The Effect of Compensation and Work Motivation on Employee Work Productivity through Employee Satisfaction As an Intervening Variable at PT. Tarindo 3 Juwana Pati

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Abstract.
This study aims to analyze the effect of compensation and work motivation on employee work productivity through employee satisfaction as an intervening variable at PT. Tarindo 3 Juwana Pati. The research adopts a quantitative approach, with a sample of 115 respondents obtained through a saturated sampling technique. Data were analyzed using the SEM (Structural Equation Modeling) analysis techniques with the AMOS 24 program. Based on the results of the study it can be concluded that: (1) Compensation has a positive and significant effect on employee satisfaction; (2) Work motivation has a negative but not significant effect on employee satisfaction; (3) Compensation has a positive and significant effect on employee work productivity; (4) Work motivation has a positive and significant effect on employee work productivity; (5) Employee satisfaction has a positive and significant effect on employee work productivity; (6) Employee satisfaction cannot be a mediation of compensation on employee work productivity; and (7) Employee satisfaction cannot be a mediation of work motivation on employee work productivity PT. Tarindo 3 Juwana Pati.

Keywords: compensation, work motivation, employee work productivity, employee satisfaction

1. Introduction

Every company needs production factors that can support the achievement of the desired goals. One factor playing a crucial role in the implementation of the production process is the human factor. The company’s human resources must be able to operate equipment effectively and efficiently because no matter how sophisticated the company’s equipment is, it will not be able to achieve the expected level of productivity if the equipment is not operated effectively and efficiently. Sutrisno (2017:102) believes...
that work productivity is the ratio of work results to the time required to produce products from a workforce.

Companies must be able to motivate employees so that they are encouraged to carry out their duties and can increase overall employee work productivity, creating a conducive work environment. One way to motivate employees to enhance company productivity is by providing compensation. Compensation serves as a reward for services regularly provided by the company to employees for their contribution of energy needed to achieve company goals (Edris & Winahyuningsih, 2019: 239).

Companies must pay attention to motivational aspects in addition to compensation. Employees believe that the company understands their motivation for working to fulfill life's needs, hoping to establish a positive relationship pattern. Therefore, if employees perceive their compensation as inadequate, their work performance, motivation and job satisfaction may decrease. According to Hanafi (2019:294), motivation is something that encourages someone to act or behave in a certain way.

Employee satisfaction increases when managers pay attention to both motivation and compensation. Job satisfaction is an emotional state that can be either pleasant or unpleasant for employees when assessing their work (Handoko, 2014: 193). It reflects a person's feelings towards his job. When employees are satisfied, they tend to complain less and focus more on improving the quality of their work, leading to increased productivity. A company stands to benefit significantly from a manager capable of making decisions and policies based on the performance abilities of its employees.

PT Tarindo 3 is a manufacturing company specializing in the production of water faucets under the trademark “Amico”. This company is situated at Ki Hajar Dewantoro Street Km. 0.5 No. 165 Growong Kidul, Juwana. Pati, Central Java. PT Tarindo 3 is a subsidiary of PT. Tarindo, which consists of 4 parts. The first part encompasses administration, finance and finishing. The second part is dedicated to crafting brass rings, while the third part focuses on producing water faucet pipe frames, collecting brass rings, scraping buckshot, and installing all the frames. The fourth part deals with recycling damaged pipe frames from section 3. Unfortunately, PT Tarindo 3 is facing a challenge as its employees have been unable to meet the production targets set by the company for three consecutive months, from October 2022 to December 2022.

The data in table 1 reveals a decrease in employee work productivity in the last three months of 2022. Another issue pertains to the compensation provided by PT. Tarindo 3 in the form of wages, which are currently below the minimum wage. According to employee interviews, the average daily wage is IDR 50,000, resulting in a monthly
average wage of IDR 1,300,000 for 26 working days. These wages fall short of the minimum wage for Pati Regency in 2023, which is IDR 2,107,697.

The inability to achieve targets for three consecutive months is also attributed to the company's failure to provide motivation that can boost employee enthusiasm. While the company offers full incentives for all parts of the set in the first and second quarters, the incentives provided in the third quarter are only half, and in the fourth quarter, the company offers no incentives at all.

Problems regarding compensation, motivation and employee work productivity at PT. Tarindo 3 have resulted in low employee satisfaction. This is evident from the significant number of employees actively seeking alternative employment (turnover). The number of employees leaving exceeds the number of new hires, indicating that employee satisfaction is less than optimal. The reduction in incentives during the third quarter (June-September 2022) and the non-payment of incentives in the fourth quarter (October-December 2022) have played a role in this discontent.

