

UDC 331

## THE INFLUENCE OF WORKLOAD AND FINANCIAL COMPENSATION ON EMPLOYEE PERFORMANCE

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### ABSTRACT

This research aimed to assess how Workloads and Financial Compensations influence Employee Performance. The researchers used descriptive research and a quantitative approach. The research population was all employees of PT. Unggul Karya Sejahtera Abadi. The data analysis used Structural Equation Modeling (SEM), mediation, and SmartPLS 3.0. The research result showed that: 1) Workloads do not have a positive and significant influence on the Employee Performance, 2) Financial Compensations have a positive and significant influence on Employee Performance.

### KEY WORDS

Workloads, financial compensations, employee performance.

Workload and compensation influence employee performance in a company. A balanced workload and compensation are necessary to encourage good employee performance. Furthermore, a balanced workload and compensation increase employees' loyalty to the company.

According to Zulkifli (2016), workload and compensation simultaneously influence employee performance. Therefore, PT. Unggul Karya Sejahtera Abadi must maintain employee performance to compete with other companies and prevail in the business sector.

PT. Unggul Karya Sejahtera Abadi suffers from declining employee performance. The employees did not submit work on time due to excessive workload and laziness. The employee stated that they deliberately delayed their work. In turn, the delay reduced the work quality.

Based on an interview with the employees, they stated that their workload was impossible to achieve. Therefore, the employees could not achieve the monthly sales target in the sales division.

An additional factor that influences the declining employee performance is the low compensation rate. The employees stated that the low compensation rate did not encourage or motivate them to work. Based on the interview result, workload and compensation significantly influenced employee performance.

Based on an interview with the manager of the Human Resources Department (HRD), the production division employee stated that they received lower wages than expected. They stated that the wages could not compensate for the excessive workload. Several divisions claimed that the company did not listen to the employees' complaints.

Therefore, financial compensation encourages the employee to work harder. The following data presents PT. Unggul Karya Sejahtera Abadi's compensation to the employees. Based on the problem mentioned above, the researcher researched "The Influence of Workload and Financial Compensation on Employee Performance" in PT. Unggul Karya Sejahtera Abadi.

### Formulation of the Problem

Based on the background of the research, the formulation of the problem is as follows:

1. Does workload influences employee performance of PT. Unggul Karya Sejahtera Abadi?
2. Does financial compensation influences employee performance of PT. Unggul Karya Sejahtera Abadi?

## Research Objectives

The research objectives are as follows:

1. Determine the influence of workload on employee performance of PT. Unggul Karya Sejahtera Abadi.
2. Determine the influence of financial compensation on employee performance of PT. Unggul Karya Sejahtera Abadi.

## LITERATURES REVIEW

### Employee Performance

Khan in Muhammad Busro (2018:87) states that performance is a work achievement of an employee in a period (of one year). Work achievement refers to the quality and the quantity of work. Ivancevich, Konopaske, and Matteson in Muhammad Busro (2018:88) state that performance reflects an individual's ability and human resources competence in an organization (cognitive, psychomotor, and affection).

According to Baiq (2019), employee performance refer to how an employee works in an organization within a period. Therefore, performance generally refers to human behavior in an organization that adheres to behavioral standards to achieve predetermined goals. The researchers concluded that performance refers to an employee's ability to achieve work objectives based on the definitions above. According to Baiq (2019), performance indicators are as follows:

1. Work quality
2. Work quantity
3. Timeliness
4. Effectiveness
5. Cooperation
6. Commitment

### Workload

Moekijat (2010) states that workload is the work volume of an employee. Koesomowidjojo (2017) states that workload is the total work volume of human resources within a period. Excessive workload decreases employee performance.

According to Baiq (2019), employees require information regarding their rights and obligations at work. Therefore, the employee may conduct accordingly. Organizations need to assign workload professionally.

