Compensation and Working Time in Relation to Employee Performance

Mulyono¹, Decky Hendarsyah²*, Saiful Bahri³

dekydb@gmail.com²*

STIE Syariah Bengkalis, Sungai Alam, Kec. Bengkalis, Kabupaten Bengkalis, Riau, Indonesia

Received Date : 07.03.2024
Revised Date : 20.03.2024
Accepted Date : 27.04.2024

ABSTRACT

This research aims to analyze empirically and show the influence of compensation and working time on employee performance. This research uses a descriptive quantitative approach with primary and secondary data sources through questionnaires and literature. The research population was all employees at Meskom Agro Sarimas Company Bengkalis totaling 105 people. The sampling technique used simple random sampling while measuring the number of samples used the Isaac and Michael approach size of 79 people. The data analysis technique uses multiple linear regressions with the help of SPSS software. Before the analysis, validity, reliability, classical assumptions, and hypotheses were tested. The research results show that compensation has a positive effect on employee performance. Working time has a positive effect on employee performance. Compensation and working time simultaneously influence employee performance. Theoretically, this research can complement existing theories. Practically, this research can be used as a reference for companies to improve the performance of their employees, especially in terms of compensation and working time.

Keywords : Employee Performance; Compensation; Working Time; Management; Company

ABSTRAK


Kata Kunci : Kinerja Karyawan; Kompensasi; Waktu Kerja; Manajemen; Perusahaan
INTRODUCTION

In the current era of Industrial Revolution 4.0, the business world is required to improve employee performance further to develop the company. Many factors influence the success of a company; one important factor is human resources (Šebestová & Popescu, 2022). Achieving company goals depends on modern equipment, complete facilities and infrastructure, and the people who carry out the work (Manshur & Hermansyah, 2021). To achieve company goals, company leaders must develop human resources and coordinate and direct them to achieve better employee performance (Tien et al., 2021).

Competition in various sectors makes the management process and maintenance of company management increasingly receive serious attention from all elements within the company (Prado-Prado et al., 2020). Companies must create a solid managerial system that can keep up with current developments and is supported by employees who perform well (Sugiarti, 2021). However, if one looks at the phenomenon at the research site in recent years, employees leave significantly yearly because of resigning or being fired. Resignations occur due to dissatisfaction with compensation and working time, while dismissals occur because employee performance decreases, which is also caused by compensation and working time.

Employee performance has its phenomenon or problem, so research shows an increase in the last decade. In the last three years, research on employee performance has increasingly been studied by researchers worldwide, including Joplin et al. (2021), who studied employee performance at three financial institutions in the United States. Talukder & Galang (2021) studied employee performance in financial sector companies in Sydney, Australia. Mrak & Kvasić (2021) studied employee performance at twenty-four hotels in Croatia. López-Cabarcos et al. (2022) studied employee performance in Spain’s industry. Jin & Kim (2022) studied employee performance in manufacturing companies in South Korea.

Nsiah et al. (2022) studied employee performance in the poultry farming sector in Ghana. Li et al. (2022) studied employee performance in twenty companies in China. (Deole et al., 2023) studied employee performance during the Covid-19 pandemic in the United Kingdom. Nyathi & Kekwaletswe (2023) studied employee and organizational performance in thirty-five African companies. Vuong & Hieu (2023) studied employee performance at commercial banks in Vietnam. Abaker et al. (2023) studied employee performance at two companies in the United Arab Emirates. Pattnaik & Tripathy (2023) studied employee performance in the public sector in India. This research has different methods, factors, places and results. However, none of this research has examined compensation factors and working time influencing employee performance.

Previous research regarding the effect of compensation on employee performance was conducted by Syahreza et al. (2017); Ramli (2018); Gunawan & Gunawan (2019); Efendi et al. (2020); Nguyen et al. (2020); Manshur & Hermansyah (2021); Azmy (2022); Ardian et al. (2023); Yulia et al. (2023) who found that compensation had a positive effect on employee performance, but this research did not examine the influence of working time factors on employee performance. Different from previous research conducted by Riyanto et al. (2017); Idris et al. (2020); Rinny et al. (2020); Rojikinnor et al. (2023) found that compensation did not affect employee performance, but this research also did not examine the influence of working time factors on employee performance.

