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## THE EFFECT OF COMPENSATION AND COMMITMENT TO EMPLOYEE MOTIVATION IN A SUB-DISTRICT PALEMBANG

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### ARTICLE INFORMATION

Received: 19<sup>th</sup> April 2020

Revised: 25<sup>th</sup> April 2020

Issued: 08<sup>th</sup> May 2020

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DOI:10.31933/DIJMS

**Abstract:** This study aims to analyze and explain the effect of compensation and commitment to employee motivation. The type of research used is associative research by using quantitative methods. The number of samples used was 100 (one hundred) employees in A Sub-District, Palembang. The sampling technique was carried out randomly and the data analysis used was structural equation modeling (SEM). The results showed that the t-value for compensation 0.44 (<1.96) so that compensation did not significantly influence the motivation of A Subdistricts in Palembang. While the t-value for commitment was 4.42 (> 1.96), so commitment has a positive and significant effect to employee motivation. Therefore a strong commitment is needed to increase employee motivation.

Keywords: Compensation, Commitment, Motivation

### INTRODUCTION

Subdistrict is one of the regional apparatus organizations that has the responsibility to the regional head for the implementation of regional government by concerning the needs and conditions of the regional environment and also has the task of carrying out coordination of the administration of government activities, providing public services as well as possible and increasing the empowerment of villages and implementing some regional government affairs. To carry out this task requires human resources who have high commitment and motivation for the realization of the objectives of the organization.

Motivation is an attempt made consciously to influence one's actions to achieve the goals of an organization. By having high motivation and commitment, someone will have the courage and incentive to do the work as well as possible. One factor that can increase employee commitment and motivation is by compensating (Nuraeni, et al., 2019). Compensation should be given fairly, so that the purpose of compensation can be achieved but if compensation is given unfairly it can result in a decrease in employee motivation which

can result in a loss of employee commitment to the organization where they work (Hernita, 2015).

High commitment is needed in working because having employee commitment will have a strong incentive to work so that organization's objectives both quantity and quality can be achieved according to established standards (Ibrahim & Yunita, 2018). Research (Kharismawan, Sasmita, & Indarti, 2019) and (Minarsih, Wahyudi, & Lamidi, 2016) suggests that commitment affects positif significant motivation, so that high motivation will increase employee commitment to the organization where they work.

Compensation is something accepted, both financially and non-financially in return for what you've been given to organization (Hernita, 2015). In Seberang Ulu Sub-District Two forms of compensation received in the form of income improvement allowances (TPP) are according to Mayor Regulation Number 24 of 2019. The purpose of providing compensation is to increase employee motivation and commitment to realize a clean government and create better public services for the society, but the observations made by researchers there are some phenomena that are not suitable for the purpose of the compensation including there are some employees who arrive late, talk and sit outside during working hours, there are still employees who are not responsible for the assignments are given and there are some employees who come only to make the attendance list then go home and will come back when approaching the time to go home, administratively present but in fact they are not in the office for the job. From these phenomena, researchers are interested in doing research on the effect of compensation and commitment to employee motivation.

## LITERATURE REVIEW

### Motivation

Motivation is an urge to achieve a strong desire or spirit within oneself to take action to achieve results and goals. One's desires are different from others. This is because there is a process to excite the desires of a person. Motivation is the maximum effort for the achievement of the goals of an organization to meet individual needs (Busro, 2008). There are several theories that explain motivation, including motivation theory that was popularized by a specialist psychologist in the field of industrial mental health at the University of Utah in the United States named Herzberg. The theory is known as the two-factor theory. According to research (Atet, 2011) Herzberg's theory consists of groups of factors that provide job satisfaction (satisfaction factors) which are referred to as a group of motivational factors and hygiene factors.

The motivational factor group is a group that encourages and stimulates employees to work better and more productive. These factors include achievement, recognition of the work itself, responsibilities, and progress / development (Sedarmayanti, 2019).

