

# The Influence of Compensation Towards Employee Productivity at PT. Citra Jaya Nusantara Pekanbaru

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## ABSTRACT

PT. Citra Jaya Nusantara is company that run a business in property sector. This company has run its business in Pekanbaru for around two years. The main business is building shophouses. Employee productivity relates positively to the compensation system design of an enterprise. Since this is the key indicator of the selection of pay strategies, it should be highly valued. Compensation strategy is seen as one of the most important strategies in management function as it influences the productivity and growth of an organization. The objective of this research is to know the influence of compensation toward employee productivity at PT. Citra Jaya Nusantara Pekanbaru. Based on statistical calculation and analysis, the data is highly valid and the questionnaire is reliable. The Pearson correlation coefficient is 0,75 and the determination is 56%. This means that there are high and positive relation between compensation and employee productivity. Compensation influences employee productivity only for 56%, the other factors influence productivity for 44%. The linear regression equation of this variable is  $Y = 7,09 + 0,69X$ . The Zcount of this skripsi is 4,1983 and Ztable 1,96. Since Zcount > Ztable, hence Ha is accepted. This means that compensation influences employee productivity at PT. Citra Jaya Nusantara Pekanbaru.

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## 1. INTRODUCTION

Nowadays, there are so many new companies which is established in this business world. Because of that, competition has become intense. So it is very important for a company to have qualified employees who have good performance. The common objective of the company is to gain profit as high as possible. In order to reach this objective, every company must have qualified human resources.

Employee, nowadays, play an important role to achieve company objectives. Human resources is the set of individuals who make up the workforce of an organization, business sector, or economy. It is very important to have qualified human resources in order to increase work productivity. That's why each company should have good human resource in order to survive in business competition. According Hsin His Lai (2011:5), employee productivity relates positively to the compensation system design of an enterprise. Since this is the key indicator of the selection of pay strategies, it should be highly valued. According to Obasan Kehinde (2012:7), compensation strategy is seen as one of the most important strategies in management function as it influences the productivity and growth of an organization. Company has to maintain their human resources by giving them motivation. Motivation is a psychological feature that arouses a human to act towards a desired goal and elicits, controls, and sustains certain goal directed behaviors. It can be considered a driving force, a psychological one that compels or reinforces an action toward a desired goal. For example, hunger is a motivation that elicits a desire to eat. Motivation is the purpose or psychological cause of an action Based on this condition, company can maintain the performance of their employee by giving them motivation.

There are two kinds of motivation concepts, internal and external motivation. The internal motivation come from the employee-self, such as personal interests, desires, and need for fulfillment. External motivation is the factors that come from the outer such as rewards, praise, and promotions. In keeping an employee to work at full potential is the ultimate goal of employee motivation. One way to motivate employees are making competition with each other. Competition is a great way to generate motivation among employees. This gives a chance for employees to show their working skills in a competition against their partners. Employee with good performance and productivity will get more compensation given by the company.

## **2. LITERATURE REVIEW**

### **2.1. Compensation**

The main resources for people to seek for employment is to fulfill his daily needs. By working, people will be able to meet his needs because of the compensation received. Compensation is very important in employees' view since it is a standard measurement of their performance and worthiness in organization. There are many definitions of compensation according to experts. Some of which can be seen below to give additional explanations about the research variable. According to Milkovich (2003:6) states that compensation refers to all forms of financial returns and tangible services and benefits employees receive as a part of an employment relationship. He emphasizes compensation on the basis of direct financial rewards such as salary and incentives; also the indirect financial rewards such as pensions, health insurance and paid time off; given to employees as the completion of given task and also as the completion of a given task, and also as a motivation for the accomplishment of next tasks. According to Hills (2002:10) compensation is defined as the total wages or salary, employee benefits (retirements and insurance plans), nonrecurring financial rewards (profit sharing, special commissions), and also nonpecuniary rewards (a sense of accomplishment in one's job, a sense of power from one's work) given to the employees in an organization.

According to Hills (2002:10), there are few indicators of compensation that affect employee productivity: 1) Salary A salary is a form of periodic payment from an employer to an employee, which may be specified in an employment contract. It is contrasted with piece wages, where each job, hour or other unit is paid separately, rather than on a periodic basis. From the point of view of running a business, salary can also be viewed as the cost of acquiring and retaining human resources for running operations, and is then termed personnel expense or salary expense. In accounting, salaries are recorded in payroll accounts. Salary is a fixed amount of money or compensation paid to an employee by an employer in return for work performed. Salary is commonly paid in fixed intervals, for example, monthly payments of one-twelfth of the annual salary. 2) Bonus The word bonus is extra pay due to good performance. 3) Commission The payment of commission as remuneration for services rendered or products sold is a common way to reward sales people. Payments often will be calculated on the basis of a percentage of the goods sold. This is a way for firms to solve the principal-agent problem, by attempting to realign employees' interests with those of the firm. One of the most common means of attempting to align principal and agent interests is to design a contract with incentives that track agent performance. The principal-agent theory provides an explanation for the dissimilarities across the marketing firms in the types of compensation plans used by them, such as fixed salary, straight commission or a combination of both fixed salary and straight commissions.