Previous research regarding the effect of working time on employee performance was conducted by Osisioma et al. (2015); Daniel & Santeli (2020); Shadare & Olaniyan (2021); Soeryanto & Soemadi (2023) found that flexibility or effectiveness of working time has a positive effect on employee performance, but this research did not examine the
influence of compensation factors on employee performance. In contrast to research conducted by Igbokwe et al. (2020); Immawati (2022) found that working time has a negative effect on employee performance, but this research also did not examine the influence of compensation factors on employee performance. In contrast to research conducted by Orpen (1981); Chow & Chew (2006); Altindag & Siller (2014); Yuliati et al. (2023) who found that working time did not affect employee performance, but this research also did not examine the influence of compensation factors on employee performance. Based on the facts in the literature from previous research, there are visible gaps in results and differences in studies, thus placing this research in a different position. It is essential to carry out further studies with different data and objects. Therefore, this research aims to analyze empirically and show the influence of compensation and working time on employee performance.

Agency theory is a relationship based on a contract where one or more people (principals) employ other people (agents) to perform a service on behalf of the principal, thereby giving the agent some of the principal's power in making decisions (Jensen & Meckling, 1976). An agent is the executor of a contract to carry out specific tasks for the principal. Meanwhile, the principal is the contract maker and compensates the agents (Hendriksen & Breda, 1992). One way to align the goals of the principal and agent is a reporting mechanism through information. Information can reduce uncertainty and risks to principals and agents By its nature, agency relationships become problematic if the personal interests of the principal and agent differ (Jensen & Meckling, 1976). Agency theory is based on two behavioral assumptions; the first assumes that individuals try to maximize their utility, and the second assumes that individuals tend to benefit from contract incompleteness (Zogning, 2017).

Leadership using the path-goal model is effective leadership due to the motivational influence of the leader (House, 1971). The leader's influence is in the form of perceptions of work goals, self-development goals in achieving desired targets, and satisfaction of employees and subordinates. This theory has several dimensions of leader behavior, such as leader initiation structure, consideration, authoritarianism, hierarchical influence, and close supervision (House, 1971). The proposition is that leaders are expected to effectively engage in behavior that complements the environment and subordinates' abilities, in a way that compensates for deficiencies and plays a vital role in subordinate satisfaction and individual and work unit performance (House, 1996). This theory is related to how formally appointed leaders influence the motivation and satisfaction of their subordinates, so it is related to supervision theory, which discusses the direct influence of leaders on subordinates (House, 1996).

Attribution theory was introduced by Heider (1958) who stated that attribution is part of a person's factors (ability, experimentation) or the environment which have broad implications for behavior. The attribution process is similar to scientific procedures in that covariance is examined across situations, people, time, and modalities (Kelley, 1967). Additionally, without complete covariation information, people use causal rules or schemas to account for events. Attribution theory emphasizes causal cognition with a reasonable direction for formulating a general theory in which thoughts are systematically related to actions (Weiner, 1985). Cognitive behavior theories aim to specify the relationship between actions and thoughts. So it can be formulated that attribution theory is a field of social psychology which aims to explain how individuals determine the cause of an event or behavior and the consequences of this attribution for their subsequent behavior (Schmitt, 2015).
Performance theory, in this case, is a psychological theory about the process of a person's work behavior so that it produces something that is the goal of their work (Tosi et al., 1991). Performance can also be said to be the result of a process that is referred to and measured over a certain period based on conditions or agreements that have been previously established (López-Cabarcos et al., 2022). In general, performance is defined as a person's success in carrying out a job. Performance is an actual form of values, beliefs, and understanding held and based on strong moral principles. It can also be a motivation to produce quality work (Paais & Pattiruhu, 2020). Performance indicators consist of work quality, quantity, timeliness, effectiveness, independence and commitment (Robbins & Judge, 2007).

Compensation is a situation where wages follow the reality received by employees (Mobley, 1982). Compensation can also be everything employees receive, whether financially or non-financial (Jaleta et al., 2019). Compensation also comes from internal and external companies (Robbins & Judge, 2007). Compensation also includes all kinds of things employees receive from the company in direct or indirect wages (Jaleta et al., 2019; Pangastuti et al., 2020). Compensation indicators include wages, incentives, allowances, bonuses and facilities (Hidayati & Zulher, 2022).

Working time is used to complete work, which can be done day or night (Patmawati et al., 2023). Working time can be defined as time spent on productive activities (Vallo & Mashau, 2020). Working time is a factor that employees must pay attention to, which can affect employee productivity and company goals. With flexible working times and a more comfortable environment, employees can choose when they are most productive or effective at work (Patmawati et al., 2023). Actual working time includes standard time and overtime so that the average actual working time can exceed standard hours (Vallo & Mashau, 2020). However, the company also determines working time limits, rest time provisions, and overtime compensation (Patmawati et al., 2023). Working time must be arranged family-friendly, facilitating compatibility between work and other life domains (Uglanova & Dettmers, 2018). Job flexibility in work time and location is related to better work-family balance and time adequacy (Uglanova & Dettmers, 2018). Working time indicators include working hours, overtime and rest time (Karhula et al., 2020; Patmawati et al., 2023; Uglanova & Dettmers, 2018; Vieten et al., 2022).

