

Conference Paper

Remuneration, Motivation, and Performance: Employee Perspectives

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Abstract

Remuneration is a reward from company/ institution for their employees [3]. There are some conflicts between employee and employer. Therefore, this research aims to examine the influence of motivation and remuneration on performance from employee perspective. The sample technique is convenience sampling. Data were analysed using WARP PLS 5.0. The result shows motivation significantly influence employee performance. Hence the rise of employee motivation will leads to better performance. However, remuneration does not effects performance of employees. This is because that the remuneration is a result. In other words, the remuneration is the reward of all the efforts that has been done by the employee. Hence it is not a driving factor for employee to improve their performance. Therefore this research has huge contribution for remuneration theory that applied in institutions. In addition, future research should be able to use a qualitative approach in order to obtain better understanding.

Keywords: remuneration; motivation; performance; employee perspective

1. Introduction

Semarang State University (UNNES) is one of the universities in Central Java and has been growing rapidly. One faculty is the Faculty of Economics UNNES which has experienced significant growth from year to year. Therefore, the Faculty of Economics requires serious escort in order to develop better and contribute to UNNES. However, over time appear obstacles that would complicate steps institution. This constraint comes from internal and external disturbing manifestation of good university governance. The main obstacle is conflicts between employee job-related issues. Therefore, institutions are required to provide a solution for the creation of a comfortable working

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environment. Furthermore, Sutrisno (2012) revealed that the agency is required to provide a good working environment. One way to create a good working environment is the provision of incentives or awards for achievement of work performed by employees. This is according to Anthony and Govindarajan (1992) which states that one way to improve performance is to provide incentives. The incentive scheme may be rewarded, direct allowances, bonuses and remuneration. Hence, incentive is important to stimulus employee performance. In contrary, the conditions that occur in the field tend to be different, a remuneration which was used as an incentive it gives new problems. It is seen from the gap between remuneration of employee at the Faculty of Economic and work quality. This gap led to conflicts among employees. Based on this problem, the paper focused on the influence of remuneration and motivation on performance from employee perspective.

Incentive theory explains that the bonuses and extra facilities to employees can improve employee performance and improve company performance [3]. This theory embraces that managers and employees will be more diligent in their work if they are given the promise of additional material and other amenities. Furthermore, Aziz and Naid (2010) states that the incentive payment can increase employee motivation, loyalty, productivity of the organization and the relationship between employee. Hence, incentive can be a motive for employee to improve their work ability. In addition, work motivation can give positive impact in enhancing performance [15]. Therefore, incentive system is important for the company's sustainability.

2. Hypotheses Development

2.1. Remuneration and performance

Remuneration is the reward that comes from an employer to an employee for services rendered or work done by the employee [8]. Remuneration is one of the incentives that are capable of triggering an increase in the employee. Herzberg (1966) states that there are Two Factors Theory is there are six terms as the carrier of satisfaction include (a) achievements, (b) recognition (recognition), (c) the work itself, (d) responsibility, (e) the opportunity to improve career and (f) a good incentive. Good incentive is often regarded as remuneration by the employees. Further research Gustika (2013) states that the remuneration improves the performance of employees at the National Police in Pasaman. Therefore, the remuneration has a significant impact on employee performance. This is consistent with the opinion of Webb (2007) which states that

leaders use to improve the performance reward his followers. Hence, this paper aims to examine the influence of remuneration on employee performance.

H1: Remuneration affects employee performance.

2.2. Motivation and performance

Motivation is an impulse in a person to perform a specific activity (Martoyo, 1994). In other words that motivation is a desire to encourage an employee to perform a particular activity. This is consistent with the results of the study Ajzen (1991) that the motivational factor influences on behavior. Someone will work with the maximum if it has a strong motivation. Therefore, if employees have high work motivation, then the performance will i

ncrease. This is because, possessing high dedication and drive in him to show his best performance for the sake of personal satisfaction. Furthermore, Dobre (2013) and Ganta (2014) stated that the motivation of employees will always improve the quality of work and the performance of the institution. Hence this paper aims to examine the influence of motivation on employee performance.

H2: Motivation affects employee performance.

3. Materials and Methods

This study applied quantitative method. Data obtained from respondents who are whole educational staff at the Faculty of Economics. The total number of respondents was 30 employees. This study used a questionnaire that applied likert scale. The analysis tool used is PLS WARP 5.0 According to Table 1. List of respondents, indicates that survey respondents have included a whole division in the Faculty of Economics such as staff from departments, general, academic, student affairs, public administration, and laboratory.