### **2.2. Employee Productivity**

Productivity is a measure of the rate at which outputs of goods and services are produced per unit of input (labour, capital, raw materials, etc). It is calculated as the ratio of the amount of outputs produced to some measure of the amount of inputs used. Productivity measures are used at the level of firms, industries and entire economies. Depending on the context and the selection of input and output measures, productivity calculations can have different interpretations. Improving productivity can have connotations of economising on the use of inputs, for example, adopting efficient production processes that minimise waste. Equally, improving productivity can have connotations of yielding more output, for example, using resources in activities or with technologies that generate more output. Conceptually, productivity is a 'supply-side' measure, capturing technical production relationships between inputs and outputs. But, implicitly, it is also about the production of goods and services that are desired, valued and in demand. Productivity can be expressed as a physical measure (for example, number of cars produced per employee), a monetary measure (for example, thousands of dollars of output per hour worked), or an index (for example, output per unit of labour = 100 in 1997-1998). In principle, inputs can be broadly defined to cover people's time, their skills, land, raw materials, machinery and equipment, energy (for example, electricity) and so on. But, most commonly, inputs are defined in terms of: 1. Labour (number of employees or hours of work) and 2. Capital (buildings, machinery and equipment, etc).

According to Yamoah, Emmanuel Erastus (2013:2), Effect of compensation on employees' productivity could be very strong in some organizations. In a similar study by Mohram M (2013:3), he found that the

existence of a good compensation of employees will make the health of employees also good. With the maintenance of health, the employee will get maximum performance opportunities. The number of working hours or employee present hours is able to obtain a maximum work performance. As a result, the planning process can be obtained with good production. They also noted that low compensation toward employees will trigger the employee to try to get their own business or side job. With the side business, it will disrupt the quality of employees' work and concentration. Low concentrations of certain employees have a negative impact on quality and quality of production of goods in the company. From these facts, it is clear that the influence of compensation on employee productivity is very strong. If it given more reasonable compensation to employees, the higher the productivity of employees. Conversely, if it given lower compensation for employees, the lower the productivity of the employee.

### **3. METHODOLOGY**

#### **3.1. Research Design**

Research design used is descriptive method and correlational method. According to Fitzpatrick (2018, p.95), descriptive research involves collecting and analyzing data to characterize a group, concept or phenomenon. The descriptive research is used to clarify and define concept or phenomena to increase understanding of a phenomenon. A descriptive research is a process of collecting and analyzing data in order to answer questions regarding the current status of the subjects in the study. The main purpose of the descriptive research is formulating a problem for more precise investigation

According to Kantowitz (2017, p.48), correlational research determines one to establish the amount of relation between variables which is useful for prediction. Correlational methods permit researchers to see only whether there is a link or association between the variables of interest. It attempts to measure the relationship between variables.

#### **3.2. Research Object**

According to Maruyama (2018, p.231), population is the aggregate of all of the cases that conform to some designated set of specifications. This research determines population on employees of PT. Citra Jaya Nusantara in amount of 162 employees. According to Maruyama (2018, p.231), sample is items selected from population. The writer uses simple random sampling as sampling technique. According Maruyama (2018, p.238), simple random sampling is selected using a process that gives every element in the population an equal and independent chance of being included in the sample. The sample size is determined by using the formula by allowing standard error at 5%.

### **4. RESULTS AND DISCUSSION**

Compensation is the sum of the overall wages that workers receive in lieu of the administration it had been granted. Many businesses invest considerable money in developing resources the human being so that it can be compensated as needed. Human Resource Management manages several types of individual awards in exchange for organizational performance. Compensation payment is one of the functions of Human Resources Management. As a result, during the Covid-19 Pandemic, organizations had to adjust compensation to meet the demands of employees who work with the company's needs so as not to cause losses for both the company and employees, as well as have a beneficial impact on companies. Compensation in the form of salaries, incentives, bonuses, benefits, employment, and work environment are the main components that serve as the basis for the organization to improve the implementation of work. The representative execution rate may be affected by large or small compensation. Gift proper compensation will have an impact on employees, so it can help them work get better and be more creative at work. Compensation variables have a favorable influence on employee performance. The main motivation of employees in a company is to find a source of income or livelihood, which is obtained from the results of utilizing their knowledge, energy, skills, and time to produce certain works or jobs to get certain rewards in the form of compensation. It's a different story with a pandemic like today, the motivation for employees to work is no longer just working but also surviving. The application of the provision of compensation cannot be attached to each type of giving compensation. Because the company's capabilities are limited to financial and the economy of the company itself. Thus, the company is not able to meet all types of compensation, however, employees need compensation that is directly related with the life of a person himself. By providing compensation according to needs expected to be able to represent different types of decent compensation given to employees. So, it is important for the company to analyze what is most needed by Employees. For example, the employee needs support to make it easier for their children to go to school, the company provides benefits or compensation related to convenience attended school the child of the employee. Therefore, there is a clear link between Compensation and employee productivity where compensation is able to have sufficient large influence to increase employee work productivity, especially during a pandemic so this support to accept the objectives proposed in this research is to measure the extent and how much

influence compensation for the work productivity of employees at PT. Citra Jaya Nusantara.

## 5. CONCLUSION

Compensation influences the employee productivity at PT. Citra Jaya Nusantara Pekanbaru. From the calculation, the Zcount is 4,1983. The level of significance is 0,05, from table Z we can see that the Ztable is  $\pm 1,96$ . Writer conclude this statement since the Zcount is greater than Ztable ( $4,1983 > 1,96$ ). hence  $H_a$  is accepted.

Compensation has strong and positive relationship toward employee productivity at PT. Citra Jaya Nusantara. From the correlation calculation, we can see that the result is 0,75. The range result from 0,5 until 1 is categorized as strong and positive relationship

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