The second group of factors is hygiene or maintenance factors. This factor is a factor that can cause job dissatisfaction if unfulfilled. The hygiene factor consists of company policy and administration, satisfying supervision, interpersonal relationships, reasonable income, personal status and life of employees, and guarantees that can provide employee peace (Sedarmayanti, 2019). If these hygiene factors are fulfilled, then there is no effect on

employment attitudes of employee, but if left unchecked, the employees will feel disappointed or dissatisfied with the work environment thereby reducing productivity (Edison, Anwar, & Komariyah, 2018).

### **Compensation**

Compensation is a reward for what someone does. Compensation is usually related to money. (Edison et al., 2018) states compensation is something given to employees for services performed for their work. There are several types of compensation including financial compensation (direct compensation and indirect compensation) and non-financial compensation (work and work environment).

One of the direct compensation received by employees at the research site is Additional Employee Income (TPP). Additional Income is income outside the salary provided by the Regional Government by taking into account the principle of fairness and propriety based on regional financial capabilities. Providing additional income for Palembang city based on Palembang Mayor Regulation Number 24, 2019. The purpose of providing additional income is to improve the performance and dedication of the apparatus in the city of Palembang in the context of creating a clean government and creating better public services for the society. Additional income improvements comes from considering workload, working conditions, professional scarcity and objective considerations with regard to the percentages of attendance.

### **Commitment**

Commitment is a form of determination for what is believed to be a perception that spawns a policy. In an organization, employees are expected to have high commitment, because it enables them to work more productively. The characteristics of employees who have commitments include 1) having confidence and trust in the organization; 2) having a willingness for what they do in behalf of the organization; 3) the desire of employees to remain members of the organization; and 4) the desire of employees to participate in realizing the goals of the organization (Busro, 2018).

Meyer and Allen in (Wibowo, 2016), there are 3 (three) components in commitment, namely: 1) affective commitment, is a sense of desire to remain attached to an organization or a sense of emotional attachment to an organization; 2) continuance commitment is a commitment that considers the costs will be incurred when leaving the organization (including financial losses and other losses) when leaving the organization and 3) normative commitment is an obligation to remain in the organization because it is morally indebted to the organization.

Measurement of employee commitment is measured based on indicators developed by Meyer and Allen, (Busro, 2018), namely 1) a strong belief to accept organizational's goals; 2) provide full support to the organization; 3) willing to sacrifice energy, thoughts and time for the benefit of the organization; 4) taking into account the advantages of remaining in work of the organization; 5) Calculating losses if leaving the organization; 6) the desire to work hard and 7) being responsible for advancing the organization.

Based on the description above, the following hypothesis is formulated:

H1: Compensation has a positive and significant effect on employee motivation.

H2: Commitment has a positive and significant effect on employee motivation.

## RESEARCH METHODS

In this study using associative research, namely research that aims to determine the relationship between two or more variables, (S. Siregar, 2013). In this study will examine the influence of exogenous (independent) variables, namely Compensation (X1) and Commitment (X2) on one endogenous variable (dependent), namely Employee Motivation (Y). This research was conducted in A sub-District, Palembang with 100 (one hundred) random samples taken. Data collection was carried out by questionnaire and unstructured interviews. Questionnaire measurement technique is a Likert scale. The variables in this study are exogenous (independent) variables, namely Compensation (X1) and Commitment (X2) to one endogenous (dependent) variable, namely Employee Motivation (Y). The data analysis technique used is Structural Equation Modeling (SEM) helping by LISREL 8.7 (Linear Structural Relations) software (Gunarto, 2018). The steps in analyzing the data are: 1) building a model by analyzing all exogenous and endogenous variables, then testing the validity of the observed variables and the construct reliability of the questionnaire results; 2) creating a Path Diagram; 3) model specifications; 4) identification of the model; 5) parameter estimation; 6) model compatibility; 7) modification of the model.

## RESULTS AND DISCUSSION

### Model Match Test (validity and reliability)

The suitability test of the measurement model to each measurement model, related to latent variables and manifest variables (observable variables). Measurement tests are done by determining the validity and reliability of indicators in a constructive way. Validity test aims to measure the level of consistency of manifest variables in measuring latent constructs. This validity test is carried out by a CFA first order test with one variable, and is tested for compensation, commitment and motivation variables.

