

The Effect of Additional Compensation on Employee Performance Through Work Morale at PT. Perkebunan Nusantara III (Persero) Medan

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Abstract . Quality human resources will help advance the company as a forum for improving good performance. Therefore, a company should provide positive direction to its human resources in order to achieve the goals set by the company. Many factors influence performance, including additional compensation and work morale. The purpose of this research is to analyze several things, namely: to find out whether there is an effect of additional compensation on employee performance, to find out whether there is an effect of additional compensation on work morale, to find out whether there is an effect of work morale on employee performance and to find out whether additional compensation has an effect on performance which is mediated by enthusiasm for working at PT. Perkebunan Nusantara III (Persero) Medan. This research uses associative research with a sample of 87 respondents who are employees of PT. Perkebunan Nusantara III (Persero) Medan. Data collection techniques use a list of statements such as a questionnaire and data analysis techniques using Partial Least Square (SmartPLS) to test the four hypotheses proposed in this research. The results of this research show that: (1) the effect of additional compensation on employee performance is positive and significant; (2) the effect of additional compensation on employee morale is positive and significant; (3) the effect of work morale on employee performance is positive and significant; (4) work morale as a mediator variable plays a mediating role in the effect of additional compensation on employee performance.

Keywords : Additional Compensation , Work Morale, Performance

Introduction

In an agency/company, the main asset in every activity is human resources. Human resources are resources that have reason and feelings, desires, skills, knowledge, encouragement and work that can be produced for the company. All of these things influence the company to achieve its goals (Arianty et al., 2016) . Quality human resources will help advance the company as a forum for improving good performance. Therefore, a company should provide positive direction to its human resources in order to achieve the goals set by the company.

(Siagian & Khair, 2018) argue that employee performance is a measure that can be used to determine comparisons of the results of carrying out tasks, responsibilities given by the organization in a certain period and can relatively be used to measure work performance.

One factor that influences performance is compensation. Compensation needs to be set high enough to be able to attract the number of applicants. The level of pay must be responsive

to the demand for labor supply in the labor market because it must compete for labor. A good compensation system is a factor that influences an employee's performance. Conversely, a bad compensation system will lead to poor performance. Apart from that, for employees who are already working, additional compensation will encourage employees to work better.

Apart from that, work morale also influences performance where human resources in general will be enthusiastic about working with high effectiveness if the compensation provided by the company supports the implementation of their duties. Providing good performance grades accompanied by providing good compensation can increase employee awareness (work morale) that their behavior is valued and appreciated so that employees will always try to improve their behavior. It is feared that if the compensation received by employees is not in line with expectations and the work they receive from the agency will reduce the employee's commitment to work and the agency.

However, based on an initial survey conducted by the author, it was found that several employees complained about the amount of additional compensation they received, this was because the amount of compensation did not match the work they did, compared to the work done by other employees. In other words, the work done is the same as other employees but the additional compensation received is different. This has an impact on employee enthusiasm for work which tends to decline. This is proven by the attitude of some employees who are less enthusiastic about carrying out routine work, such as during the process of creating cooperation documents with other companies which can usually be completed in one day to two to three days, and are less responsive to the company's performance achievements, if it is completed in one day. job employees are not willing to ask for the next job. Companies cannot reward employee performance fairly, one of which is the additional compensation they receive. From the above phenomenon, it can be explained that the additional compensation provided by PT Perkebunan Nusantara III (Persero) Medan should have an impact on employee morale which ultimately shows good performance.

Literature Review

Performance

According to (Kasmir, 2016) performance is the result of work and work behavior that has been achieved in completing the tasks and responsibilities given in a certain period. According to (Moeheriono, 2012) performance is a description of the level of achievement of an activity program or policy in realizing an organization's goals, objectives, vision and mission as outlined through an organization's strategic planning.

Likewise, according to the opinion of (Elizar & Tanjung, 2018) performance is a person's overall results during a certain period in carrying out tasks, such as standard work results, targets or target criteria that have been determined in advance and have been mutually agreed upon. Meanwhile, according to (Seprima, 2019) performance is the result of the work function/activities of a person or group in an organization which is influenced by various factors to achieve organizational goals within a certain time period. Meanwhile, according to (Sinambela, 2012) performance is a person's level of success during a certain period in carrying out tasks compared to various possibilities such as standard work results, targets or goals or criteria that have been determined in advance and have been mutually agreed upon. According to (Samsuddin, 2018) the factors that influence performance are 1) ability, 2) will, 3) energy (work enthusiasm), 4) technology, 5) compensation, 6) clarity of goals, and 7) security. (Arianty, 2014) suggests performance indicators, namely: quality of work, quantity of output, whether or not it can be relied on.

