success of the input benefits and processes.
- 5) Must be flexible enough, with regard to changes and adjustments to the results of the implementation of activities.
- 6) Effectively, the data and information collected are processed and analyzed at the available cost.

## **Compensation**

Compensation in a company has an important role and greatly affects employee performance. High and low employee performance is influenced by the size and size of the compensation provided by the company. And compensation is the main reason employees want to work in a company or organization. According to Rivai & Sagala (2009 p. 741) "compensation is something that employees receive as a substitute for their service contribution to the company". According to Bangun (2012 p225) "compensation is something that employees receive for the services they contribute to their work".

The compensation indicators according to Khair (2017 p. 36–38) are:

- 1) Salary  
Salary is a financial reward that is paid to employees on a regular basis such as yearly, quarterly, monthly, or weekly use.
- 2) Wages  
Wages are usually related to the rate of job wages, namely how long it takes to work if the job is getting longer, the higher the wages are given.
- 3) Incentives  
Incentives are additional salaries above or beyond the salary or wages provided by the organization.
- 4) Allowances  
Allowances are any additional benefits offered to workers, for example the use of company vehicles, family gatherings, relatively low or no interest, health protection, and specific share purchase schemes.

## **Motivation**

Motivation within the company / organization is needed to improve employee performance. Here are some definitions of motivation according to several characters in their books. According to Rivai & Sagala (2009 p. 837) "motivation is a series of attitudes and values that influence individuals to achieve specific things according to individual goals".

According to (Wibowo. W, 2010) p. 379) "motivation is the impetus for a series of human behavioral processes to achieve goals". According to Bangun (2012 p. 312) "motivation comes from the word motive which means encouragement. Thus motivation means a condition that encourages or becomes a cause for someone to do an action / activity that takes place consciously or motivation can be defined as an action to influence others so that behave regularly".

According to Juliansyah (2013 p. 228) "motivation is what causes, channels, and supports human behavior, so that they want to work hard and enthusiastically to achieve optimal results".

According to Mangkunegara (2017 p. 93) "motivation is the process of influencing or encouraging a person or work group so that they want to carry out something that has been determined. Motivation or encouragement is intended as a natural urge to satisfy and sustain life".

Motivation is a factor that encourages to carry out a certain activity. According to Siswanto(Siswanto, 2015) employee motivation indicators are:

1) Performance,

A person who has a desire for achievement as a need can encourage him to achieve his goals.

2) Awards,

Recognition of a performance that has been achieved by someone is a strong stimulation.

3) Challenge,

The existence of the challenges faced is a strong stimulation for humans to overcome them.

4) Responsibility

Having a sense of belonging will motivate you to feel responsible.

5) Development

The development of one's abilities either from work experience or opportunities for advancement, can be a strong stimulation for employees to work harder or be more enthusiastic.

6) Engagement

Feeling involved in a decision-making process or with the form of a ballot box from employees.

7) Opportunity

Opportunities to advance in the form of an open career path.

## Methods

This type of research is survey research, because it takes a sample from one population. This study uses an explanatory research approach, which aims to explain the causal relationship between the research variables and the testing hypothesis (Juliandi, A., Irfan., 2015). Research conducted consists of three variables, namely Compensation (X1) Motivation (X2) as the independent variable and Employee Performance (Y) as the dependent variable. This research is a causal associative study using a quantitative approach.

According to Sugiyono(Sugiyono, 2016) "population is defined as a generalization area consisting of objects / subject subjects that have certain qualities and characteristics that are determined by researchers to study and draw conclusions." Which population in this study are permanent employees at PT.XYZ, amounting to 455 people.

According to Sugiyono (2016 p. 149) "the sample is part of the number and characteristics of the population. Because the population is known in number, to determine the number of samples used the Slovin formula with a percentage error rate of 10%, so based on the calculation, the sample obtained in this study was 82 people.

## Data collection technique

To obtain the information required in this study, the data collection techniques used are:

### Interview

It is a data collection technique if the researcher wants to conduct a preliminary study to find problems that must be examined, and also if the researcher wants to know things from the respondent more deeply and the number of respondents is less / smaller (Sugiyono, 2016). In

this study, researchers used the interview method to find out the problems in the company to be research material by conducting question and answer activities with employees of PT. XYZ, precisely in the HR section because they have direct relevant information data.

### **Documentation**

Namely by studying the existing data in the company related to this research is company documentation. In this study, researchers asked the number of permanent employees in all parts of PT. XYZ.

### **Questionnaire**

The questionnaire is a data collection technique that is done by giving a set of written questions to respondents (Sugiyono, 2016). This questionnaire is used to find out the answers to the influence of the variables studied by the researcher. Respondents are expected to answer all the questions in the questionnaire, by choosing one of the answers provided. The questionnaire used is a multiple choice questionnaire where each item of question is provided with 5 (five) answer choices. In this study the answers given by the respondents were then scored by referring to the Likert scale.