### Compensation Variables

**Table 1.**  
**Validity and reliability of compensation variables**

Variabel	$\lambda$	$\lambda^2$	$e=1-\lambda^2$	Ket
X1	0,7	0,49	0,51	Valid
X2	0,62	0,3844	0,6156	Valid
X3	0,53	0,2809	0,7191	Valid
X4	0,78	0,6084	0,3916	Valid
X5	0,83	0,6889	0,3111	Valid
X6	0,81	0,6561	0,3439	Valid
X7	0,77	0,5929	0,4071	Valid
	5,04	3,7016	3,2984	
Construct		0,89		

reability (CR)		Reliabel
Average Variance	0,53	
Extract (AVE)		

From table 1 above all construct indicators for the first order of compensation variable have a loading factor  $\geq 0.5$ , so it can be concluded that all indicators are valid and CR value is  $0.89 \geq 0.7$  and AVE value is  $0.53 \geq 0,5$ , so it can be concluded that the construct for the compensation variable is reliable.

### Commitment Variables

**Table 2.**  
Validity and reliability of commitment variables

Variabel	$\lambda$	$\lambda^2$	$e=1-\lambda^2$	Ket
X8	0,62	0,3844	0,6156	Valid
X9	0,64	0,4096	0,5904	Valid
X10	0,58	0,3364	0,6636	Valid
X11	0,57	0,3249	0,6751	Valid
X12	0,65	0,4225	0,5775	Valid
X13	0,57	0,3249	0,6751	Valid
X14	0,71	0,5041	0,4959	Valid
X15	0,56	0,3136	0,6864	Valid
X16	0,66	0,4356	0,5644	Valid
X17	0,6	0,36	0,64	Valid
X18	0,62	0,3844	0,6156	Valid
	6,78	4,2004	6,7996	Valid
Construct reability (CR)		0,98		Realibel
Average Variance		0,38		
Extract (AVE)				

From table 2 above all construct indicators for the first order commitment variable have a loading factor  $\geq 0.5$ , so it can be concluded that all indicators are valid and a CR value of  $0.98 \geq 0.7$  and AVE value is  $0.38 \leq 0,5$ , so it can be concluded that the construct for the commitment variable is reliable.

### Variables Of Motivation

**Table 3.**  
Validity and reliability of commitment variables

Indikator	$\lambda$	$\lambda^2$	$e=1-\lambda^2$	Ket
Y1	0,34	0,1156	0,8844	Invalid
Y2	0,44	0,1936	0,8064	Invalid
Y3	0,37	0,1369	0,8631	Invalid

Y4	0,39	0,1521	0,8479	Invalid
Y5	0,54	0,2916	0,7084	Valid
Y6	0,85	0,7225	0,2775	Valid
Y7	0,85	0,7225	0,2775	Valid
Y8	0,84	0,7056	0,2944	Valid
Y9	0,71	0,5041	0,4959	Valid
Y10	0,79	0,6241	0,3759	Valid
Y11	0,74	0,5476	0,4524	Valid
Y12	0,72	0,5184	0,4816	Valid
	7,58	5,2346	6,7654	Valid
Construct				
reability (CR)		0,89		Realibel
Average Variance Extract (AVE)		0,44		

Table 3 above shows that from 12 (twelve) indicators, there are 8 (eight) constructing indicators having a loading factor  $\geq 0.5$  and valid value, while 4 (four) constructing indicators having a loading factor  $\leq 0.5$  and are invalid. The invalid indicators are Y1 (0.34), Y2 (0.44), Y3 (0.37), and Y4 (0.39). This invalid indicator will be issued and re-analyzed and the CR value is  $0.89 \geq 0.7$  but the AVE value is  $0.44 \leq 0.5$ . It can be concluded that the construct for the motivational variable is reliable.

### Full Structural Model Analysis

After the results of the CFA first order test for compensation, commitment and motivation variables are obtained, then a Full Structural Model analysis is performed using a path diagram, so that the t-value and standardized solution values are obtained.