Research on work productivity has been frequently conducted in previous studies; however, there are still divergent findings. For instance, Handaru et al., (2019:386) discovered a positive and significant correlation between compensation and employee work productivity. In contrast, Febriani et al., (2021:80) reported different results, indicating a negative and significant effect of compensation on employee work productivity.

According to research conducted by Cahya et al. (2021:318), the results indicated that compensation had a positive and significant effect on employee job satisfaction. Meanwhile, research conducted by Hermingsih & Purwanti (2020:590) yielded different

TABLE 1: Production Level Data for the Period June 2022 - December 2022.

<table>
<thead>
<tr>
<th>No</th>
<th>Month</th>
<th>Target (Units)</th>
<th>Achievements (Units)</th>
<th>Percentage</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>June</td>
<td>216.000</td>
<td>241.920</td>
<td>112</td>
<td>Target was achieved</td>
</tr>
<tr>
<td>2</td>
<td>July</td>
<td>288.000</td>
<td>308.736</td>
<td>107</td>
<td>Target was achieved</td>
</tr>
<tr>
<td>3</td>
<td>August</td>
<td>288.000</td>
<td>273.600</td>
<td>95</td>
<td>Target was not achieved</td>
</tr>
<tr>
<td>4</td>
<td>September</td>
<td>259.200</td>
<td>288.000</td>
<td>111</td>
<td>Target was achieved</td>
</tr>
<tr>
<td>5</td>
<td>October</td>
<td>302.400</td>
<td>288.000</td>
<td>95</td>
<td>Target was not achieved</td>
</tr>
<tr>
<td>6</td>
<td>November</td>
<td>316.800</td>
<td>272.160</td>
<td>85</td>
<td>Target was not achieved</td>
</tr>
<tr>
<td>7</td>
<td>December</td>
<td>288.000</td>
<td>224.640</td>
<td>78</td>
<td>Target was not achieved</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,958.400</td>
<td>1,897.056</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data PT. Tarindo February 9, 2023
results, suggesting a negative and significant effect of compensation on employee job satisfaction.

Additionally, research conducted by Mubaroqah & Yusuf (2020:226) revealed that work motivation had a positive and significant effect on employee job satisfaction. However, these results differ from the research conducted by Nadapdap et al. (2022:48), which indicated that work motivation has a negative and significant effect on employee job satisfaction.

Research on the influence of work motivation on employee work productivity was conducted by Nirwana & Haryani (2019:88) revealing that work motivation had a positive and significant effect on employee work productivity. In contrast, research conducted by Nangoy et al. (2020) found that work motivation had a positive but not significant effect on employee work productivity.

Furthermore, research conducted by Ordelia & Andani (2022:218) indicated that employee job satisfaction had a positive and significant influence on employee work productivity. This is different from research conducted by Krismanto & Sari (2021) which suggested that job satisfaction had a negative influence on employee work productivity.

Based on the problems above, the aim of this research is to determine the effect of compensation and work motivation on employee work productivity through employee satisfaction as an intervening variable at PT. Tarindo 3 Juwana Pati.

The theoretical framework for this research, as explained in Figure 1, is derived from the issues outlined above.

![Figure 1: Theoretical Framework.](image)

- **H1**: Compensation influences employee satisfaction at PT. Tarindo 3 Juwana Pati.
- **H2**: Work motivation influences employee satisfaction at PT. Tarindo 3 Juwana Pati.
- **H3**: Compensation influences employee work productivity at PT. Tarindo 3 Juwana Pati.
- **H4**: Work motivation influences employee work productivity at PT. Tarindo 3 Juwana Pati.
H₁: Employee satisfaction influences employee work productivity at PT. Tarindo 3 Juwana Pati.

2. Method

This research uses a quantitative approach. As defined by Thoifah (2015: 155), quantitative research is a process of acquiring knowledge using numerical data as a tool to gather information about the subject of interest. The population for this research comprises all employees in the production department of PT. Tarindo 3, totaling 115 employees. The sampling technique employed in this research is saturated sampling, wherein all members of the population are included as samples (Sujarweni, 2014: 72). Therefore, the number of samples in this research is 115 employees.

3. Result and Discussion

3.1. Presenting the Results

The number of male respondents was 63 respondents (55%), while the number of female respondents was 52 respondents (45%). This indicates that the majority of employees at PT. Tarindo 3 are male.