Additional Compensation

The definition of additional compensation according to Satrohadiwiyo (Khair, 2017) compensation is compensation for services or remuneration provided by the company to its workers, because these workers have contributed energy and thoughts for the progress of the company in order to achieve the set goals. According to (Mariantha, 2018) additional compensation is additional income including special benefits for employees such as travel, membership in a fitness club, life insurance, tickets and entertainment and others. Meanwhile, the definition of additional compensation according to (Thamrin, 2014) which uses other terms, namely benefit and service, is additional compensation (financial or non-financial) given based on company policy to all employees in an effort to improve their welfare such as holiday allowances, pensions, service, cafeteria, prayer room, sports and tourist attractions.

Factors that influence compensation (Khair, 2017) are: internal organizational factors, personal human resource factors, and external factors of the organization. Compensation indicators according to (Manik, 2016) are 1) incentives, 2) bonuses, 3) wages, 4) premiums, 5) treatment, and 6) insurance.

Spirit At Work

(Seprima, 2019) says that work enthusiasm is a psychological state that creates pleasure which encourages a person to work diligently and consistently in achieving the goals set by the organization. (Busro, 2018) work enthusiasm can be interpreted as positive and diverse psychological forces that are able to improve employee performance which ultimately can improve employee performance. Meanwhile, according to (Siswanto, 2011) work enthusiasm is a person's psychological state. Work enthusiasm is considered a good psychological state if work enthusiasm creates pleasure which encourages a person to work diligently and consistently in achieving the goals set by the company.

Factors that influence work morale according to (Busro, 2018) are 1) salary, incentives, allowances, bonuses, prizes, facilities that are appropriate to the volume load and risks of work; 2) spiritual needs, religious safaris, Umrah and comfortable places of worship; 3) relaxed work atmosphere; 4) increasing employee self-esteem; 5) suitability of the workplace to the competencies possessed. Furthermore, according to Makmur in (Busro, 2018), what influences the level of work morale is interest, income factors, social status of work, work atmosphere and relationships at work as well as work goals. (A. Hidayat & et al, 2019) argue that indicators of work morale include 1) increased employee productivity, 2) low absenteeism rates, 3) decreased labor turn-over, 4) no or reduced anxiety.

Method

The research approach used by the author in this research is an associative approach. The research method used in this research is quantitative, where variables are measured using a Likert scale. The population of this study was all permanent employees of PT. Perkebunan Nusantara III (Persero) Medan with a total of 695 people. The data collection technique used is a list of statements (questionnaire). The data analysis technique uses Partial Least Square (SmartPls).

This framework of thinking aims to express the relationship or linkage of a concept with other concepts as intended in Figure 1.

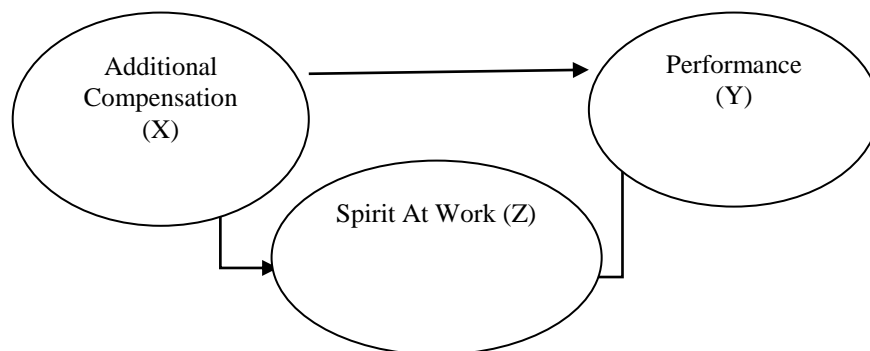


Figure 1. Research Conceptual Framework

Based on the conceptual framework above, the hypothesis in this research is as follows: there is an influence of additional compensation on employee performance. There is an influence of additional compensation on work morale . There is an influence of work morale on employee performance. There is an influence of additional compensation on employee performance through work morale .

Result and Discussion

Result

The measurement model analysis (outer model) aims to evaluate the construct variables studied, the validity (accuracy) and profitability (reliability) of a variable.