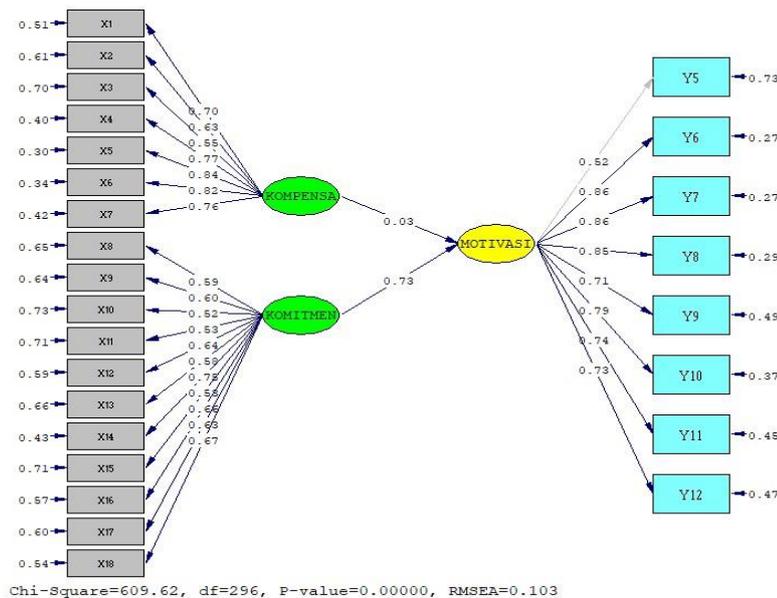


Figure 1. Path diagram of standardized solution testing results

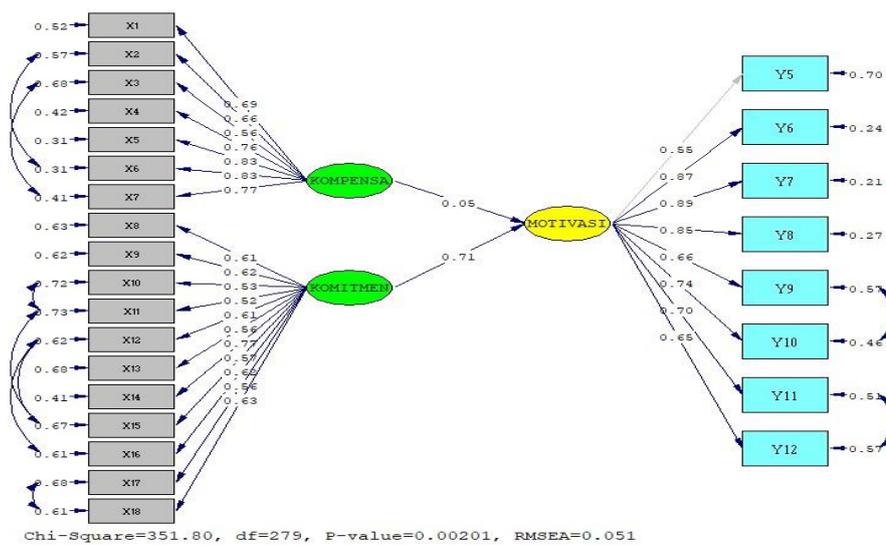
The results of data analysis can be seen in the following table 4:

**Table 4.**  
**Full Structural Model Goodness-Of-Fit Index after Model Modification**

GOODNESS-OF-FIT INDEX		BORDER VALUE	VALUE
NO	Absolute/predictive fit indices		
1	chi square	kecil	609,62
2	Significance probability (P=Value)	≥0,05	0
3	X <sup>2</sup> /DF	<2 atau 3	1,83
4	RMR	≤0,10	0,039
5	SRMR	≤0,08	0,091
6	RMSEA	≤0,08	0,092
7	GFI	>0,90	0,82
8	AGFI	>0,90	0,76
Comparative fit indices			
9	NFI	>0,90	0,91
10	IFI	>0,90	0,95
11	CFI	>0,90	0,95
Parsimonious fit indices			
12	PNFI	>0,90	0,75
13	PGFI	>0,90	0,6
14	AIC		

From Figure 1 above it can be seen that the p-value for Chi-Square is  $p = 0.0000 (<0.05)$  and the RMSEA value is 0.103 ( $> 0.08$ ). From table 4 above it can be seen clearly that not all values are fit into the boundary values, so the model is not fit. Because the model is not even fit, it is necessary to modify the model to increase the p-value and decrease the value of RMSEA.