In terms of age distribution, 46 respondents (40%) fell within the 29-39 years age group, 38 respondents (33%) were over 40 years old, and 31 respondents (27%) were aged between 18 and 28 years. This suggests that employees at PT. Tarindo 3 are predominantly in the 29-39 years age range.

Regarding educational background, 63 respondents (55%) had high school/vocational education, and 52 respondents (45%) had junior high school education. Notably there were no employees with a bachelor’s level education in the production department.

In terms of work experience, 52 respondents (45%) had worked for more than 5 years, 37 respondents (32%) had a 2-5 years of experience, and 26 respondents (23%) had less than 2 years of service.

Based on the hypothesis testing table 2, it can be explained as follows:
TABLE 2: Hypothesis Testing.

<table>
<thead>
<tr>
<th></th>
<th>C.R.</th>
<th>P</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee_Satisfaction &lt;—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>2.658</td>
<td>0.008</td>
<td>Accepted</td>
</tr>
<tr>
<td>Employee_Satisfaction &lt;—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work_Motivation</td>
<td>-0.449</td>
<td></td>
<td>Rejected</td>
</tr>
<tr>
<td>Employee_Work Productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>3.120</td>
<td>0.002</td>
<td>Accepted</td>
</tr>
<tr>
<td>Employee_Work Productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work_Motivation</td>
<td>2.962</td>
<td>0.003</td>
<td>Accepted</td>
</tr>
<tr>
<td>Employee_Work Productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee_Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.444</td>
<td>0.015</td>
<td></td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Sources: AMOS Analysis Results, 2023

3.1.1. Hypothesis 1 The Effect of Compensation on Employee Satisfaction

The results of data processing indicated that the CR (Critical Ratio) value concerning the influence of compensation on employee satisfaction is 2.658, which is greater than 1.96. Additionally, the associated P-value is 0.008 which is less than 0.05. The CR value exceeding 1.96 indicates a positive effect, and the P – value being smaller than 0.05 signifies significance. Therefore, based on this analysis, it can be concluded that compensation has a positive and significant effect on employee satisfaction at PT. Tarindo 3 Juwana Pati. Consequently, Hypothesis 1 is accepted.

3.1.2. Hypothesis 2 The Effect of Work Motivation on Employee Satisfaction

The results of data processing indicated that the CR (Critical Ratio) value for the influence of work motivation on employee satisfaction is -0.449, which is less than 1.96. Additionally, the associated P-value is 0.653 which is greater than 0.05. The CR value being smaller than 1.96 suggests a negative effect, and the P – value being greater than 0.05 indicates insignificance. Therefore, based on this analysis, it can be concluded that work motivation has a negative and statistically non-significant effect on employee satisfaction at PT. Tarindo 3 Juwana Pati. Consequently, Hypothesis 2 is rejected.

3.1.3. Hypothesis 3 The Effect of Compensation on Employee Work Productivity

The results of data processing indicated that the CR (Critical Ratio) value concerning the influence of compensation on employee work productivity is 3.120, which is greater than 1.96. Additionally, the associated P-value is 0.002 which is less than 0.05. The CR
value is greater than 1.96 indicates a positive effect, and the P – value being smaller than 0.05 signifies significance. Therefore, based on this analysis, it can be concluded that compensation has a positive and significant effect on employee work productivity at PT. Tarindo 3 Juwana Pati. Consequently, Hypothesis 3 is accepted.

3.1.4. Hypothesis 4 The Effect of Work Motivation on Employee Work Productivity

The results of data processing indicated that the CR (Critical Ratio) value concerning the influence of work motivation on employee work productivity is 2.962, which is greater than 1.96. Additionally, the associated P-value is 0.003 which is less than 0.05. The CR value is greater than 1.96 indicates a positive effect, and the P – value being smaller than 0.05 signifies significance. Therefore, based on this analysis, it can be concluded that work motivation has a positive and significant effect on employee work productivity at PT. Tarindo 3 Juwana Pati. Consequently, Hypothesis 4 is accepted.

3.1.5. Hypothesis 5 The Effect of Employee Satisfaction on Employee Work Productivity

The results of data processing indicated that the CR (Critical Ratio) value concerning the influence of employee satisfaction on employee work productivity is 2.444, which is greater than 1.96. Additionally, the associated P-value is 0.015 which is less than 0.05. The CR value is greater than 1.96 indicates a positive effect, and the P – value being smaller than 0.05 signifies significance. Therefore, based on this analysis, it can be concluded that employee satisfaction has a positive and significant effect on employee work productivity at PT. Tarindo 3 Juwana Pati. Consequently, Hypothesis 5 is accepted.

