Beyond the Paycheck: Unveiling the Combined Effect of Skill and Reward on Employee Motivation and Effectiveness

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Abstract: The purpose of this study was to determine the effect of competence and compensation on employee performance, both simultaneously and partially, and discussed descriptively. The research method used is descriptive and verification. The unit of analysis in this study is the employees of PT. XYZ Branch taken as many as 47 samples (n). The findings of this study are employee competencies are generally assessed on good criteria; Compensation provided to employees is inadequate; employee performance has a fairly high performance and Compensation and competence together or individually affect the performance of employees of PT. XYZ Branch. But partially dominant compensation affects employee performance rather than competence.

Keywords: Competence, Compensation, Employee Performance

INTRODUCTION

Environmental changes that are so fast and difficult to predict require every organization, both private and government, to adjust their strategies and policies in achieving their organizational goals. PT XYZ Branch is a company engaged in consulting and engineering services, and in running its business is supported by reliable and expert human resources with disciplinary predicates in accordance with their fields, to be able to synergize to serve consumers with full responsibility and innovation.

With the core values instilled in employees and good training, it will certainly increase the ability and commitment of employees to provide consulting services in the field of foundation design, tower structure and CME work, Pre Survey, Engineering Survey, Technical Site Survey, Permitting and Design, Tower Foundation Construction, Permanent Shelter, Indoor and Outdoor Electrical Installation, Documentation Includes As Plan Drawing, Construction Drawing and As-Built Drawing, Tower analysis, Building structure / analysis, Foundation design, Soil Test, Hammer Test, but in reality the work of consultants from 2015 to 2018 has decreased, this can be seen in table 1.

Table 1 Total Consultant Services work from 2015 to 2018.

Jobs	Year (package)											
	2015			**2016**			**2017**			**2018**		
	Target	Achievements	%	Target	Achievements	%	Target	Achievements	%	Target	Achievements	%
Planning	700	500	71.4	500	450	90	500	350	70	400	200	50

Source: PT XYZ Branch, 2019

Table 1 shows that there is a decrease in planning work from 2015 to 2018, this is allegedly a decline in employee performance in line with the decline in consulting and engineering consulting work. However, organizational performance is not only influenced by human resources in it but also by other resources, namely funds, materials, equipment, technology and work mechanisms that take place in the organization, so the development of human resources which is the main device in the organization is absolutely necessary and should not be delayed. Human resource development carried out by PT XYZ Branch is carried out in various ways, among others, through sending employees to attend education and training, technical and functional courses, transfers and organizational interventions. The sending of employees is not only for formal education, but also for career advancement within the organization.

Based on the observation results, there are indications that the work was not completed on time, the lack of the amount / quantity of work completed and sometimes the implementation of the work carried out does not refer to the previous plan (2019 observation results), as seen in Table 2 below.

Table 2 Employee Performance of PT XYZ Branch

No.	Variables	Current State %	Remaining Period	Desc
1.	Promptness in completing work	90	10	-
2.	Quantity of work completed	85	15	-
3.	Work that refers to the plan	95	5	-

Source: PT XYZ Branch, 2009

Benardin and Russel (2003: 397), say that "*officer perfomance* depends on ability, effort job and opportunity *of* job *able to assess from generated output* of *satisfaction of job officer of* itself". Some HR management experts argue that quality HR is HR that has at least four characteristics, namely (1) having adequate *compe-tency (knowledge, skills, abilities* and *experience)*; (2) *commitment* to the organization; (3) always acting *cost-effectively* in every activity, and (4) *congruence of goals,* namely acting in harmony between personal goals and organizational goals (Ruky, 2006: 56).

Nawawi (2005: 56) states that employee competence alone is not enough to be able to improve performance optimally, but employee competence must be supported by reasonable compensation for the employees concerned, so that employees will strive to improve their performance. It can be concluded that employee competence and compensation are two elements that support each other to improve employee performance.

Davis (in Mangkunegara, 2004: 75) says that the factors that influence performance achievement are *ability* factors and *competency* factors. Competency factors dominate as a cause of high and low employee performance. As stated by Winardi (2002: 97), that the most important thing in performance is competence. Meanwhile, Hasibuan (2007: 168) states that the impact of competence and compensation is employee performance, because performance is the quality and quantity of work achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. Therefore, every organization always

wants better work results from employees, so the company always reviews employee work performance in order to correct it if there is an employee who makes a mistake or deviation from his job.