Based on the definitions above, the researchers conclude that workload is responsibility or work assigned to an employee within a predetermined period. According to Baiq (2019), indicators of workload are as follows:

1. Balanced workload and employee ability
2. Workplace condition
3. Balanced workload and deadline
4. Adequate break
5. High-risk assignments (such as dangerous waste)
6. Free of disturbance (other people or community)
7. Risk of accidents

### Compensation

Martoyo in Sinambela (2019) states that compensation is a form of reward for the employee. The compensation may be provided directly (financial compensation) or indirectly (non-financial compensation).

J. Long, as cited by Widodo in Sinambela (2019), states that compensation is a form of reward provided by an organization. Therefore, organizations distribute compensation to fulfill individuals' needs.

Simamora in Mila Badriyah (2015) states that compensation is related to financial rewards distributed to organization members/employees. According to Baiq (2019),

compensation is one of the crucial functions in human resources management. Compensation is the most sensitive aspect of work. The compensation system strengthens the organizational core value to achieve organizational goals.

Based on the experts' views, the researchers conclude that compensation is a reward for services rendered to an organization. Furthermore, organizations or companies distribute rewards to the employees in return for their work. According to Baiq (2019), the indicators of compensation are as follows:

1. Balanced workload and wages
2. Balanced wages and living costs
3. Adhere to government regulation
4. Incentives from the organization
5. Routine incentive distribution
6. Appropriate incentive amount

## RESEARCH FRAMEWORK

Based on the theories on workload and financial compensation, the researcher formulated the following theoretical framework: Workload ( $X_1$ ) influences employee performance, and Financial Compensation ( $X_2$ ) influences employee performance.

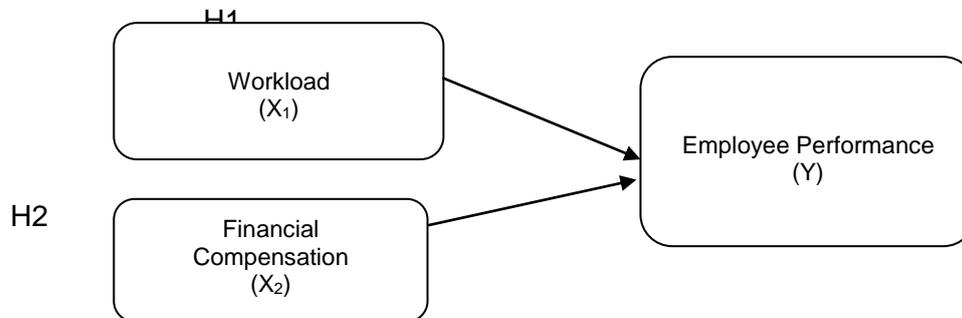


Figure 1 – Theoretical Framework

### Hypothesis:

1. H1: Workload influences Employee Performance
2. H2: Financial Compensation influences Employee Performance

## METHODS OF RESEARCH

### Population and Sample

The researchers obtained primary data from questionnaires distributed to the employee. The research population was 50 employees. Due to the small population, the researchers determined 50 employees as the research sample.

### Research Model

This research used a questionnaire to collect data. The questionnaires contained several questions for the respondents. For example, respondents' identities and subjects related to research variables. Furthermore, the questionnaires employed closed questions using the Likert scale.

Siregar (2014) stated, "Likert scale measures from respondents reply (from strongly disagree to strongly agree). Respondents chose their reply to statements and questions based on available Likert scale choices."

This research provided 5 (five) choices that reflect consumer responses:

1. Strongly Agree
2. Agree

3. Neutral
4. Disagree
5. Strongly Disagree

This research used a descriptive analysis research model to determine standard deviation, means, tabulation, and maximum and minimum values.

### **Analysis Method**

The researchers used the SEM technique and SmartPLS 3.0 software. The researchers combined two disciplines in the data analysis. The research used Econometric Perspective focused on prediction and Psychometric Perspective that illustrates the model concept and latent variable (variables that cannot be directly measured but can be measured by their indicators/ manifest variables). SEM essentially uses path analysis on latent variables (Ghozali and Latan, 2015).

