

Research Article

The Effect of Compensation on the Work Motivation of Palm Oil Factory Employees

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The compensation system as a part of the company's concern must be properly regulated, so that it can be accepted by both parties, in this case, the company and employees. This study analyzes the influence of financial and non-financial compensation on the work motivation of factory employees, as well as examine the dominant factors that influence it. The research was conducted at Palm Oil Factory Balai Jaya District, Rokan Hilir Regency. Data were analyzed using multiple linear regression tests to see the effect of financial and non-financial compensation on employee motivation. Financial and non-financial compensation both significantly influence work motivation. This is supported by statistical evidence. The positive impact of financial compensation is demonstrated by a t-value (4.666) exceeding the critical t-table value (2.001) at a significance level of 0.000, which is well below the common threshold of 0.05. Similarly, non-financial compensation also demonstrates a positive effect, with a t-value (2.735) exceeding the critical value (2.001) and a significance level of 0.008, again significantly lower than 0.05. Furthermore, financial compensation appears to have a stronger influence on work motivation compared to non-financial compensation. This is evident from the standardized coefficients beta (β): the β value for financial compensation (X_1) is 0.506, while the β value for non-financial compensation (X_2) is 0.297. The higher absolute value of β indicates a stronger impact on the dependent variable (work motivation).

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1. Introduction

Indonesia's Human Development Index (IPM) is increasing every year. This can be seen from BPS Indonesia data (2020), the HDI has increased from 0.03% or 71.94, to 72.29 or an increase of 0.49% in 2021. Employees as part of the resources in the company are of course an inseparable part of overall resource development. However, this rise is associated with the company's overall performance, particularly in the compensation system implemented to enhance employee well-being.

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The company seeks to provide a balance between its interests and the interests of its employees, which in turn has a positive effect on both. One of the keys lies in the compensation system, which is everything received by employees from companies that intend as remuneration for work [1–3]. Compensation as financial remuneration, services, and subsidies obtained by jobs based on their participation in the company [4–6]. Compensation is also seen as a substitute for services provided by workers to organizations or companies [4,7,8]. In addition, compensation creates a bond between the employee and the company, with rights and obligations agreed in the employment contract, including the company's right to the full participation of the employee and the obligation to pay the employee for their (source) work. Compensation includes not only salary or wages, but also benefits and other services provided to employees as part of the job [9,10]. Compensation, as defined by Liana Sari [11], encompasses all the rewards that employees receive in exchange for the work they have performed.

According to Liana Sari [11], one way to motivate employees is to create working relationships that are beneficial for both the company and employees. It is expected that employees will provide the best performance for the company, and in return, the company will provide compensation according to the results of the work that has been given by employees [12,13]

Compensation in the form of financial or non-financial must be properly regulated to provide positive benefits for both parties, in this case employees and the company. The compensation system is expected to guarantee employee satisfaction to enable employees to be motivated to work more optimally. Hence, this research was undertaken to examine the impact of both monetary and non-monetary compensation on the work motivation of palm oil factory workers employed.

2. Research Methods

2.1. Location and time of research

This research was conducted at Palm Oil Factory PT. XYZ Balai Jaya District, Rokan Hilir Regency. The choice of this location was made with the consideration that this company is one of the large companies that are responsible for providing compensation to its employees. This research was conducted from June to September 2022.

The sample was selected using a simple random sampling approach, ensuring equal chances for every member of the population (factory employees in this instance) to

be chosen as a random sample, without consideration for population strata. The study involved a total of 60 employees as respondents.

2.2. Types and methods of data collection

This research employs both primary and secondary data. The primary data consists of information acquired through surveys, questionnaires, and interviews conducted with staff and factory workers, tailored to meet the research's information requirements.