METHOD

The methods used in this research are *description survey* and *explanatory survey* methods*. The* type of investigation in this research is *causality*, because it will test the causal relationship of these variables. This research is included in the *cross-sectional* category. *The* unit of analysis in this study is the individual, because only employees are used as respondents. The population in this study were all employees within PT XYZ Branch, namely (N) 88 people. The method of determining the respondents used is *probability sampling*, which is *sampling* that provides equal opportunities for each element/member of the population to be selected as a sample. To draw a sample, the author uses the formula proposed by Slovin. With a population of 88 people, and the formula used as above, the number of samples in this study was 47 people.

Based on the method used in data collection, the variables that have ordinal size are then transformed into interval form using the *Method of Successive Intervals.* Before distributing the instrument, first test the validity and reliability of the instrument. The analysis technique used in this research is the path analysis technique which requires data requirements that have a measurement level of at least interval. So, for the two variables mentioned above, which have an ordinal level of measurement must be converted into intervals. Because the level of measurement of the scale is ordinal, so that it can be processed further, it must first be converted into an interval scale using the *Method of Succesive Interval* (MSI), Al-Rasyid 1998; 2).

RESULTS AND DISCUSSION

Based on the results of research on the competence of employees of PT XYZ Branch, showing results that are not optimal, PT XYZ Branch should improve the competence of its employees both through education, skills and training, so that in the future it will encourage the achievement of high employee performance. Based on the results of the research, the compensation received by employees of PT XYZ Branch is inadequate, in this case the management must find a solution to how compensation can be increased again, because compensation is one of the factors either directly or indirectly affecting the high and low employee performance. Therefore, compensation for employees should receive special attention from the management of the agency so that employees become satisfied so that employee performance is expected to continue to increase. Because most employees work to get compensation, as the opinion of Mangkunegara (2004: 85) states that "there are two forms of employee compensation, namely direct forms which are wages and salaries, and indirect forms of compensation which are benefits.

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The influence of competence and compensation on employee performance of PT XYZ Branch

To find out whether the independent variables, namely the effect of competence and compensation on employee performance in the environment of PT XYZ Branch, are carried out using ***path*** analysis and the software used is SPSS release 12. The steps taken are to calculate the correlation between variables, so that it is obtained as table 3 below.

Table 3 Correlation Matrix between Variables

Correlations

	COMPETENCY	COMPENSATION
COMPETENCY Pearson Correlation	1	.431**
Sig. (2-tailed)	.	.002
N	47	47
COMPENSATION Pearson Correlation	.431**	1
Sig. (2-tailed)	.002	.
N	47	47

**. Correlation is significant at the 0.01 level (2-tailed).
Source: SPSS output results

Furthermore, based on the results of the correlation matrix calculation, the path coefficient can be calculated, the overall effect of X_1 to X_2 and the path coefficient of other variables outside the variables X_1 to X_2 as shown in table 4 below.

Table 4 Magnitude of Path Coefficient

Path coefficient of X_1 on Y	pyx_1	0.293
Path coefficient of X_2 on Y	pyx_2	0.497

Source: SPSS output results

The calculation results for the multiple determination coefficient ($R^2_{Y.X1, X2,}$). The correlation coefficient ($R_{Y.X1, X2}$), the coefficient of determination of other variables on Y ($P^2_{Y \in}$), and the path coefficient of other variables on Y ($P_{Y \in}$), are shown in table 5 below:

Table 5 Multiple Determination Coefficients, and Other Variable Path Coefficients

Multiple Determination $(R)^2$	$R2_{Y.X1, X2,}$	0.458
Multiple Correlation Coefficient	$R_{Y.X1, X2,}$	0.676
Determination of Var. Other to Y	$P^2_{Y \in}$	0.542
Path Coefficient X_2 Var. Other to Y	$P_{Y \in}$	0.736

Source: SPSS output results

This means that the effect of variables X_1, and X_2 together on variable Y is 0.458 or 45.8% of variables X_1, and X_2 together affect Y, and the remaining 0.542 or 54.2% is influenced by other variables not included in the study. Based on the theoretical framework that there is a positive influence between competence and compensation on employee performance in PT Yodya. Karya Bandung Branch, then will test the overall hypothesis with a form such as table 6 as follows:

Table 6 Simultaneous Test Results of X1 and X2 on Y
ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	655.685	2	327.843	18.564	.000a
	Residuals	777.066	44	17.661		
	Total	1432.752	46			

a. Predictors: (Constant), COMPENSATION, COMPETENCY
b. Dependent Variable: PERFORMANCE
Source: SPSS 12.0 Output

From table 6 above, it can be seen that the F_{count} value is 18,564 with sig. Level of 0.00 is smaller than 0.05, so it can be concluded that the simultaneous test results are proven or significant, so that it can be continued in further analysis with partial testing.While the results of the causal relationship or direct influence of X_1 and X_2 on Y, can be seen in table 7 below.