3.1.6. Mediation Test

Based on the results of data processing carried out by researchers, an analysis of the total influence analysis can be observed. This analysis is performed to determine the magnitude of the influence among construct variables, including direct influence, indirect influence and total influence. The details of the total influence analysis are presented in the following table.

Based on the table above, after conducting a mediation test, it can be seen that compensation has a direct influence of 0.485 on employee work productivity, which is
greater than the indirect influence of 0.119. Thus, it can be concluded that employee satisfaction cannot mediate the influence of compensation on employee work productivity. Similarly, work motivation has a direct influence of 0.391 on employee work productivity, which is greater than the indirect influence of -0.018. Therefore, it can be concluded that employee satisfaction cannot mediate the influence of work motivation on employee work productivity.

3.2. Discussion

3.2.1. The Effect of Compensation on Employee Satisfaction

Based on the results of testing hypothesis 1 (H₁) in this research, it is evident that compensation has a positive and significant effect on employee satisfaction at PT Tarindo 3 Juwana. This implies that an increase in the compensation provided by the company leads to a corresponding increase in employee satisfaction. Compensation, as remuneration received by employees for their work, is crucial for fulfilling physical needs, social status and egoistic needs, contributing to overall employee satisfaction. The stimulation provided by this compensation can enhance employees’ job satisfaction.

These findings align with research conducted by Cahya et al. (2021), Sholihin (2021), and Hidayat, (2021), which also highlighted the positive and significant effect of compensation on employee satisfaction. However, it’s worth noting that research by Hermingsih & Purwanti (2020) yielded different results, indicating a negative and significant effect of compensation on employee satisfaction. Similarly, research by L. P. Siregar et al. (2021) revealed contrasting results, suggesting a negative but not significant effect of compensation on job satisfaction.
3.2.2. The Effect of Work Motivation on Employee Satisfaction

Based on the results of testing hypothesis 2 (H₂) in this research, it shows that work motivation has a negative but not significant effect on employee satisfaction at PT Tarindo 3 Juwana. This suggests that work motivation fails to contribute to an increase in the employee satisfaction variable within the organization. The work motivation (encouragement) experienced by PT Tarindo 3 employees differs significantly, both internally and externally. Fulfilling motivation for PT Tarindo 3 employees possess challenges, particularly concerning internal motivation, as motivation is something that exists within a person and is not visible from the outside (Hanafi, 2019: 294). Therefore, employee satisfaction cannot be gauged solely through work motivation which tends to be subjective.

The findings of this research align with research conducted by Mappamiring (2020) and Harahap & Khair (2019), indicating a negative yet non-significant correlation between work motivation and employee satisfaction. Conversely, Ginting & Siagian (2021) and Suroto et al. (2023) found different results, asserting that work motivation exerts a positive and significant influence on employee satisfaction.

3.2.3. The Effect of Compensation on Employee Work Productivity

Based on the results of testing hypothesis 3 (H₃) in this research, it is evident that compensation has a positive and significant impact on the employee work productivity of PT Tarindo 3 Juwana. This implies that an increase in the compensation provided by the company will lead to a corresponding increase in employee work productivity. Adequate compensation tailored to the employee’s role encourages them to remain with the company and sustain their commitment to their work. Therefore, providing appropriate compensation strongly influences employee work productivity at PT Tarindo 3 Juwana.

The results of this research are supported by research from Handaru et al. (2019), Suryadewi et al. (2020), and Oktavianti et al. (2022) which assert a positive and significant influence on compensation on employee work productivity. In contrast, Febriani et al. (2021) reported different results, indicating a negative and significant effect of compensation on employee work productivity, while Sutrisnowati & Hidayat (2023) stated that compensation had a negative but not significant effect on employee work productivity.
3.2.4. The Effect of Work Motivation on Employee Work Productivity

Based on the results of testing hypothesis 4 ($H_4$) in this research, it shows that work motivation has a positive and significant effect on the work productivity of PT Tarindo 3 Juwana employees. This implies that an increase in employee work motivation will result in a corresponding increase in work productivity. Work motivation reflects the conditions that instill in employees the determination to achieve specific goals by performing tasks. Employees at PT. Tarindo 3 receive substantial external motivation such as positive relationships with colleagues, favorable working conditions and facilities, and recognition from superiors. These factors contribute to the employees of PT. Tarindo 3 choosing to remain loyal to the company and enhancing their productivity.