Compensation is everything that employees receive, both financial and non-financial, from the company following the contract agreed upon by the company (principal) and employee (agent). If it follows the contract, providing compensation by the principal will, of course, affect employee performance. Apart from that, employees will also feel satisfied with the compensation given. This level of satisfaction is a behavior that will determine subsequent behavior, when employees feel satisfied with the compensation they receive, their performance will increase (Ren et al., 2017). Psychologically, when someone feels satisfied, they will automatically be more enthusiastic; this enthusiasm will improve their performance. Previous research conducted by Syahreza et al. (2017); Ramli (2018); Gunawan & Gunawan (2019); Indriani & Wirawan (2019); Efendi et al. (2020); Hartati (2020); Nguyen et al. (2020); Pangastuti et al. (2020); Saban et al. (2020); Saman (2020); Soullisa et al. (2020); Manshur & Hermansyah (2021); Nurfauziah et al. (2021); Sitopu et al. (2021); Azmy (2022); Hidayati & Zulher (2022); Ardian et al. (2023); Lingga et al. (2023); Maizar et al. (2023); Yulia et al. (2023) stated that compensation has a positive effect on employee performance. H1: Compensation positively and significantly affects employee performance.

Working time is included in the employment contract agreed upon by the company (principal) and employee (agent). Flexible working time, employees can choose when they
are most productive or effective at work (Patmawati et al., 2023). When there is flexibility and effectiveness of working time, psychologically, it will influence employee behavior and subsequent behavior. Working time follows employees’ wishes so they will not feel stressed and feel relaxed, which can improve their performance. Previous research conducted by Osisioma et al. (2015); Daniel & Santeli (2020); Shadare & Olaniyan (2021); Soeryanto & Soemadi (2023) stated that flexibility or effectiveness of working time has a positive effect on employee performance. H2: Working time positively and significantly affects employee performance.

RESEARCH METHOD

This research was conducted at the Meskom Agro Sarimas Company in Bengkalis district, Riau province, Indonesia. This research uses a descriptive quantitative approach. Data sources use primary and secondary data through questionnaires and literature. The population in the study consisted of employees at Meskom Agro Sarimas Company, 105 people. The sampling technique used simple random sampling while measuring the number of samples used in the Isaac and Michael approach, resulting in a total sample of 83 people. However, after the questionnaires were distributed, it turned out that only 79 questionnaires were returned and filled out, so the sample changed to 79 people. The research variables consist of employee performance (6 items) as the dependent variable, compensation (10 items) and working time (10 items) as the independent variable. The questionnaire was measured using a Likert scale, where strongly agree (5), agree (4), disagree (3), disagree (2), strongly disagree (1). This research model can be seen in Figure 1. The data analysis technique uses multiple linear regressions with the help of SPSS software. Before the analysis, validity, reliability, classical assumptions, and hypotheses were tested.

RESULTS AND DISCUSSION

Respondent Demographics

Respondent demographics are a classification of respondents based on specific characteristics. Respondent characteristics were classified based on gender, age-range, and education level. Complete demographics of respondents can be seen in Table 1.
Table 1. Respondent Demographics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Information</th>
<th>Amount</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Man</td>
<td>66</td>
<td>83.5</td>
</tr>
<tr>
<td></td>
<td>Woman</td>
<td>13</td>
<td>16.5</td>
</tr>
<tr>
<td>Age Range</td>
<td>21-30</td>
<td>27</td>
<td>34.2</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>25</td>
<td>31.6</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>21</td>
<td>26.6</td>
</tr>
<tr>
<td></td>
<td>≥ 51</td>
<td>6</td>
<td>7.6</td>
</tr>
<tr>
<td>Level of Education</td>
<td>Senior High School</td>
<td>62</td>
<td>78.5</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>13</td>
<td>16.5</td>
</tr>
<tr>
<td></td>
<td>Postgraduate</td>
<td>4</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2023

Table 1 show that the total number of respondents was 79 people. Respondents were dominated by men, as much as 83.5 percent (66 people); the rest were women. Based on the age range of respondents between the ages of 21 and 50, they were spread almost evenly, but the most numerous were those aged 21 to 30, namely 34.2 percent (27 people). Based on educational level, most respondents had a senior high school level, 78.5 percent (62 people).

Validity and Reliability

Validity testing is used to test the validity of data, while reliability is used to test the level of reliability of data. Complete validity and reliability testing results can be seen in Table 2.

