

PERFORMANCE DEVELOPMENT: THE ROLE OF COMPENSATION AND WORK DISCIPLINE

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PERFORMANCE DEVELOPMENT: THE ROLE OF COMPENSATION AND WORK DISCIPLINE

(Case of Directorate of Telecommunications Directorate General of Postal And Informatics Implementation in Jakarta)

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ABSTRACT

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The company will progress and grow, if every employee plays an active role in the company's progress, where this will be achieved if all employees have a good job performance. Employee job performance increases, it will increase the productivity of the company. In an effort to improve services to the public, then one of the attention of the Directorate of Telecommunications is improving employee performance through compensation and work discipline of its employees. Based on this, then it conducted research on the influence of compensation and discipline of work on the performance of employees at the Directorate of Telecommunications Directorate General of Postal and Information Technology Implementation of the Ministry of Communications and Informatics in Jakarta.

The research method used is the method of causality with quantitative approach. The conceptual framework of the study illustrates the effect of compensation and work discipline on work performance. There are two independent variables, those are Compensation (X_1) and Work Discipline (X_2), as well as the dependent variable, that is the Employee Job Performance of Directorate of Telecommunications. The sample used in this research is the employees of the Directorate of Telecommunication of the Directorate General of Postal and Information Technology Implementation of the Ministry of Communication and Informatics in Jakarta, as many as 46 people. The research instrument uses questionnaires in the form of questions that should be answered by the employee respondents. Data analysis technique used is descriptive analysis and quantitative analysis by using method of multiple regression analysis.

The conclusion obtained from this study is variables of Compensation and Work Discipline simultaneously have a significant effect on the variable of Work Performance. Variable of Compensation does not partially affect the variable of Work Performance. Meanwhile, Job Discipline variables partially affect the variable of Work Performance. In addition, Work Discipline is more dominant in influencing Job Performance of Directorate of Telecommunications Directorate General of Postal and Informatics Technology Implementation of Ministry of Communications and Informatics in Jakarta.

Keywords: Compensation, Work Discipline, and Job Performance.

INTRODUCTION

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The company will progress and develop, if every employee plays an active role for the company's progress. Where this will be achieved if all employees have a good job performance (Armstrong, 2003). Employee performance increases, it will increase company productivity (Salisu, et al., 2015). One instrument that affects employee performance is the formulation of compensation policies that are appropriate to the local life indices and touching the sense of justice (Osibanjo et al., 2014; Riana and Wirasedana, 2016).

Compensation is a fundamental variable in managing human resources, rewards in the form of wages and salaries and benefits, a direct compensation that will be received by employees (Ojo, 1998). Compensation is essentially an income for workers and a cost item for employers (Martocchio, 2011). Thus, workers in any organization whether public sector or private sector involving human resources must be given economic incentive or reward (Igalens and Roussel, 1999; Ciarniene and Vienazindiene, 2010).

Another instrument that affects job performance is the discipline of work, where a good work discipline will improve work performance (Mangkunegara and Octorend, 2015). Further Mangkunegara and Octorend (2015) states that if the discipline of work is less, then the performance of work will decrease as well, factors that determine the discipline of work, such as the timeliness, procedures, and quality of the resulting product must be in accordance with predetermined quality standards.

Discipline is perceived various by employees. While some employees consider it as a punishment or torture, which creates fear, denouncing when a person is involved in wrongdoing, while others see it as order and conformity with the existing rules of the organization (Suledan and Ilesanmi 2015). Discipline as a pattern of behavior that can be traced back from special training (Knight, 2014). This behavior describes a person for his nature and personality. An employee, for example, reflects certain behaviors in workplace situations and responsibilities, which contribute to the achievement of organizational goals. The previous literature also explains that discipline as a regulatory system and mechanism to ensure that all employees obey it (Suledan and Ilesanmi 2015). Thus discipline becomes an important instrument in any organization in achieving its objectives. This research will be done on the extrinsic and intrinsic system of civil servants' compensation and discipline, not only involving salaries but also all remuneration, allowances given to employees in the development of employee performance (Bhattacharya and Sengupta, 2009; Bruvik and Gibson, 2010).

