

The Effect of Compensation and Work Discipline on Employee Performance with Work Motivation as an Intervening Variable

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ABSTRACT

This study aims to determine and analyze the effect of compensation and work discipline with motivation as a mediation variable. The independent variables in this study are Compensation and Work Discipline. While the dependent variable is performance and the mediating variable is motivation. The number of research samples was 57 respondents using the purposive sampling technique. Based on the results of path analysis using smartPLS 3.0, there is a positive and significant influence between compensation on employee performance; there is a positive and significant influence between work discipline on employee performance. Work motivation mediates the effect of compensation on employee performance. Work motivation mediates the effect of work discipline on employee performance.

Keywords: Compensation, Work Discipline, Motivation, Performance

INTRODUCTION

One of the real needs of an employee at work is to get a reward or compensation. From this compensation, employees can meet needs and improve welfare. Compensation is essential for companies because it aims to maintain human resources, such as providing salaries, wages, incentives, benefits, and indirect compensation, encouraging employees to excel and maintain employee productivity and quality. If appropriately managed, compensation will help the company achieve its goals and acquire, nurture and look after employees properly. Conversely, without adequate compensation will cause employee complaints, strike and can lead to decreased employee performance. As the opinion of Nurzaman (2014: 179), "compensation is something that employees receive as remuneration for their performance in carrying out their duties." Every employee will work hard if the

company rewards the active efforts it does, and if the employee works diligently by assuming that all the other company resources are also supportive, then high performance will be seen. Efforts to improve employee performance are also inseparable from work discipline. Discipline must be instilled in every employee because this involves the employee's moral responsibility for his duties and obligations. According to Malayu SP Hasibuan (2014: 194), "Work discipline is the awareness and willingness of a person to obey all company regulations and applicable social norms." With high discipline, employees are expected to comply with the regulations on the implementation of work discipline so that high performance will also be created with high work discipline and high performance. Apart from compensation and work discipline, existing human resources need to be motivated to work harder and achieve more.

Motivation is the encouragement of the needs of employees that need to be met so that these employees can adapt to their environment (Mangkunegara, 2009). In Prasastono's (2012) view, motivation is a person's personal condition that encourages an individual's desire to carry out certain activities to achieve a goal. As for Abrivianto et al. (2014), motivation is a condition that moves a person (employee) to spend a high level of effort to achieve company goals driven by individual needs. Due to the lack of maximum compensation and work discipline at PT. Ire Tech, the performance of the employees there is also less than optimal. Employee performance is the work that can be achieved by a person or group of people in a company, with their respective authority and responsibility, to achieve the goals of the company concerned legally and not violating the law and by morals and ethics. According to Mangkunegara (2015: 94), performance results from work in quality and quantity achieved by an employee in carrying out his duties by the responsibilities assigned by the organization to him.

Work Discipline

According to Malayu SP Hasibuan (2013: 193), "Work discipline is" A person's awareness and willingness to obey all company regulations and applicable social norms. " According to AA Anwar Prabu Mangkunegara (2015: 129), "Work discipline can be interpreted as the implementation of management to enforce organizational guidelines." According to Davis, Keith in Mangkunegara (2015: 129) stated that "discipline is management action to enforce organization standards." It can be interpreted as the implementation of management to reinforce organizational guidelines. " Based on the understanding of work discipline put forward by the experts above,

Compensation

According to Serdamayati (2013: 239), compensation is something that employees receive as compensation for their work. The amount of compensation reflects the status, recognition, and level of fulfillment of the needs enjoyed by employees and their families.

Therefore, if the remuneration received by the employee is more significant, it means that the position is higher, the status is getting better, and the fulfillment of the needs that are enjoyed is also greater. Herein lies the importance of compensation for employees as salespeople (physical and mental). According to Werther and Davis in the book M Kadarisman (2014: 01), compensation is what an employee/worker receives in return for a given job, either hourly wages or periodic wages designed and managed by the human resources department.

Motivation

A person's behavior is generally based on the desire to achieve specific goals. Motivation comes from the Latin word *movere*, which means encouragement, driving force, or force that causes an action or action. The word *movere* in English is often equated with motivation which means giving motives, arousing motives, or things that give rise to encouragement or circumstances that give rise to encouragement (Suwarno and Priansa, 2011,171). Meanwhile, Robbin & Judge (2008) argue that motivation is a process that explains the intensity, direction, and persistence of an individual to achieve its goals.

Performance

Byar in Edy Sutrisno (2013: 150) "defines performance as the result of one's efforts which he achieves with the ability and actions in certain situations." So it can be said that work performance results from the relationship between effort, ability, and task perceptions. Effort results from motivation that shows the amount of energy (physical or mental) used by an individual in carrying out a task. At the same time, ability is an individual characteristic used in carrying out a job. Ability is usually not affected directly in the short term. Some of these definitions illustrate that performance results from work quality and quantity achieved by an employee in carrying out tasks by the responsibilities assigned to him.

METHOD

This research is an explanatory research arch with a quantitative approach. This type of research is a hypothesis testing with the associative hypothesis type or hypothesis to determine the relationship of 2 or more variables (Sugiyono, 2017) because researchers want to know and analyze how the relationship between the independent variable compensation, work discipline, motivation mediation variable to the dependent variable, namely performance. The number of samples in this study was 57 respondents. The data collection technique used in this study used a questionnaire method, namely data collection techniques with a series or list of systematically arranged questions to be filled in by respondents. The instrument used in this data collection was a questionnaire.