Discriminant validity aims to assess whether an indicator of a construct variable is valid or invalid, that is, if the square value of the AVE value is greater than the highest correlation value of a variable with other variables, then the variable has good discriminant validity (valid). The results show that the AVE value is greater than the correlation value, so the variable has good discriminant validity (valid). Structural model analysis (inner model) aims to test the research hypothesis. The parts that need to be analyzed in the structural model are the coefficient of determination (R-Square) and hypothesis testing. The coefficient of determination (R-Square) aims to evaluate the accuracy of a model's predictions.

Table 1. R-Square

	R-Square	R-Square Adjusted
Y	0.582	0.572
Z	0.314	0.306

Source: Data processing (SmartPls)

Based on the table above, the results of the influence of variables from testing the R-square value in Table 1 are as follows: (1) R-Square Adjusted Model Path I = 0.572. This means that the ability of variable Y (employee performance) to explain Z (work morale) is 57.2 % , thus the model is classified as moderate; and (2) R-Square Adjusted Model Path II = 0.306. This means that the ability of variables Y (employee performance) and Z (work morale) in explaining X (additional compensation) is 30.6 % , thus the model is weak (bad).

In hypothesis testing there are two stages of testing, namely testing the direct influence hypothesis and testing the indirect influence hypothesis. The hypothesis testing path coefficients are in Figure 1 . following :

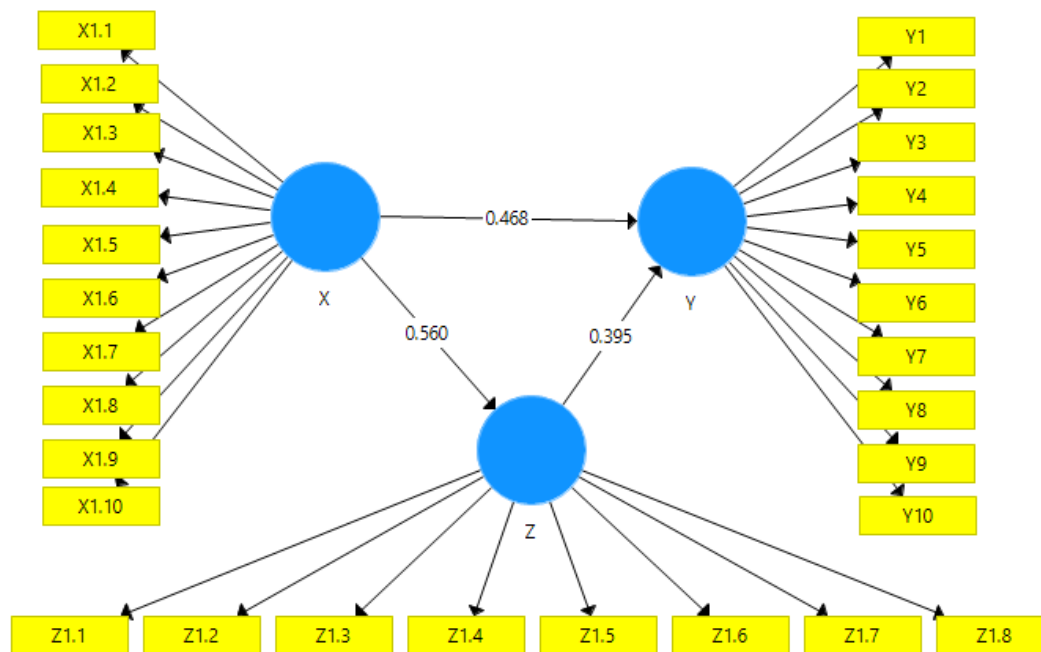


Figure 2. Path Coefficient

Source: Processed by Researchers with the SmartPLS Application

Direct influence hypothesis testing aims to prove hypotheses about the influence of one variable on other variables directly (without intermediaries).

If the probability value (P-Values) < 0.05 then H0 is rejected (the influence of a variable on other variables is significant. If the probability value (P-Values) > 0.05 then H0 is accepted (the influence of a variable on other variables is not significant).