## **Result and Discussion**

### **The Effect of Compensation on Employee Performance at PT. XYZ.**

In this study, using indicators in the form of salaries, wages, incentives and allowances as research instruments, the partial compensation t-test has a positive and significant effect on employee performance at PT. XYZ, this can be seen from the significant value (0.000) smaller than 0.05 and t-count (7,843) is greater than t-table (1,664). This proves that the existing compensation in the company has a good view of its employees, of course it will affect the performance of employees at PT. XYZ.

Compensation is an award as a reward for attention to hard work and skills provided by human resources to an organization, both financial and non-financial (Hazmanan 2017 p. 6). Giving good compensation is of course very important for the company, because it is a good view of its employees. That way good compensation will also improve employee performance. Therefore, companies need to apply good compensation in the company.

The results of this study are supported by research (Jufrizien, 2018); (Jufrizien., Lumanraja., P., Salim., S , R, A., & Gultom., 2017); (Nel Ariyanti, 2008); (Astuti&Suhendri, 2019); (Jufrizien, 2018); (Kurnia, 2013); (Arifin., 2017) and (Mutholib. M., 2019); which states that compensation has an effect on performance.

### **The Influence of Motivation on Employee Performance at PT XYZ**

In research using indicators according to Siswanto (2015, pp. 122-124), namely in the form of performance, rewards, challenges, responsibilities, development, involvement and opportunities that are used as question instruments, the t-test for the Motivation variable partially affects positive and significant to the performance of employees at PT. XYZ. This can be seen from the significant value (0.000) which is smaller than 0.05 and the t-count (7.843) is greater than the t-table (1.664). This proves that the existing motivation in the company has a good view of its employees, of course it will affect the performance of employees at PT. XYZ.

According to Lila, et al(Bismala, L. Ariyanti,. N., Farida., 2017)motivation is a person's strength that raises a level of persistence and enthusiasm in carrying out an activity, both from within and from outside. So it can be concluded that motivation as a formal or non-formal activity approach to improvement or improvement, will, performance, form expertise and skills in order to ensure that people who have high motivation and enthusiasm will help

employees and companies and organizations achieve success. The results of this study are supported by research (Jufrizien, 2017); (Jufrizien, 2018); (Jufrizien., Pulungan., D., 2017); (Ainanur, S. & Tirtayasa, 2018); (Astuti., R., & Lesmana., O., P., 2018);(Sarippudin, J. & Handayani, 2017); (Tanjung, 2015); (Hasibuan, S. M. & Bahri, 2018); (Astusi, R. & Suhendri, 2019); (Pharisee, Irmawati, & Fahmi, 2020); (Hasibuan, J.S. & Silvia, 2019);(Rosmaini, R. & Tanjung, 2019);(Gultom, 2014); (Prayogi&Nursidin, 2018); (Marjaya, I. & Pasaribu, 2019); (Andayani, I., & Tirtayasa, 2019); (Siahaan, S. & Bahri, 2019); (Cahaya, 2016) which states that motivation affects performance.

### **The Effect of Compensation and Motivation on Employee Performance at PT XYZ**

Compensation and motivation can of course directly affect employee performance and can also be a driving factor supporting the success of employee performance. Compensation is the main factor that determines employee performance, but in this study compensation is not obtained as the main determinant of employee performance in a company, but there are still other factors that can affect employee performance. And motivation is a process that causes individual intensity, in an effort to continuously direct to achieve goals. With the motivation possessed by each employee, it is hoped that together they can realize the company's goals. The results of this study indicate that the variables of compensation and motivation have a simultaneous effect on employee performance. Through multiple regression analysis, it is obtained the value with the regression line equation  $Y = 1.544 + 0.535 X_1 + 0.406 X_2 + e$ . an increase in Employee Performance (Y) of 1.544. Compensation (X1) has a regression coefficient of 0.535, meaning that every increase in the Compensation variable (X1) of 100%, there will be an increase in Employee Performance of 53.5%. If Motivation (X2) has a regression coefficient of 0.406, it means that every increase in the Motivation variable (X2) is 100%, there will be an increase in Employee Performance by 40.6%.

In the variable f test, it was found. From the results of the data processing above, it can be seen that the calculated F value = 234.977 is greater than the F table, namely 3.19663 (seen from the f table), with a profitability value of sig 0.000 <0.05. Thus the conclusion is that there is a significant effect of compensation and motivation together (simultaneously) on employee.

### **Conclusion**

Based on the discussion of the results of the analysis that has been carried out, the answers to the formulation of the research problem are known, and from the results of the analysis that have been discussed, the following conclusions can be drawn:

1. There is a partially significant influence between compensation on employee performance at PT. XYZ.
2. There is a partially significant influence between motivation on employee performance at PT. XYZ.
3. There is a significant influence simultaneously between compensation and motivation on employee performance at PT. XYZ

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