² Directorate of Telecommunication Directorate General of Postal and Information Technology Implementation of the Ministry of Communication and Informatics in Jakarta, is a State Institution that is very closely related to the community. The public uses the services of this Ministry in the case of telecommunication service provision. The Directorate of Telecommunications as a service institution, continuously strives to provide and improve the quality of service to the public to reach the Indonesian Information Society. To that end, the Directorate of Telecommunications Agency seeks to improve employee performance in various ways, such as by giving attention to the compensation and discipline of their employees. Based on this, the researchers are interested in conducting research on the influence of compensation and work discipline on employee performance at this institution. The formulation of the problem in this study is whether the compensation and work discipline affect partially and simultaneously on employee performance, and which of the compensation and work discipline that has dominant influence on employee performance at Directorate of Telecommunications Directorate General of Postal and Information Technology Ministry of Communication and Information in Jakarta. Objectives to be achieved is to know the influence of compensation and work discipline on employee performance, and know the factors that have a dominant influence on employee performance. In the next few sections, we review previous research on compensation, discipline and work performance and then present the research methodology, including a description of the measurements used to test the hypothesis. After reviewing the results of the study, we address some important implications for managers and research as a consideration for determining improvement measures in an effort to improve employee performance.

THEORETICAL RATIONALE AND DEVELOPMENT OF HYPOTHESES

Compensation

Compensation is everything that employees receive as a reward for their work. When compensation is properly provided, employees will feel satisfied and motivated to achieve organizational goals, so that organizational performance will also increase (Armstrong, 2003; Hani Handoko 2000). According to Malayu S.P. Hasibuan (2002), compensation is all income received by employees, both money and goods, in return for services provided to the company. According to Gary Dessler (2005), compensation is the payment made by employers to employees, where compensation has two main components, namely direct and indirect financial payments. Direct financial payments are provided in the form of wages, salaries, incentives, commissions, and bonuses. Meanwhile, indirect financial payments are provided in the form of financial benefits such as insurance and vacation paid by employers. One of the goals of compensation policy is to reward employee performance. Adequate compensation and fulfilling a sense of justice is an appreciation of the organization for employee performance which will further encourage employee performance as desired by the company (Notoatmodjo, 2003; Salisu, et al., 2015; Osibanjo et al., 2014; Riana and Wirasedana, 2016).

Based on the literature, then compensation not only means the giving of wages and salaries, but has a wider scope of financial and non-financial rewards (Suledan and Ilesanmi 2015). Thus, it can be clearly defined that the definition of compensation is the overall provision of remuneration for employers and recipients of work, either in the form of goods or in the form of direct or indirect financial payments, which aims to reward employees' performance.

Work Discipline

In the Regulation of Republic of Indonesia No. 53 Year 2010 concerning Civil Servants Discipline, Chapter I General Provision, Article 1, states that what is meant by the discipline of Civil Servants (PNS) is the ability of Civil Servants to comply with obligations and to avoid the prohibitions specified in regulations legislation and / or regulation of service which, if not observed or violated, is punishable by discipline. A disciplinary offense is any speech, writing, or act of a civil servant who does not comply with obligations and / or violates the prohibition of disciplinary provisions of civil servants, whether conducted within or outside of working hours. Civil servant discipline must be implemented and enforced because civil servants as government apparatus must perform duties and responsibilities entrusted by the Nation and State to him.

The definition of work discipline is a condition where employees are obedient and submissive to implement the work regulations, both in the form of oral and written from groups or organizations (Husein, 2001). Meanwhile, according to Anwar Prabu Mangkunegara (2007), work discipline is defined as the implementation of management in an effort to strengthen the guidelines of the organization. Another definition of work discipline is an attitude of respect, appreciate, and obedience to the rules that apply both written and unwritten, and able to run it and not evasive with sanctions in violation of duties and authority given to him (Sastrohadiwiryo, 2002). In an organization, generally employees who are inside are aware of the existence of organizational rules, and are aware of compliance demands against the rules. The behavior shown by each employee reflects the extent to which the employee is consequent and consistent in following and abiding or violating the rules applicable within the organization (Hasibuan, 2002). Employee is considered to implement the principles of work discipline when undertaking the following matters: to be present at work before the time of work and to leave the place after working hours, to work in

accordance with the procedures or work rules and rules of the organization, to obey and follow the superior's advice or orders, never show an attitude of lazy work, using hours of rest on time, during work never absent / not present for inappropriate reasons (Umar Husein 2001; Mangkunegara and Octorend, 2015).

Based on the description, it can be clear that the discipline of work is one of the most important operative functions in human resource management. This is because the better the work discipline of employees, the higher the work performance to be achieved by these employees. Thus, the goals of the organization will achieve optimal results, if the employee work discipline is also good.