Table 2. Validity and Reliability Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Lowest R-Stat</th>
<th>Highest R-Stat</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>0.350</td>
<td>0.732</td>
<td>0.815</td>
</tr>
<tr>
<td>Working Time</td>
<td>0.500</td>
<td>0.827</td>
<td>0.875</td>
</tr>
<tr>
<td>Employee performance</td>
<td>0.291</td>
<td>0.357</td>
<td>0.657</td>
</tr>
<tr>
<td>R-Table</td>
<td>0.221</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>0.600</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2023

Table 2 shows that compensation consists of 10 statements with the lowest R-Stat value at 0.350, the highest R-Stat at 0.732, and Cronbach’s alpha at 0.815. Working time consists of 10 statements with the lowest R-Stat value at 0.500, the highest R-Stat at 0.827, and Cronbach’s alpha at 0.875. Employee performance consists of 6 statements with the lowest R-Stat value at 0.291, the highest R-Stat at 0.357, and Cronbach’s alpha at 0.657. These three variables have an R-Stat greater than the R-Table (0.221) and Cronbach’s alpha greater than the reliability level of 0.600, meaning that the research variables are valid and reliable.

Normality

Normality testing is used to determine whether the data distribution is normal using the Kolmogorov-Smirnov test and Normal P-P Plot. Based on the Kolmogorov-Smirnov test, the Asymp Sig value is 0.200, which is more significant than 0.05, meaning the data is normally distributed. The results of the Normal P-P Plot test can be seen in Figure 2.
Based on the results of the Normal P-P Plot in Figure 2, the plot is close to and follows the diagonal line; it can be said that the questionnaire data is normally distributed.

**Multicollinearity**

Multicollinearity testing tests the regression model to determine whether there is a correlation between independent variables. A good regression model does not correlate with independent variables or multicollinearity. The complete multicollinearity test results can be seen in Table 3.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>0.464</td>
<td>2.155</td>
</tr>
<tr>
<td>Working Time</td>
<td>0.452</td>
<td>2.167</td>
</tr>
</tbody>
</table>

Table 3 shows the compensation tolerance value of 0.464 and the working time of 0.452. Then, the VIF compensation value is 2.155, and the working time is 2.167. The tolerance value for both variables is more significant than 0.1 and the VIF value for both variables is smaller than 10, meaning there is no multicollinearity in the independent variables.

**Heteroscedasticity**

Heteroscedasticity testing is carried out to determine whether variables have the same variance. Complete heteroscedasticity test results can be seen in Table 4 and Figure 3.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>0.091</td>
</tr>
<tr>
<td>Working Time</td>
<td>0.393</td>
</tr>
</tbody>
</table>

Table 4. Heteroscedasticity Results
Table 4 shows the results of the Glejser test, which shows that the significance value of compensation is 0.091 and the working time is 0.393. The two independent variable significance values are more significant than 0.05, and the Scatterplot test results in Figure 3 show that the plot pattern does not have a clear pattern and is evenly distributed on the positive and negative sides, so it can be said that there are no symptoms of heteroscedasticity.

Hypothesis

Hypothesis testing is used to determine the effect of the independent variable on the dependent variable. The scope of testing is a T-test, F-test, and determinant coefficient, with the results shown in Table 5.

Table 5. Hypothesis Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Coefficient</th>
<th>T-Stat</th>
<th>Sig.</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_1$: Compensation $\rightarrow$ Performance</td>
<td>0.187</td>
<td>3.026</td>
<td>0.003</td>
<td>0.351</td>
</tr>
<tr>
<td>$H_2$: Working Time $\rightarrow$ Performance</td>
<td>0.114</td>
<td>1.996</td>
<td>0.005</td>
<td>0.258</td>
</tr>
<tr>
<td>F-Stat</td>
<td>21.681</td>
<td></td>
<td>0.000</td>
<td>0.347</td>
</tr>
<tr>
<td>T-Table</td>
<td>1.992</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-Table</td>
<td>3.120</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2023

Table 5 shows that compensation $\rightarrow$ performance has a coefficient value of 0.187, T-Stat 3.026, sig. 0.003, and R-Square 0.351. The T-Stat value (3.026) exceeds the T-Table value (1.992), sig. (0.003), the coefficient is smaller than 0.05 and positive, so hypothesis $H_1$ is supported. Working time $\rightarrow$ performance has a coefficient value of 0.114, T-Stat 1.996, sig. 0.005, and R-Square 0.258. The T-Stat value (1.996) exceeds the T-Table value (1.976), sig. (0.005), the coefficient is smaller than 0.05 and positive, so hypothesis $H_2$ is supported. Let us look at the R-squared and coefficient values. Compensation has the highest value compared to working time, so it can be said that compensation influences employee performance. The F-Stat value (21.681) exceeds the F-Table value (3.120), sig. (0.000) is smaller than 0.05, and the Adjusted R-square is 0.347, meaning that compensation and
working time significantly affect employee performance, with an influence size of 34.7 percent.