TABLE 1: List of Respondents.

| Division | Total | Division | Total | Division | Total |
|----------------|-----------|-----------------|-------|----------|-------|
| Department | 4 | Academic | 1 | General | 15 |
| Finance | 4 | Students Affair | 1 | Laboran | 1 |
| Accounting | 3 | Administration | 1 | | |
| Overall | 30 | | | | |

Source: Data Processing, 2016

4. Results and Discussion

4.1. Test of validity and reliability

TABLE 2: Validity Test.

| | X ₁ | X ₂ | Y | P Value |
|------|----------------|----------------|---------|---------|
| X1.1 | (0.949) | 0.086 | -0.050 | 0.016 |
| X1.2 | (0.927) | -0.103 | 0.060 | 0.011 |
| X2.1 | 0.004 | (0.967) | 0.133 | <0.001 |
| X2.2 | 0.199 | (0.826) | 0.009 | <0.001 |
| X2.4 | -0.238 | (0.852) | -0.043 | <0.001 |
| X2.5 | 0.028 | (0.943) | -0.136 | <0.001 |
| Y1 | -0.037 | -0.127 | (0.831) | <0.001 |
| Y2 | -0.065 | -0.260 | (0.814) | <0.001 |
| Y8 | 0.198 | 0.165 | (0.759) | 0.012 |
| Y10 | -0.214 | 0.252 | (0.825) | <0.001 |
| Y11 | 0.027 | -0.091 | (0.803) | <0.001 |
| Y12 | 0.101 | -0.056 | (0.849) | 0.005 |

Source: Data Processing, WARP PLS, 2016

The validity test of which is done by using Confirmatory Factor Analysis in Table 4.1 shows that there is some residual error. However, overall the loading factor above 0.7 and P value less than 0.05, which means that the test results declared valid.

Reliability test is based on a composite value of reliability with the provisions to be declared reliable if the value for each variable in the above 0.7. Reliability testing results are shown in Table 4.2 shows that the entire variable has a value Composite Reliability above 0.7, which means that each variable is declared reliable. Therefore,

based on the results of validity and reliability can be concluded that the research data was valid and reliable so it is worth testing the hypothesis.

TABLE 3: Composit Reliability.

| | <i>Composit Reliability</i> |
|----|-----------------------------|
| X1 | 0.936 |
| X2 | 0.944 |
| Y | 0.922 |

Source: Data Processing, WARP PLS, 2016

4.2. Hypotheses testing

Evaluation model

TABLE 4: Model of Evaluation.

| Element | Value | Value Limit | Explanation |
|--|---|---|--|
| <i>Adjusted R²</i> | 0,432 | <= 0,7, strong <= 0,45, moderat <= 0,25, weak | Moderat |
| <i>Effect Size</i> | 0,489 | >= 0,35, big | big |
| <i>Q² preditive relevance</i> | 0,505 | > 0 | has <i>predictive relevance</i> |
| APC | 0,006 | < 0,05 | good |
| ARS | 0,006 | < 0,05 | good |
| AARS | 0,023 | < 0,05 | Baik |
| AVIF dan AFVIF | 1,062; 1,675 | Ideal <= 3,3 | Ideal |
| <i>Goodness Tenenhaus</i> | 0,617 | Ideal >= 0,36 | Ideal |
| RSCR | 0,994 | accepted if >=-0,9 | accepted |
| SSR | 1 | accepted if >=0,7 | accepted |
| NLBCDR | 1 | accepted if >= 0,7 | accepted |
| <i>Signifikansi</i> | H ₁ : X ₁ Y 0,461 H ₂ : X ₂ Y <0,001 | < 0,05 | H ₁ rejected H ₂ accepted |

Source: Data Processing, WARP PLS, 2016

Based on the data using PLS 5.0 WARP hypothesis test results show the value of p = 0.461 and pX2 X1 = <0.001 so that it can be concluded that the H1 was rejected while the H2 is accepted.

TABLE 5: Result of Hypothesis Test.

| Model | Signifikansi | A | Hypothesis |
|-----------------------------------|--------------|------|-------------------------|
| H ₁ : X ₁ Y | 0,461 | 0,05 | H ₁ rejected |
| H ₂ : X ₂ Y | <0,001 | 0,05 | H ₂ accepted |