Table 7 Influence of Variables X_1 and X_2 to Y and Influence Beyond Variables X_1 and X_2

Interpretation of Path Analysis		
Description	Influence	%
Effect of X_1, X_2 to Y	0.458	45.8
Influence Beyond X_1 X_2	0.542	54.2
Total		100

Source: Statistical Processing Results SPSS Program

From the test results, it can be seen that competence and compensation affect Employee performance in PT Yodya Karya Branch. Bandung is 45.8%, while the remaining 54.2% is influenced by other factors not examined by the author, namely work climate, motivation, commitment, work culture, work environment. However, when viewed partially, the dominant compensation affects employee performance rather than competence, from the results of hypothesis testing, a complete diagram of the causal relationship between variables X_1, X_2 to Y can be described as follows:
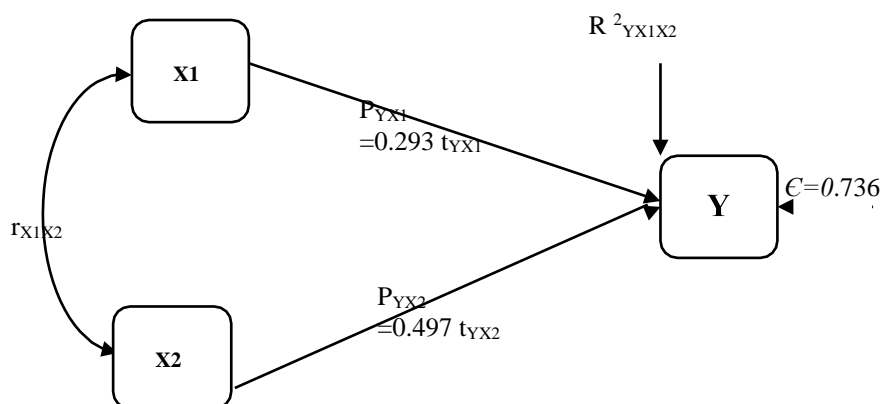

Figure 1 Causal Diagram Between Competence (X_1), Compensation (X_2) and Employee Performance (Y)

As in Figure 1 above, it can be seen that compensation dominantly affects employee

performance with a path coefficient of 0.497 with a t_{count} of 4.036 with a t value of t_{table} at a significance level of α (0.05).=1.67, then competence of 0.293 with a tcount of 2.380 with a t value of t_{tabel} at the significance level α (0.05) =1.67, and both variables are proven to affect employee performance, as shown in Table 4.53 below.

Table 8 Partial Path Coefficient Testing

Path Coefficient Symbol		tcount	ttable	Conclusion
PYX$_1$	0.293	2.380	1.67	Ho reject Available at influence positive competence on employee performance
PYX$_2$	0.497	4.036	1.67	Ho reject Available at influence positive compensation on employee performance

Source: calculation result

Based on the results of the above calculations, it can be revealed that competence on employee performance both directly and indirectly at PT XYZ Branch can be seen in table 9 below.

Table 9 Direct and Indirect Effect of Competence on Employee Performance

Interpretation of Path Analysis			
Desc		**Influence**	**%**
X1	Direct effect to Y	0.0858	8.58
	Indirect effect through X$_2$ to Y	0.0628	6.28
Total		0.1486	14.86