Employee Performance

According to Susilo Martoyo (2000), performance appraisal is one of the key factors in order to develop an organization effectively and efficiently. This is because the assessment of work performance is a very meaningful activity for an organization that has been utilizing well all the human resources in the organization. All the elements involved in the organization require relevant and reliable information about the performance appraisal of each individual employee. Given the accurate information on employee performance appraisal, it can be used as a basis to determine the achievement of each employee in determining salary or other compensation, and can be used as the basis of career planning for each employee (Kuswandi, Asmirin, Sundjoto, Purwanto 2015).

Mangkunegara (2007) said that the definition of work performance is the result of work in quality and quantity achieved by an employee or employees working in a company, in carrying out tasks in accordance with the responsibilities given to him. According to Griffin in Sule and Saefullah (2008), there are 3 factors that determine the best performance achievement, namely: (1) motivation is the one that related with the desire to do the job, (2) the ability is the capability of the employee to do the work, (3) the work environment is the resources and situations needed to do the job.

Assessment of the work performance of each individual employee, is very beneficial to the dynamics of the organization as a whole. Simply put, performance appraisal can be interpreted as a process undertaken by an organization in assessing and evaluating the performance of its employees. If the employee performance appraisal done well, orderly and correct, and meet the sense of justice, it will be able to help improve work motivation and at the same time increase loyalty to the organization. Based on the development of previous theories and literature, we propose the following hypothesis.

- H1: Compensation has a significant effect on employee performance
- H2: Work discipline has a significant effect on employee performance
- H3: Work discipline has a dominant influence on employee performance

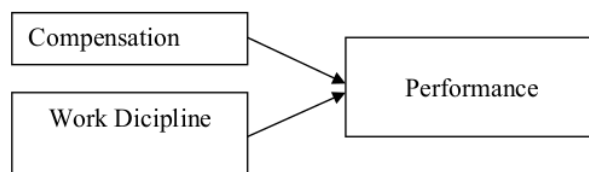


Figure 1: Framework Research

METHODOLOGY

Procedures and Samples

The research method used is a quantitative descriptive one in which this research is used to find the effect of compensation and work discipline on employee performance at Telecommunication Directorate General Directorate of Postal and Informatics Technology Ministry of Communications and Information Technology in Jakarta. The research location is Directorate of Telecommunication Directorate General of Postal and Information Technology Implementation of Ministry of Communication and Informatics in Jakarta and conducted in August 2016. Population used in this research is all employees at Directorate of Telecommunication Directorate General of Postal and Information Technology Implementation of Ministry of Communication and Informatics in Jakarta, that is 50 employees. The sample is part of the population, where in this study the number of samples used is as many as 46 people. There are 4 people who are not included in the sample research because the data collected is considered incomplete.

Measure

The instrument of research in this study is using questionnaires in the form of questions that must be answered by respondents, those are employees of the Directorate of Telecommunication Directorate General of Postal and Information Technology Implementation of Ministry of Communication and Informatics in Jakarta. Questionnaires are divided into two parts, namely the independent variable data consisting of data of Compensation and Work Discipline, as well as data of the dependent variable that is Work Achievement. The number of questions compiled in the questionnaire is 18 questions, consisting of 6 (six) questions related to compensation, 6 (six) questions related to work discipline, and 6 (six) questions related to work performance. Data processing is done by using SPSS (*Statistical Package For Social Science*) tool.

Data analysis techniques used is descriptive analysis to describe the characteristics of employees who become respondents in this study. The research instrument is also tested that is the validity and reliability test, which is used to ensure the feasibility of the questionnaire used as the research instrument. In addition, the data analysis technique used is a quantitative analysis by using multiple regression analysis method. Before regression analysis is done, testing should be performed to satisfy the assumption of normality, free from multicollinearity, no autocorrelation, and no heteroscedasticity.

RESULTS

The number of employees of Directorate of Telecommunication Directorate General of Postal and Information Technology which become respondent in this research is 46 people. Based on the results of data processing, obtained information as written in Figure 2 about the characteristics of employees who become respondents based on age and gender.