Source: Data Processing, WARP PLS, 2016

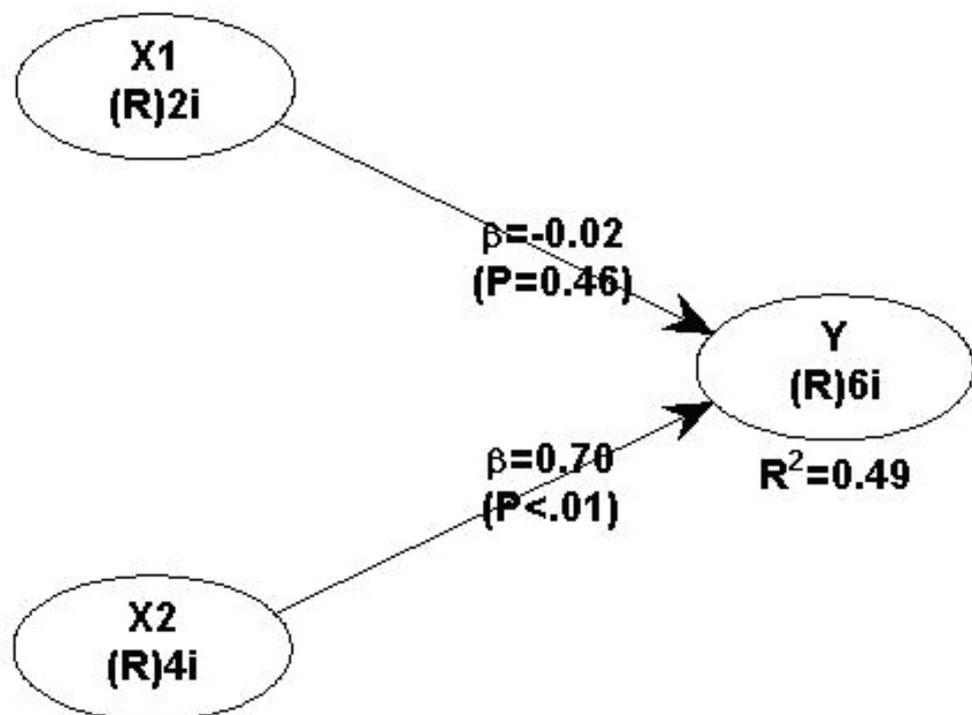


Figure 1: Result of Model by WARP PLS 5.0.

4.3. Effect of remuneration (X1) on employee performance

Table 5 shows that sig. variable remuneration is 0.461 so larger than 0:05. Therefore it can be concluded that the remuneration does not affect the performance of employees. This result is contrast with research by Gustika (2013) who states the remuneration affects the performance of police. Furthermore, this study also found that the majority of employees still feel that the remuneration they receive are not match with the performance they have given to the institution. Employees felt that the classification of remuneration to make the amount of money they earn does not correspond. This study shows that employee performance is not affected by the size of their remuneration. Hence, remuneration is result of their high performance, and it is not a trigger factor. Moreover, Surya (2004) states that remuneration is a reward for

employee performance. Then, Hernawan et al (2014) states that remuneration affect managerial performance and it does not affect the performance of a regular employee who is not at the level managerial. Hence, remuneration is reward for managerial level. However, organization must consider equally for implementation of remuneration [6]. Organization has a duty to create a good climate for all employee level, not only for managerial level.

4.4. Effect of motivation (X₂) on employee performance

Table 5 shows that sig. motivation variable is 0.001 so it can be concluded motivation influence on employee performance. The higher motivation, then the performance will increase. This is according to research Widyastuti (2010) and Brown (2011) which states that the more good motivation to work the better the performance of employees. Furthermore, if a person has a high spirit it will be able to provide strength in him to do the job as best as possible with all the potential itself. Motivation is one factor that is able to improve someone's performance. Motivation can be created through several processes including self-development, training, and culture. Motivation is composed of two types of intrinsic and extrinsic [12]. In addition, the motivation it can also be classified into three things: economic motivation, family motivation, motivation environment. Therefore, some ways that should be done by the employer to establish the motivation of the employees in order to create a good employee performance. One ways is to provide a motivator within the company to increase the motivation of the employees. This is consistent with research Lahai et al (2004) which states that the existence of an entity motivator strongly encourage employee performance improvement. Additionally institution can increase the motivation of employees through the implementation of culture [5]. This culture can be interpreted that the agencies apply the ethics between leaders and subordinates are adapted to the customs of the Indonesian nation without promoting selfishness and racism.

5. Conclusion

This research shows remuneration does not affect the performance of employees. Remuneration is the reward of all the effort or the work done by employees. Therefore, the remuneration is not a driving factor for someone to improve their performance. Moreover, companies must consider the principle of fairness in implementation of

remuneration [6]. Meanwhile, motivation has significant effect on employee performance. Hence, the rise of motivation will leads to improve the performance. One of the ways to improve employee performance is implementation of human resources development policy [14]. Therefore this research has huge contribution for remuneration theory that applied in institutions. In addition, future research should be able to use a qualitative approach in order to obtain better understanding.

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