According to Ghozali and Latan (2015), Partial Least Square is a soft modeling data analysis method that reduces Ordinary Least Square (OLS) regression assumptions. PLS data are normally distributed in a multivariate manner. Furthermore, Partial Least Square reduces multicollinearity between exogenous variables (Wold 1985). Wold developed PLS to assess weak theory and data with a small sample and data normality issues (Wold 1982). PLS describe the relationship between latent variables and confirms theories (Chin and Newsted 1999).

Ghozali and Latan (2015) stated that PLS is a soft modeling data analysis method. PLS does not provide data assumptions and uses certain measurement scales. Furthermore, PLS uses a small number of samples (under 100).

### **Variable Operationalization**

Sugiyono (2013) stated that researchers determined research variables to obtain information on a research subject and draw conclusions. Variable operationalization determines the type and scale of variables and indicators. Variable operationalization allows hypothesis tests to adhere to the research topic.

Sujarweni (2014) states that variable operationalization aims to determine the meaning of variables before performing analysis. Variable operationalization aims to determine the influence of a variable on another variable. The research variables are described as follows:

#### **1. Independent Variable (X1 and X2)**

Sugiyono (2013) states that independent variable influences or encourages changes. In addition, the independent variable encourages the emergence of the dependent variable. Sujarweni (2014) states that the independent variable causes changes and encourages the emergence of the dependent variable. The independent variable of this research is workload and financial compensation.

#### **2. Dependent Variable (Y)**

Sugiyono (2013) and Sujarweni (2014) write that dependent variables are affected by the independent variable. The dependent variable in this research is employee performance. The researchers measured the three variables through direct observation and a questionnaire. The researchers distributed the questionnaires to the employees of PT. Unggul Karya Sejahtera Abadi.

### **Outer Model**

Evaluation of the measurement model or outer model determined the validity and reliability of the constructed model. Convergent validity, discriminant, composite reliability, and Cronbach alpha measure the outer model's indicator blocks using reflective indicators (Ghozali and Latan 2015).

### Validity

Convergent validity principles refer to the high correlation between construct and measurement indicators. Validity Test using SmartPLS 3.0 require loading factor value > 0.7 (Ghozali dan Latan, 2015).

Discriminant validity refers to a low correlation between construct and measurement indicators. Discriminant validity requires a loading factor value > 0.7 or comparing the Average Variance Extracted (AVE) square root and the correlation value between model constructs (Ghozali dan Latan, 2015).

Composite reliability and Cronbach's Alpha are often referred to as Dillon Goldstein's. The researcher used a composite validity test due to the construct's low Cronbach's alpha. The composite validity require loading factor value > 0.7 (Ghozali and Latan, 2015). However, the loading factor value of 0.5 - 0.6 was adequate for the initial phase of measurement scale development.

Table – Variable Operationalization

Variable	Definition	Dimension	Indicator	Scale
Workload (X <sub>1</sub> )	Assignments that employees must finish, and each assignment is the employees' workload.	Assignment	1. Balanced workload and employee ability	Ordinal
			2. Work condition	Ordinal
		Organization	3. Balanced workload and deadline.	Ordinal
			4. Adequate time for assignments.	Ordinal
		Work Environment	5. High-risk assignments (dangerous waste).	Ordinal
			6. Free of disturbance (other people and community).	Ordinal
			7. Risk of accidents.	Ordinal
Compensation (X <sub>2</sub> )	The distributed rewards for employees who have finished work	Wages	1. Balanced wages and workload	Ordinal
			2. Balanced wages and living costs.	Ordinal
			3. Adhere to government regulation.	Ordinal
		Incentive	4. Incentive from the organization.	Ordinal
			5. Routine incentive distribution.	Ordinal
			6. Adequate incentive.	Ordinal
Employee Performance (Y)	How an employee works in a certain period to achieve predetermined targets	Quality	1. Work quality	Ordinal
		Quantity	2. Work quantity	Ordinal
		Timeliness	3. Work timeliness.	Ordinal
		Effectiveness	4. Effective work method.	Ordinal
		Cooperation	5. Cooperate with team or partner.	Ordinal
		Work Commitment	6. Employee commitment to finish work	Ordinal

### Reliability

Reliability tests aim to assess the accuracy and consistency of instruments in measuring construct. PLS-SEM and SmartPLS 3.0 used reflective indicators to measure the reliability of a construct. Reliability test require Cronbach's Alpha value > 0.70 and Composite Reliability value > 0.70 (Dillon Goldstein's). Based on data processing, all indicators obtained Cronbach's Alpha and Composite Reliability value > 0.70. Therefore, all indicators were reliable (Ghozali and Latan, 2015). Confirmatory and exploratory research require Cronbach's Alpha and Composite Reliability value of 0.6 - 0.7.