. Table 2. Direct Effect

	Original Sample	P-Values
$X \rightarrow Y$	0.468	0,000
$X \rightarrow Z$	0.560	0,000
$Z \rightarrow Y$	0.395	0,000

Source: Data processing (SmartPLS)

The path coefficient in Table 2 shows that all path coefficient values are positive (seen in the original sample), including: (1) meaning, the effect of X (additional compensation) on Y (employee performance) is positive and significant; (2) and (3) Z on Y: Path coefficient = 0.395 and P-Value = 0.000 (< 0.05), meaning that the influence of Z (work morale) on Y (employee performance) is positive and significant.

Table 3. Indirect Effects

	Original Sample	P-Values
$X \rightarrow Y$	0.221	0,000

Source: Data processing (SmartPls)

Thus, it can be concluded that the indirect effect value seen in Table 4.13 of the indirect effect of towards Y (employee performance).

Discussion

The Effect of Additional Compensation on Employee Performance

Employee performance that is not optimal can be influenced by factors that can influence the employee's performance, one of which is compensation. This is because the compensation provided can retain existing employees and is expected to improve employee performance.

The effect of additional compensation on employee performance produces a positive and significant value for PT employees. Perkebunan Nusantara III (Persero) Medan . This finding means that: (1) The positive value indicates that if the value of additional compensation increases , then employee performance will also increase; (2) This significant value means that adequate additional compensation significantly influences employee performance.

Thus, this is in line with the opinion of (Fikri et al., 2018) ; (Jufrizen, 2017) ; (Astuti & Suhendri, 2019) ; (Jufrizen et al., 2017) which states that there is an influence of compensation on employee performance . Where employees who have good performance will certainly receive compensation, such as additional compensation provided by the company in the form of special benefits. So this will affect employee performance in a company.

The Effect of Additional Compensation on Work Morale

Compensation is an important role for employees because compensation is used as a tool for economic survival and at the same time as a factor that influences employee performance.

The effect of additional compensation on work morale was also found to be positive and significant for PT employees. Perkebunan Nusantara III (Persero) Medan . These findings mean that: (1) A positive value indicates that if employee additional compensation increases, employee morale will also increase; (2) A significant value indicates that adequate additional compensation significantly influences employee morale at work .

Thus, this is in line with the opinion of (Kastini et al., 2018) ; (Agustina & Suryani, 2016) which states that compensation has an influence on work morale. This shows that the compensation received by employees is in the form of additional compensation (special allowances) to support the smooth running of work and can motivate employees to be enthusiastic about working.

The Effect of Work Morale on Performance

Work spirit describes a feeling of connection with the soul, group spirit, joy, and activity. If workers appear happy, optimistic about activities and tasks, and friendly with each other, then the employee is said to have high morale.

Previous test results show that the influence of work morale on employee performance was also found to be positive and significant for PT employees. Perkebunan Nusantara III (Persero) Medan. These results mean that: (1) A positive value indicates that if work morale increases, employee performance will also increase; (2) A significant value indicates that managing work morale significantly influences employee performance at work.

Thus this is in line with the opinion carried out (Hartati, 2017) ; (Fitria et al., 2019) ; (Syahropi, 2016) ; which states that there is an influence between work morale variables on employee performance .

The Effect of Additional Compensation on Performance through Work Morale

Based on several theories stated above, it can be concluded that employee performance is influenced by additional compensation through work enthusiasm. This means that the better the additional compensation the company provides to employees, the more enthusiastic the employees will be .

The results of the author's research show that the indirect effect of additional compensation on employee performance is mediated by work morale at PT. Perkebunan Nusantara III (Persero) Medan is significant. This means that work morale acts as an intervening variable (mediator), especially in this research.

Conclusion

Based on the results of research and discussions conducted by researchers regarding the effect of additional compensation on employee performance through work morale at PT. Perkebunan Nusantara III (Persero) Medan , then conclusions can be drawn that additional compensation has a positive and significant effect on employee performance. Additional compensation has a positive and significant effect on employee morale. Employee morale has a positive and significant effect on employee performance. Additional compensation for employee performance through work morale has a significant effect.

Based on the conclusions above, in this case the author can suggest things , namely: 1) It would be better if the additional compensation provided by the company is good enough and in line with employee expectations so that it can meet employees' living needs and increase employee morale which can create better performance. Also , 2) In increasing employee morale, it is necessary for companies to pay attention to the morale issues received by employees, especially those related to additional compensation available at the company because additional compensation is a form of encouragement that can influence employee morale at work , 3) In improving performance , companies should pay attention to problems that occur within the company such as additional compensation and work enthusiasm given to employees so that employees continue to make the best contribution to the company and are able to create a high sense of loyalty.

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