**Model Modification**



**Figure 2.** Path diagram of standardized solution testing results

The results of data analysis after modifying the model can be seen in table 5 below:

**Table 5.**

**Full Structural Model Goodness-Of-Fit Index after Model Modification is performed**

GOODNESS-OF-FIT INDEX		NILAI BATAS	NILAI
NO	Absolute/predictive fit indices		
1	chi square	kecil	351.80
2	Significance probability (P=Value)	$\geq 0,05$	0.00201
3	$X^2/DF$	<2 atau 3	1.26
4	RMR	$\leq 0,10$	0.035
5	SRMR	$\leq 0,08$	0.085
6	RMSEA	$\leq 0,08$	0.051
7	GFI	$> 0,90$	0.79
8	AGFI	$> 0,90$	0.73
Comparative fit indices			
9	NFI	$> 0,90$	0.91
10	IFI	$> 0,90$	0.97
11	CFI	$> 0,90$	0.97
Parsimonious fit indices			
12	PNFI	$> 0,90$	0.78
13	PGFI	$> 0,90$	0.62
14	AIC		

From Figure 2 above it can be seen that the p-value for Chi-Square is  $p = 0.00201$  ( $< 0.05$ ) and the RMSEA value is  $0.051$  ( $\leq 0.08$ ). From table 5 above, it can be seen that almost all values are fit into the boundary value, the price of p-value has increased and the price of RMSEA has decreased so that the model can be said to be fit.

### Model Interpretation

Interpret the model to get the structural equation as follows:

$$\text{MOTIVATION} = (0.05 \times \text{COMPENSATION}) + (0.71 \times \text{COMMITMENT})$$

From Figure 2 above it can be seen that compensation influences employee motivation by 0.05 meaning that each addition of one unit of compensation will increase motivation by 0.05 assuming that the other variables are fixed, while commitment influences motivation by 0.71 for employee motivation. each addition of one commitment unit will increase motivation by 0.71 assuming that the other variables are fixed.

### Hypothesis test

Hypothesis testing is carried out on 2 hypotheses, namely:

Hypothesis 1

Ho: Compensation has no effect on motivation

H1: Compensation affects motivation

Based on Figure 2 it can be seen that the calculation results obtained t-value of 0.44 ( $< 1.96$ ), so that Ho is accepted. This means that compensation does not significantly influence motivation.