RESULT and DISCUSSION

Validity and Reliability Test

The validity test in this study is convergent validity and discriminant validity. An indicator is declared to meet the convergent validity criteria in a suitable category if the outer loading value is > 0.7 (Hair Jr et al., 2017). However, according to Chin (1998) in Ghazali (2014: 39), the loading factor value of 0.50 to 0.60 for each indicator of the constructed variable is considered sufficient,

while the Average Variance Extracted (AVE) value must be greater than 0.5. The data results show that all the remaining variable indicators have a loading factor value of > 0.5, which indicates that each research variable has met the requirements for the AVE value, so it can be concluded that all variables have an excellent variable model. The way to test discriminant validity with reflexive indicators in this study is by looking at the cross-loading value between the construct and the indicator. If the construct correlation with the indicator is more significant than the correlation of the indicator with other constructs, the construct predicts the indicators in their block better than the indicators in other blocks to meet the requirements for discriminant validity (Ghozali and Hengky, 2015: 39). Based on the results of data processing, it is known that the construct correlation with each indicator has a cross-loading value that is greater than the correlation with other indicators. It shows that a construct can predict indicators in each block better than indicators in other blocks. Thus it can be concluded that these indicators have met the criteria for discriminant validity of the indicators are declared valid. The reliability test aims to test the reliability of the data to be tested by looking at the values of Composite Reliability (CR) and Cronbach Alpha (CA) as presented in the following table:

Table 1
Reliability Testing Table

Variable	Score Composite Reliability	Score Cronbach's Alpha
Compensation	0864	0.763
Work Discipline	0854	0.746
Motivation	0851	0.737
Performance	0880	0.797

Source: Data processed with Smart PLS 3.0

From this table, the composite reliability value of all research variables is > 0.6. These results indicate that each variable has met the composite reliability so that it can be concluded that all variables have a high level of reliability. Furthermore, as the Cronbach's alpha value of each research variable > 0.7 indicates that each research variable has met the Cronbach's alpha

value requirements, it can be concluded that all variables have a good level of reliability.

R Square Test (R2)

According to Ghazali and Hengky (2015: 81), the R square values of 0.67, 0.33, and 0.19 can be categorized into strong, moderate, and

weak models. Following are the results of the R square analysis presented in table 2.

Table 2. The value of R square

	R-Square	Category
Motivation	0.634	Moderate
Performance	0.600	Moderate

Source: Data processed with Smart PLS 3.0

The table shows that the motivation R square value of 0.634 is included in the moderate category while the R square of Employee Performance is 0.60 is included in the moderate category. These results indicate that 63.4 percent of the motivation variable can be explained by employee discipline and compensation variables, while 36.6 percent can be explained by other factors outside the variables studied. In addition, 60 percent of employee performance variables can be explained by employee discipline,

compensation, and motivation variables, while 40 percent can be explained by other variables outside the model studied.

Hypothesis testing

The hypothesis is accepted (supported) if the t-Statistics value is higher than the t-Table value (1.96) and the P values <0.05 with a significance level of 5% (one-tailed). The results of the PLS bootstrapping process can be seen in the following table.

Table 3. Hypothesis Testing Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O / STDEV)	P Values	Ket
K→Performance	0.368	0.386	0.149	2,474	0.014	Be accepted
DK→Performance	0.361	0.371	0.156	2,136	0.000	Be accepted
K→M→Performance	0.121	0.127	0.084	2,763	0.027	Be accepted
DK→M→Performance	0.126	0.126	0.083	3,074	0.002	Be accepted

Source: Data processed with Smart PLS 3.0

Hypothesis 1 Testing: Effect of Compensation on Performance

The effect of compensation on performance shows the path coefficient value of 0.368 with a P-value of 0.014 and a significance level of the t statistical value of 2.474. This value is greater than the criteria t value 1.96, which means that Hypothesis 1 is accepted. Based on these results, it can be interpreted that compensation influences performance.

results, it can be interpreted that work discipline has a significant effect on performance with a path coefficient value of 0.361; this indicates a positive direction of influence, meaning that any increase in work discipline will increase performance.

Hypothesis 2 Testing: The Effect of Work Discipline on Performance

The effect of work discipline on performance shows a P value of 0.000 with a significance level of the t statistical value of 2.136. This value is greater than the criteria t value 1.96, which means that Hypothesis 2 is accepted. Based on these

Hypothesis 3 Testing: The Effect of Compensation on Performance Mediated by Motivation

Effect of Compensation on Performance through Motions as a mediating variable indicated by a P value of 0.027 and a statistical significance value of 2.763, which is greater than the criteria t value of 1.96. It shows that Hypothesis 3 is accepted. It means that compensation indirectly through motivation as a mediating variable has a significant effect on performance. With the direction of a positive relationship shown by the

original sample value, each increase of compensation will increase the level of motivation, which influences the increase in company performance.

Testing Hypothesis 4: The Effect of Work Discipline on Performance Mediated by Motivation

The Effect of Work Discipline on Performance through Motivation as a mediating variable with the results shown from the P-value of 0.002 and the significance value of the t statistic of 3.074 is greater than the criteria of the t value of 1.96. It shows that Hypothesis 4 is accepted. It means that work discipline indirectly through motivation as a mediating variable has a significant effect on performance. With the direction of a positive relationship shown by the original sample value, each increase of Work Discipline will increase the level of motivation, which influences the increase in company performance.

CONCLUSION

Based on the results of the research and data analysis that has been done, it can be concluded that there is a positive and significant influence between compensation on employee performance; there is a positive and significant influence between work discipline on employee performance. Work motivation mediates the effect of compensation on employee performance. Work motivation mediates the effect of work discipline on employee performance.

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