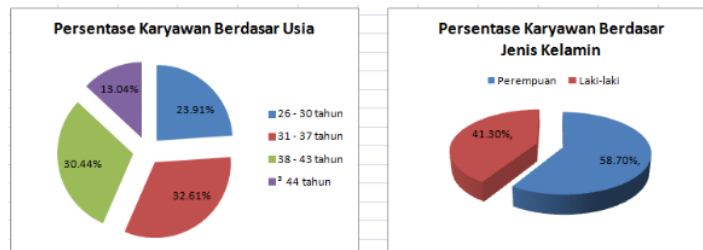


Figure 2: Respondent Characteristic

It is seen that the most employee of Directorate of Telecommunication Directorate General of Postal and Information Technology is aged between 31 - 37 years, which is 32.61%. Based on sex, obtained information that most employees of the Directorate of Telecommunications Directorate General of Postal and Information Technology is a woman, that is as many as 58.70%.

Test of Validity and Reliability

There are two tests that must be met in a questionnaire used as a research instrument, namely validity and reliability tests. Validity test used to measure valid (valid) or not a questionnaire and reliability test used to measure reliable (reliable) or not reliable variables on questionnaire. Validity test is done by comparing the value of *r* count (for each item can be seen in column *corrected item-total correlation*) with *r* table. If *r* count > *r* table, then the question is said to be valid. A variable is said to be reliable if it meets the reliability coefficient requirement that greater than 0,80 (Ghozali, 2005).

Table 1: Validitas Test Compensation (X₁)

| | <i>Corrected Item-Total Correlation</i> | <i>r-table</i> | Information |
|--------|---|----------------|--------------------|
| Part 1 | 0,623 | 0,290 | Valid |
| Part 2 | 0,618 | 0,290 | Valid |
| Part 3 | 0,606 | 0,290 | Valid |
| Part 4 | 0,772 | 0,290 | Valid |
| Part 5 | 0,718 | 0,290 | Valid |
| Part 6 | 0,645 | 0,290 | Valid |

The results of the validity test of the Compensation variable (X₁) are shown in Table 1. It appears that for the 6 items in the questionnaire the value of *r* count (*corrected item-total correlation*) greater than the value of *r* table (for degrees free of N-2). This indicates that all questions submitted to the respondent for the Compensation variable (X₁) are declared valid.

Table 2: Reliability Compensation (X₁)

| <i>Cronbach's Alpha</i> | N of Item | Information |
|-------------------------|------------------|--------------------|
| 0,864 | 6 | Reliable |

Table. 2 shows the results of the reliability test for the Compensation variable (X₁), where the value of Cronbach's Alpha is greater than 0.80. Thus this means that the measuring instrument used for the Compensation variable (X₁) is declared to be reliable.

Table 3: Validity Test Dicipline (X₂)

| | <i>Corrected Item-Total Correlation</i> | <i>r-table</i> | Information |
|--------|---|----------------|--------------------|
| Part 1 | 0,715 | 0,290 | Valid |
| Part 2 | 0,460 | 0,290 | Valid |
| Part 3 | 0,558 | 0,290 | Valid |
| Part 4 | 0,411 | 0,290 | Valid |
| Part 5 | 0,737 | 0,290 | Valid |
| Part 6 | 0,700 | 0,290 | Valid |

Table 3 shows the results of the validity testing of Work Discipline (X_2) variables. It can be seen that for 6 items of questions in the questionnaire, the value of r count (the *corrected item-total correlation*) is greater than the r table value. This indicates that all questions submitted to the respondent for the Work Discipline variable (X_2) are declared valid.

Table 4: Reliability Test Dicipline (X_2)

| <i>Cronbach's Alpha</i> | N of Item | Information |
|-------------------------|-----------|-------------|
| 0,822 | 6 | Reliable |

Table 4 shows the results of the reliability test for Work Discipline variables (X_2), where Cronbach's Alpha values are greater than 0.80. Thus this means that the measuring instrument used for the Work Discipline variable (X_2) is declared to be reliable.

Table 5: Validity test Performance (Y)

| | <i>Corrected Item-Total Correlation</i> | r-table | Information |
|--------|---|---------|-------------|
| Part 1 | 0,559 | 0,290 | Valid |
| Part 2 | 0,617 | 0,290 | Valid |
| Part 3 | 0,304 | 0,290 | Valid |
| Part 4 | 0,662 | 0,290 | Valid |
| Part 5 | 0,730 | 0,290 | Valid |
| Part 6 | 0,661 | 0,290 | Valid |

The results of the validity test and the reliability test for the Work Achievement (Y) variable are shown in Table 5 and Table 6. In Table 5, it is shown that the six questions in the questionnaire have r count value (*corrected item-total correlation*) greater than the value of r table. This indicates that all questions submitted to the respondent for the Job Performance variable (Y) are declared valid.