Hypothesis 2

Ho: Commitment has no effect on motivation

H2: Commitment affects motivation

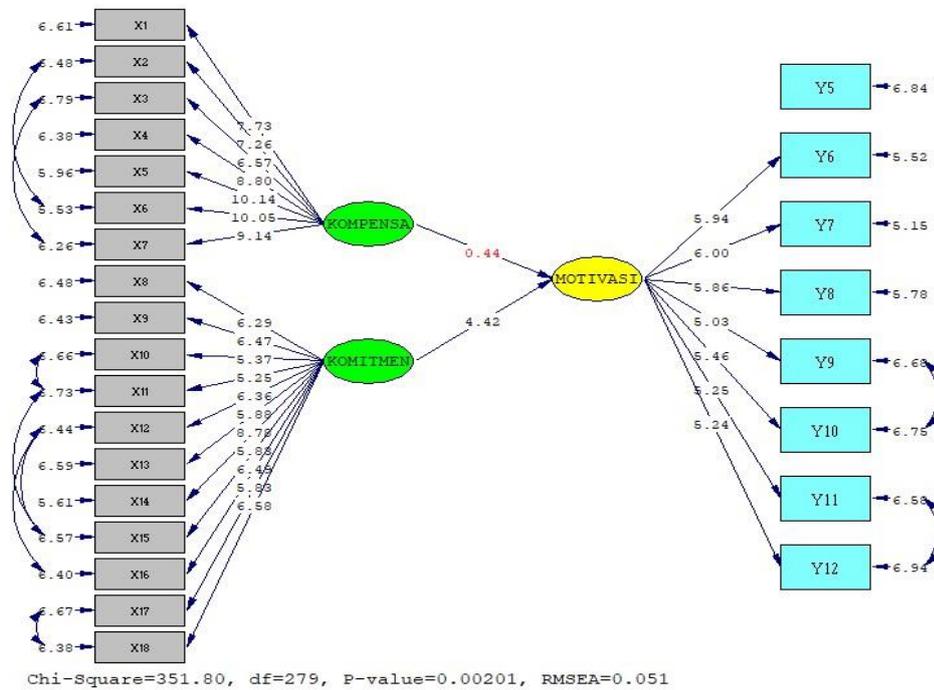


Figure 3. Path diagram of the t-value test results

Based on Figure 3 it can be seen that the calculation results obtained t-value of 4.42 (> 1.96) so that Ho is rejected. This means that commitment significantly influences motivation

Effects of Compensation on Motivation

The results of this study indicate that compensation does not affect the motivation of the employees of Seberang ulu 2 sub-district Palembang for 0.44 (<1.96). The results of this study differ from studies conducted by (Nuraeni, Mattalatta, & Syukur, 2019) and (Ulfa&Dkk, 2000) which state that compensation has a positive and significant effect on motivation. However, this study supports research (Susanto, 2019) which stated that compensation does not significantly affect employee motivation. Research conducted in the sub-District of A, Palembang where compensation did not have a significant effect on motivation because 13% of respondents answered that they disagreed with TPP received in accordance with employee performance, 7% answered that they disagreed that TPP was given according to attendance, 13% answered less agreed TPP has been given fairly in accordance with the workload, 23% answered less agreed TPP made employees on time doing tasks and 13% answered less agreed TPP made employees more enthusiastic in working. From these answers make compensation does not affect the motivation of employees in the A sub-district, because the characteristics that must be fulfilled in the provision of compensation are compensation must be given appropriately, fairly and properly

(Hernita, 2015), (Kenelek& et al, 2016) and (Sutrisno , 2009), however compensation can be used as a tool to achieve employee satisfaction at work (Salisu, Chinyio, & Suresh, 2015). It can be seen from the answers of 61% respondents answered agree and 36% answered strongly agree that TPP can fulfill the needs of employees.

### **Effect of Commitment on Employee Motivation**

Based on Figure 3 above, shows the t-value is 4.42 ( $> 1.96$ ) so that the results of this study is that commitment has a positive and significant effect on employee motivation. If employee commitment is increased it will be followed by increased employee motivation and vice versa, if employee commitment decreases employee motivation will also decrease. This study agrees with research conducted by (Kharismawan et al., 2019) and (Reskanika, Paminto, &Ulfah, 2019) which states that commitment has a positive and significant effect on employee motivation. Thus, employees who have a high commitment will be motivated to be better at work, not give up and maximize work. In order to obtain employees who are responsible, dedicated and loyal to the organization where they work.

## **CONCLUSION AND SUGESTION**

### **Conclusion**

From this study it can be concluded that compensation does not significantly influence employee motivation with a coefficient value of 0.44 ( $<1.96$ ). So the addition of employee compensation may not necessarily increase employee motivation. This means that changes in compensation will not have an impact on employee motivation in the A District of Palembang City.

Commitment has a positive and significant effect on employee motivation with a coefficient of 4.42 ( $> 1.96$ ). These results indicate that the commitment variable has a positive and significant effect on employee motivation.

### **Suggestion**

Suggestions that can be put forward in connection with this research are the need for in-depth analysis of how compensation is given so that compensation can motivate employees and analyze what factors can increase employee commitment.

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