### Inner Model

PLS assess the structural model through the R Square value of each endogenous variable. Endogenous variables refer to the predictive strength of the structural model. R Square changes explain the influence of exogenous variables on endogenous variables (Ghozali and Latan, 2015).

The inner model predicts the relationship between latent variables. The inner model evaluates the variance percentage or R Square for endogenous latent construct. The Stone - Geisser test assesses AVE's predictive relevance using resampling procedures such as jackknifing and bootstrapping to obtain stable estimation.

### Hypothesis Test

The researchers determined the path coefficient by comparing the probability value of 0.10 and the p probability value. The researchers used the following formula:

- a. If *P Values* < 0,10 or t-count > t-table, then Ho is rejected and Ha is accepted. Therefore, X influences Y.
- b. If *P Values* > 0,10 or t-count < t-table, then Ho is accepted and Ha is rejected. Therefore, X does not influence Y.

## RESULTS AND DISCUSSION

### Outer Model

The evaluation of the measurement model or outer model assessed the validity and reliability of the constructed model.

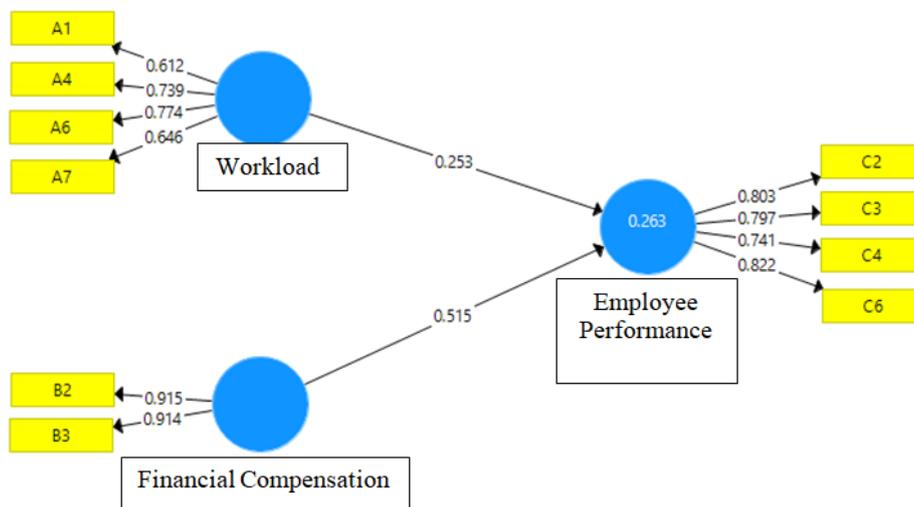


Figure 2 – Model Specification

Figure 2 shows that the Workload variable reduced A2, A3, and A5 indicators. The Financial Compensation variable reduced B1, B4, B5, and B6 indicators. Employee Performance variable reduced C1 and C5 indicators. The reduced indicators have a value < 0.5 and are therefore invalid. In addition, the data require a repeating algorithm to obtain indicators value > 0.5.

### Validity Test

Table 2 – Validity Test

	Workload	Employee Performance	Financial Compensation
A1	0.612		
A4	0.739		
A6	0.774		
A7	0.646		
B2			0.915
B3			0.914
C2		0.803	
C3		0.797	
C4		0.741	
C6		0.822	

Source: Data Analyzed.

Table 2 shows that each variable value were > 0.6. Therefore, the questionnaire was valid and could be used to measure research variables.