2.3. Data analysis

The utilization of multiple linear regression analysis is employed to ascertain the linear correlation between multiple independent variables ($X_1, \dots, X_2, \dots, X_n$) and the dependent variable Y . The multiple linear regression model used:

$$Y = a + b_1 \cdot X_1 + b_2 \cdot X_2 + e \quad (1)$$

Information:

Y = Work Motivation

a = constant

b = regression coefficient

X_1 = Financial Compensation

X_2 = Non-Financial Compensation

e = error

3. Results and Discussion

3.1. Result

3.1.1. Description of financial compensation variables

Measurement of financial compensation variables using a Likert scale was carried out by giving questionnaires to employees. The results of distributing the tabulated questionnaires were then carried out with descriptive analysis. The average rating of each dimension on the financial compensation variable produces a good value, namely 3.92. That is, the respondent's assessment of the financial compensation variable provided by the factory is included in the good category. Judging from the dimensions

of the research results, the highest financial compensation variable is in the salary dimension, namely 4.33, which means very good. The study Teruna and Ardiansyah [4] is in accordance with the results of this study which states that a competitive salary system and bonuses based on employee performance appraisal can encourage employees to stay in the company and provide the best performance.

3.1.2. Description of non-financial compensation variables

Measurement of non-financial compensation variables is carried out using a Likert scale which originates from distributing questionnaires.

The average rating of each dimension on the non-financial compensation variable is 3.87, meaning that the respondents' assessment of the non-financial compensation variable is included in the good category. The highest research results are found in the dimension of security with an acquisition value of 4.09 which means good. As for the results of the lowest assessment of job recognition with an acquisition value of 3.61 which means good.

3.1.3. Multiple linear regression test

Multiple regression analysis involves the examination of two or more variables. In this study, multiple regression analysis is employed to assess the impact of financial compensation (X_1) and non-financial compensation (X_2) variables on employee motivation (Y). The findings of this analysis are outlined in Table 1.

TABLE 1: Multiple regression test.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	std. Error	Betas		
1	(Constant)	3.229	1.877		1.720	.091
	X1	.363	.078	.506	4.666	.000
	X2	.194	.071	.297	2.735	.008

^a. Dependent Variable: Y

Based on Table 1, the regression equation is obtained as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e \quad (2)$$

$$Y = 3.229 + 0.363X_1 + 0.194X_2 + e \quad (2)$$

The regression equation can be explained as follows:

A constant value of 3.229 suggests that when the variables of financial compensation and non-financial compensation remain constant and unchanged (set to 0), there will be a 3.229% increase in motivation.

The regression coefficient value (X_1) is 0.363, indicating that an increase in financial compensation will lead to a 3.63% rise in work motivation.

The regression coefficient value (X_2) is 0.194, signifying that a 1% increase in non-financial compensation will result in a 1.94% increase in work motivation.

3.1.4. Hypothesis test

Simultaneous effect significance test (test F)

The calculated F value is computed and compared with the table F value.

TABLE 2: Simultaneous test (test F).

ANOVA ^a						
	Model	Sum of Squares	Df	MeanSquare	F	Sig.
1	Regression	355.133	2	177.566	27.661	.000 ^b
	Residual	365.904	57	6.419		
	Total	721.037	59			

^a. Dependent Variable: Y
^b. Predictors: (Constant), X1, X2

The outcomes of the F test in Table 2 reveal a calculated F value of 27.661 and a significance value of 0.000. The F table value, obtained at a significance level (α) of 0.05 with degrees of freedom (df) = nk, where n is the number of samples and k is the number of independent variables and the dependent variable, results in df = 60-3 = 58. Therefore, the F table value is 3.16. Since the calculated F value (27.661) exceeds the F table value (3.16) and the significance value is 0.00 < 0.05, in this context, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted.

Partial effect significance test (t-test)

Conversely, if the significance value is greater than 0.05, there is no significant effect between the independent variables and the dependent variable. The outcomes of the t-test conducted using SPSS 26 are presented in Table 3.

TABLE 3: Partial test (t-test).

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	std. Error	Betas		
1	(Constant)	3,229	1,877		1,720	,091
	X 1	,363	,078	,506	4,666	,000
	X 2	,194	,071	,297	2,735	,008

^a. Dependent Variable: Y

The t table value is obtained at α of 0.05 with the formula, where n is the number of samples and k is the independent variable. So the t table value is 2.001. Based on table 3, it can be seen that:

The calculated t-value for financial compensation (X_1) is 4.666 with a significance level of 0.000. The results of this study indicate that financial compensation has a significant effect on work motivation, as seen from t count > t table (4.666 > 2.001) and a significant level less than 0.05 (0.000 < 0.05).