Source: Statistical Processing Results SPSS Program

From the table above, it can be seen that the contribution of competence to employee performance directly amounted to 8.58% with a tcount coefficient of 2.380, while for the value of t_{tabel} at the significance level α (0.05) = 1.67, because the value of tcount> t_{tabel}, as well as indirectly through the compensation variable of 6.28%. While the contribution of competence to employee performance as a whole reach 14.86%, it can be concluded that competence has a significant direct effect on employee performance, this empirical evidence provides an indication that in an effort to improve employee performance, it is necessary to improve competency factors, because competency factors are closely related to improving employee performance. The path coefficient shows a positive and significant value, meaning that the better the competence carried out will result in improved employee performance. This shows that competence has an influence on employee performance, so that the contribution of competence is quite meaningful, this is in line with Ruky's statement (2006: 107) explaining that competence is "The description of the knowledge, skills, attitudes and abilities of an employee to achieve the most effective performance" Whereas (Spencer & Spencer in Ruky, 2006:105) explains that Competence is "The capability of a person to use Motives, personal character, self-concept, knowledge and skills possessed, in order to produce the best service performance" This is also supported by Zeithaml (1990: 21) argues that Competence is "the level of skills and knowledge possessed by an employee to be able to achieve certain service performance and produce the best service.

Likewise, the results of the above calculations, it can be revealed that the effect of compensation on employee performance both directly and indirectly can be seen in table 10 below:

Table 10 Direct and Indirect Effect of Compensation on Employee Performance

Desc	Interpretation of Path Analysis		
		Influence	%
X2	Direct effect to Y	0.2470	24.70
	Indirect effect through X_1 to Y	0.0628	6.28
Total		0.3098	30.98

Source: Statistical Processing Results SPSS Program

From the table above, it can be seen that the contribution of compensation to employee performance directly amounted to 24.70% with a tcount coefficient of 4.036, while for the value of t_{tabel} at the significance level α (0.05) =1.67, because the value of tcount> t_{tabel}, as well as indirectly through the competency variable of

6.28%. While the contribution of competence to employee performance as a whole reach 30.98%, it can be concluded that compensation has a significant direct effect on employee performance, this empirical evidence provides an indication that in an effort to improve employee performance, it is necessary to improve the compensation factor, because the compensation factor is closely related to improving employee performance. The path coefficient shows a positive and significant value, meaning that the better the compensation provided will result in improved employee performance. This shows that compensation has an influence on employee performance, so that the contribution of compensation is very meaningful, but there are several things that need to be considered by the agency, namely from the adequacy of salary, the adequacy of transportation money, holiday allowances and the adequacy of overtime pay. While indirect compensation consists of suitability for promotion with achievement, suitability for reward with position and suitability for reward with mutation. Meanwhile, the compensation system is one of the tools to motivate employees to realize the predetermined organizational goals. Compensation is generally given in return for individual work behavior, but can also be given to groups. The compensation system links compensation and performance not seniority or the number of hours worked.

The results showed that in general compensation at PT XYZ Branch affects performance, however, efforts have been made, among others, to improve welfare by providing adequate incentives and awards to outstanding employees, in accordance with the opinion of Siagian (2007: 118) as follows: "Compensation is all forms of income in the form of money and goods, directly or indirectly received by employees in return for services provided to the company, with the aim of increasing the productivity of employees in order to achieve a competitive advantage. In this case PT XYZ Branch implements compensation based on employee perceptions which are divided into 2 forms, namely direct compensation and indirect compensation.

From the description above, it shows that compensation has an influence on performance. This shows that the compensation given to employees of PT XYZ Branch makes a real contribution to their welfare.

CONCLUSIONS

The competence of employees at PT XYZ Branch is generally assessed at good criteria. This means that the competence of employees in terms of motives, personal character, self-concept and knowledge according to employee responses is at a good stage, so it is possible to improve the performance of employees, but there are some things that need to be considered, namely the applicable value system is sometimes ignored (lack of providing fast service) and less responsive in responding to all information received.

Compensation provided to employees of PT XYZ Branch is currently considered inadequate, especially in terms of: wages / salaries received at this time, not in accordance with the needs of UMP / K, wages / salaries received at this time are lower than in other similar companies, employees who work beyond production targets are not given a decent bonus, social benefits provided by the company are inadequate, annual bonuses are never given even though the company has profits, and employees are not given the opportunity to be promoted to a higher level.

Employees at PT XYZ Branch have high performance and even some employees have very high performance, but there are several things that need to be considered, namely the availability of time to help coworkers, the availability of time to innovate in work, and not knowing how to measure good performance.Competence and compensation simultaneously affect employee performance at PT XYZ Branch. However, partially dominant compensation affects employee performance rather than competence. And partially, the effect of competence and compensation on performance is as follows:

Competence has a positive and significant effect on employee performance, so that if the competence of employees is correct, employee performance will also increase.
Compensation has a positive and significant effect on employee performance, so that the higher the compensation received by employees, the better employee performance will be.

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