The results of this research align with studies by Nirwana & Haryani (2019), Khairani et al. (2022) and Nurnaningsih & Tabe (2019), all of which affirmed the positive and significant influence of work motivation on employee work productivity. In contrast, research conducted by Nangoy et al. (2020) suggested a positive but non-significant effect of work motivation on employee work productivity. Additionally, Haslindah et al. (2020) stated that work motivation has a negative but not significant effect on employee work productivity.

3.2.5. The Influence of Employee Satisfaction on Employee Work Productivity

Based on the results of testing hypothesis 5 ($H_5$) in this research, it is evident that employee satisfaction has a positive and significant effect on employee work productivity of PT Tarindo 3 Juwana. This indicates that if employee satisfaction increases, employee work productivity will also increase. A significant factor contributing to employee satisfaction at PT. Tarindo 3 is the promotion system implemented by the company, which is perceived positively by most employees. The perception of fair treatment, where equal opportunities for promotions are provided, encourages employees to strive for increased productivity. Apart from that, employees of PT. Tarindo 3 also express their satisfaction with their relationships with colleagues and superiors.

The results of this research are in line with research conducted by Ordelia & Andani (2022), Sulaiman & Talli (2020) and Daoed (2020), all of which stated that employee satisfaction has a positive and significant effect on employee work productivity. In contrast, study conducted by Krismanto & Sari (2021) reported different result, suggesting...
a negative effect of employee satisfaction on work productivity. Meanwhile Skripsia (2023) also added that employee satisfaction has a positive but not significant effect on employee work productivity.

3.2.6. The Effect of Compensation on Employee Work Productivity Through Employee Satisfaction

Based on the results of the analysis of the indirect influence between compensation through employee satisfaction on employee work productivity in this research, it shows that the statistical calculation coefficient for the direct influence is 0.485 while the indirect influence is 0.119. It can be concluded that employee satisfaction does not mediate the influence of compensation on employee work productivity.

The results of this research align with the studies conducted by Nurhasan & Nugroho (2023), Dharma & Candana (2020) and Anggitaningsih & Handriyono (2019), all of which asserted that the direct influence of compensation on employee work productivity is greater than the indirect influence of employee satisfaction. On the contrary, research from Lestari (2019) and Suroto et al. (2023) suggested that job satisfaction can mediate the relationship between compensation and employee work productivity.

3.2.7. The Influence of Work Motivation on Employee Work Productivity Through Employee Satisfaction

Based on the results of the analysis of the indirect influence between work motivation through employee satisfaction on employee work productivity in this research, it shows that the statistical calculation coefficient for the direct influence is 0.391 while the indirect influence is -0.018. Thus, it can be concluded that employee satisfaction does not mediate the influence of work motivation on employee work productivity.

The results of this research are consistent with the study conducted by Suroto et al. (2023) who claimed that the direct influence of work motivation on employee work productivity is greater than the indirect influence of employee satisfaction. However, the results of this research are not in line with the research conducted by Andika et al. (2019) and Dharma & Candana (2020) which stated that job satisfaction can mediate the relationship between work motivation and employee work productivity.
4. Conclusion

Compensation has a positive and significant effect on employee satisfaction of PT. Tarindo 3 Juwana. This implies that an increase in the company’s compensation positively correlates with an increase in employee satisfaction, as it allows employees to better fulfill their needs. Work motivation, while negatively impactful, does not show statistical significance in affecting employee satisfaction at PT. Tarindo 3 Juwana. This indicates that work motivation does not substantially contribute to the enhancement of employee satisfaction.

Furthermore, compensation has a positive and significant effect on employee work productivity of PT. Tarindo 3 Juwana. This signifies that an increase in company-provided compensation leads to a corresponding increase in employee work productivity. On the other hand, work motivation exhibits a positive and significant effect on employee work productivity of PT. Tarindo 3 Juwana. This indicates that an elevation in employee work motivation contributes to an increase in work productivity. Additionally, employee satisfaction also has a positive and significant effect on employee work productivity of PT. Tarindo 3 Juwana, meaning that an increase in employee satisfaction results in a parallel increase in employee work productivity.

For future research, consideration could be given to exploring additional variables that influence productivity, such as training, employee abilities, and the dynamics of the relationship between superiors and subordinates, which were not examined in this study.

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References