Table 3 – Reliability Test

	Cronbach's Alpha	Rho A	Composite Reliability	Average Variance Extracted (AVE)
Workload	0.659	0.643	0.788	0.484
Employee Performance	0.802	0.816	0.870	0.626
Financial Compensation	0.804	0.804	0.911	0.836

Source: Data Analyzed

Table 3 shows that each variable value was above 0.6. Therefore, the questionnaire was reliable and could be used as a measurement tool for research variables.

### Inner Model

The inner model aims to predict the relationship between latent variables.

Table 4 – Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	P Value
Workload > Employee Performance	0.253	0.256	0.212	1.193	0.233
Financial Compensation > Employee Performance	0.515	0.497	0.115	4.476	0.000

Source: Data Analyzed.

The original sample column shows that Workload has a 0.253 influence on Employee Performance. Workload has a positive influence on Employee Performance. Therefore, improving Workload level increases Employee Performance. Financial Compensation has a 0.515 influence on Employee Performance. Financial Compensation has a positive influence on Employee Performance. Therefore, improving Financial Compensation will increase Employee Performance.

### Hypothesis Test

1. Hypothesis 1 The Influence of Workload on Employee Performance.

Table 4 shows that t-value  $1.193 < 1.68$  and P-Value  $0.233 > 0.10$ . Therefore, Ho1 was accepted. Workload has a positive and insignificant influence on Employee Performance.

2. Hypothesis 2 The Influence of Financial Compensation on Employee Performance.

Table 4 shows that t-value  $4.476 > 1.68$  and P-Value  $0.000 < 0.10$ . Therefore Ho2 was rejected. Financial Compensation has a positive and significant influence on Employee Performance.

Table 4 shows a t-value of  $1.193 < 1.68$ . Workload has an insignificant positive influence on Employee Performance. Therefore, improving workload does not influence employee performance. The research result supported Honey's (2016) research that stated workload has a positive and insignificant influence on employee performance.

However, this research did not support Zulkifli's (2016) research that stated workload has a positive and significant influence on the performance of Universitas Jabal Ghaful. Therefore, Workload did not have a positive and significant influence on the Employee Performance of PT. Unggul Karya Sejahtera Abadi.

Table 4 shows that t-value  $4.476 > 1.68$ . Financial Compensation has a significant positive influence on Employee Performance. Improving Financial Compensation will increase Employee Performance. This research supported Kadek (2017) that financial compensation has a positive and significant influence on secretariat employee performance in Tabanan Regency Government.

However, this research did not support Honey (2016) that Financial Compensation has no positive influence on performance as employee wages adhered to workload. Therefore, Financial Compensation has a positive influence on the Employee Performance of PT. Unggul Karya Sejahtera Abadi.

## CONCLUSION

Based on the research result, the researchers formulated the following conclusion:

1. Workload ( $X_1$ ) shows that  $H_01$  was accepted and  $H_{a1}$  was rejected. Workload ( $X_1$ ) has a positive and insignificant influence on Employee Performance ( $Y$ ). Improving Workload does not influence Employee Performance.
2. Financial Compensation ( $X_2$ ) shows that  $H_02$  was rejected and  $H_{a2}$  was accepted. Financial Compensation ( $X_2$ ) has a positive and significant influence on Employee Performance ( $Y$ ). Improving Financial Compensation will increase Employee Performance.

Based on the research result and conclusion, the researchers formulated the following suggestions:

1. For PT. Unggul Karya Sejahtera Abadi, despite Workload not influencing Employee Performance, the company management needs to pay attention to workload and maintain employee performance. Assigning workload according to employee ability will maintain employee performance level. Furthermore, Financial Compensation influences Employee Performance. The company management needs to consider whether existing compensation has adhered to employee living costs or not. Inadequate financial compensation will reduce employee performance.
2. Future research need to consider that  $R^2 = 0.263$  (26.3%). Therefore, there are 73.7% unexplained variables. Future research needs to add more variables such as work motivation. In addition, it is necessary to increase the research sample and study other companies to complement this research.

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