The calculated t-value for non-financial compensation (X_2) is 2.735 with a significance level of 0.008. The results of this study indicate that non-financial compensation has a significant effect on work motivation, this can be seen from t count > t table (2.735 > 2.001) and the significance level is less than 0.05 (0.008 < 0.05).

3.1.5. Coefficient of determination (R2)

The coefficient of determination is between zero and one, the more suitable the regression line is for forecasting. The formula for the coefficient is $KD = R^2 \times 100\%$.

TABLE 4: Coefficient of determination (R2).

Summary Model ^b				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	,791 ^a	,768	,751	2.53365

^a. Predictors: (Constant), X2, X1
^b. Dependent Variable: Y

Referring to Table 4, the Adjusted R Square value is noted as 0.751 or 75.1%. This figure signifies that the factors incorporated into the regression model effectively account for 75.1% of the variance in work motivation. The remaining 24.9% of the variance is attributed to other variables not encompassed by the regression model.

3.2. Discussion

3.2.1. Impact of financial compensation on work motivation

The analysis results presented in Table 4 demonstrate a significant influence of financial compensation on employee motivation. This influence is evident in the t-test outcomes, where the calculated t-value exceeds the critical t-table value ($4.666 > 2.001$), and the significance level is below 0.05 ($0.000 < 0.05$). In this study, the rejection of H_0 and acceptance of H_1 indicate a substantial correlation between financial compensation and employee motivation. Thus, it can be inferred that as the financial compensation provided increases, the motivation of employees to work in the company also increases.

PT. XYZ places a strong emphasis on compensating its employees, leading to a high level of satisfaction among the majority of staff. The findings of this study align with the research conducted by Tumi et al. [7], indicating that increased financial compensation positively influences employee motivation. Higher financial compensation correlates with elevated employee motivation. Similarly, in a study by Tumi et al. [7], it is established that the compensation system exhibits a positive correlation with employee motivation, consequently impacting organizational performance and success.

3.2.2. The impact of non-financial compensation on work motivation

The research outcomes demonstrate a significant effect of non-financial compensation on work motivation. This is evident in Table 8, where the results of the t-test, conducted using SPSS 26, indicate that the t-table value exceeds the t-count value ($2.735 > 2.001$), and the significance level is below 0.05 ($0.008 < 0.05$).

This non-financial compensation affects work motivation because all factory employees receive necessities that complement their lives. This finding is in line with the results of research Tumi et al. [7] which states that financial compensation has a significant effect on employee motivation. Meanwhile, financial compensation is reported to exert a positive and significant impact on work motivation, as increased non-financial compensation tends to enhance work motivation.

3.2.3. The impact of financial and non-financial compensation on work motivation

The findings of this study reveal that among the variables of financial compensation and non-financial compensation influencing work motivation, the financial compensation variable holds the greatest sway. This is evident in the standardized coefficients beta (β) values. In this study, the β value for the financial compensation variable was 0.506, whereas the β value for the non-financial compensation variable was 0.297. This indicates that the β value for financial compensation surpasses that of non-financial compensation. The financial compensation provided by PT. XYZ has the strongest or dominant relationship or influence compared to non-financial compensation on employee motivation.

4. Conclusion

Based on the conducted research, the financial compensation exerts a positive and significant impact on work motivation. This is substantiated by the t-value surpassing the critical t-table value ($4.666 > 2.001$), and the significance level being below 0.05 ($0.000 < 0.05$). Hence, higher financial compensation correlates with an increased level of employee motivation. Non-financial compensation also has a positive and significant effect on work motivation. This is evidenced by the t-value exceeding the critical t-table value ($2.735 > 2.001$), and the significance level being below 0.05 ($0.008 < 0.05$). Consequently, a greater provision of non-financial compensation leads to an enhancement in employee motivation. (3) The partial test shows that financial compensation has a stronger effect than non-financial compensation. This is evidenced by the results of the Standardized coefficients beta (β), where the β value of X_1 is 0.506 while the β value of X_2 is 0.297. This indicates that the beta (β) value of the financial compensation variable surpasses that of the non-financial compensation variable.

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