Influence of Compensation on Employee Performance

The research results show that H₁ is supported meaning that compensation positively and significantly affects employee performance. It is indicated that appropriate compensation will increase employee performance; otherwise, it will reduce employee performance. It follows attribution theory, where an event or situation experienced by an individual will have consequences for their subsequent behavior (Schmitt, 2015). These results also follow agency and leadership theory, where compensation is determined by the company leadership as principal and agreed upon by employees as agents. When company leadership provides compensation per existing contracts, employees will feel satisfied and automatically improve their performance. The aim of providing compensation, among other things, is to increase employee job satisfaction, which will later maintain the stability of the employees themselves so that they can reduce the turnover rate (Adil et al., 2020). Compensation is a professional relationship in which one of the main goals of employees’ work is to receive rewards. At the same time, the company pays employees so they can carry out work according to company goals (Khalid & Nawab, 2018).

The results of this research are supported by research by Syahreza et al. (2017); Ramli (2018); Gunawan & Gunawan (2019); Indriani & Wirawan (2019); Efendi et al. (2020); Hartati (2020); Nguyen et al. (2020); Pangastuti et al. (2020); Saban et al. (2020); Saman (2020); Souliwa et al. (2020); Manshur & Hermansyah (2021); Nurfauziah et al. (2021); Sitopu et al. (2021); Azmy (2022); Hidayat & Zulher (2022); Ardian et al. (2023); Lingga et al. (2023); Maizar et al. (2023); Yulia et al. (2023), who found that compensation has a positive effect on employee performance. However, the results of this study contradict the research of Riyanto et al. (2017); Idris et al. (2020); Rinny et al. (2020); Rojikinnor et al. (2023), who found that compensation did not affect employee performance.

Influence of Working Time on Employee Performance

The research results show that H₂ is supported, meaning that working time positively and significantly affects employee performance. It is indicated that appropriate working time will increase employee performance; otherwise, it will reduce employee performance. This indication follows attribution theory, where a situation experienced by an individual will have consequences for their subsequent behavior (Schmitt, 2015). Therefore, when company leaders provide working time according to the contract, it will improve employee performance, according to agency and leadership theory, because working time is an encouragement to fulfill company goals.

The results of this study are supported by research by Osisioma et al. (2015); Daniel & Santeli (2020); Shadare & Olaniyi (2021); Soeryanto & Soemadi (2023) found that flexibility or effectiveness of working time has a positive effect on employee performance. It is also supported by research by Vallo & Mashau (2020); Patmawati et al. (2023), who found that working time positively affects employee productivity and morale. However, the results of this study contradict research conducted by Orpen (1981); Chow & Chew (2006); Altindag & Siller (2014); Yuliati et al. (2023), who found that working time does not affect employee performance. Then it is also different from the research of Igbokwe et al. (2020); Immawati (2022) found that working time negatively affects employee performance.
CONCLUSION

Research findings show that compensation can influence employee performance positively and significantly. When the compensation provided by the company follows the contract, employee performance will increase, but on the contrary, employee performance will decrease. Working time can also influence employee performance positively and significantly. When the working time provided by the company follows the existing contract, employee performance will increase, but on the contrary, employee performance will decrease. Compensation is the dominant variable that influences employee performance compared to working time.

Simultaneously, compensation and working time can influence employee performance. The better the compensation and working time the company provides to employees, the better the company’s performance. The results of this research can complement existing theories and be used as a reference for future research. The results of this research can be used as a reference for companies in improving the performance of their employees, especially in terms of compensation and working time. The results of this research can be used as a reference for the government to exercise control over companies so that they can improve the welfare of their employees through compensation and balanced working hours.

RECOMMENDATIONS

This research can complement existing theories and be a reference for companies to improve employee performance, especially regarding compensation and working time. This research has limitations in terms of variables and sample size. It is hoped that further research can add independent variables such as leadership, motivation, work discipline, organizational culture, training, work environment and so on.

Then further research can also add a moderating or mediating variable in the form of job satisfaction. Further research can expand the number of companies regionally, nationally, and internationally to generalize research results.

REFERENCES


Indriani, N., & Wirawan, A. (2019). Pengaruh Kompensasi Finansial Dan Non Finansial...