Table 6: Reliability test performance (Y)

| <i>Cronbach's Alpha</i> | N of Item | Information |
|-------------------------|-----------|-------------|
| 0,809 | 6 | Reliable |

Table 6 shows the results of the reliability test for the Work Achievement variable (Y), where the *Cronbach's Alpha value* is greater than 0.80. Thus this means that the measuring instrument used for the variable of Work Achievement (Y) is reliable.

Multiple Linear Regression Analysis

Test results to meet the assumptions of Normality and Multicollinearity is shown in Table 7 and Table 8. Test Result of *Kolmogorov-Smirnov* Normality shown in Table 7, it is seen that all normal distributed variables, where the value of *Asym. Sig. (2 tailed)* is greater than 0.05 (in this study using significance level $\alpha = 5\%$).

Tabel 7: Test *Kolmogorov-Smirnov*

| Variable | Value <i>Asym. Sig. (2 tailed)</i> | Level of Significant | Information |
|------------------------|------------------------------------|----------------------|-------------|
| Compensation (X_1) | 0,662 | 0,05 | Normal |
| Dicipline (X_2) | 0,681 | 0,05 | Normal |
| Performance (Y) | 0,847 | 0,05 | Normal |

Table 8 shows that the VIF value does not exceed the value of 10, so it is decided that the model is free of multicollinearity.

Table 8: Multikolinearity Test

| Variable | VIF (<i>Variance Inflation Factor</i>) | Information |
|----------------------------------|--|---------------------------------|
| Compensation (X ₁) | 2,005 | unmultikolinearity |
| Dicipline work (X ₂) | 2,580 | Terbebas dari multikolinearitas |

Based on the results of data processing that using SPSS 13, it is obtained that *Durbin Watson* value on the output result of *Model Summary* in Table 9 is 1,872. The value of 1.872 lies between 1.65 and 2.35, so it is decided that there is no autocorrelation. The results of the *scatter plot* for the model show that there is no heteroscedasticity because data points are diffused with no pattern above and below, as well as around the value 0.

Table 9: Output Model Summary
Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|--------------------|----------|-------------------|----------------------------|---------------|
| 1 | 0,589 ^a | 0,347 | 0,317 | 2,843 | 1,872 |

- a. Predictors: (Constant), dicipline (X₂), compensation (X₁)
- b. Dependent Variable: Performance (Y)

Table 9 shows that the correlation coefficient value R is 0.589, it means that the correlation between Compensation and Work Discipline variables together with Work Performance variable is strong and has direct relationship. Meanwhile, the value of determination coefficient R² is 0.347 which means Compensation and Work Discipline together can affect Job Performance of 34.7%, while the rest of 65.3% is influenced by other factors.

The output result of *Entered / Removed Variable* from the regression analysis is shown in Table 10. The obtained multiple linear regression equation is $Y = 0.8533 + 0.095 X_1 + 0.538 X_2$. Both independent variables X₁ and X₂ are marked positive which means the independent variables have unidirectional relationship with the dependent variable (Y), meaning that if compensation and work discipline increases, it will affect the improvement of work performance. In Table 10, the Sig value is also shown. for the Compensation variable (X₁) is 0.359 which is greater than 0.05 and for the Work Discipline variable (X₂) is 0.000 which is smaller than 0.05. This means that the Compensation variable (X₁) does not affect partially and does not significantly affect the Work Performance variable (Y), and Work Discipline variable (X₂) partially and significantly influence Work Performance variable (Y).

Table 10: Output Variable Entered/Removed Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|-------|----------------------------------|-----------------------------|------------|---------------------------|-------|-------|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 8,533 | 3,048 | | 2,801 | 0,008 |
| | Compensation(X ₁) | 0,095 | 0,102 | 0,115 | 0,928 | 0,359 |
| | Work dicipline (X ₂) | 0,538 | 0,116 | 0,571 | 4,628 | 0,000 |

- a. Dependent Variable: Performance

In addition, based on t test results that can be seen in Table 10 column t, it is noted that the value of t which is 4.628 for the variable of Work Discipline (X_2) is greater than the value of t for variable Compensation (X_1), that is 0.928, meaning that the Work Discipline (X_2) has more dominant influence on Work Achievement (Y).

Table11: Output Table ANOVA
ANOVA^b

| Model | | Sum of Squares | df | Mean Squares | F | Sig. |
|-------|------------|----------------|----|--------------|--------|--------------------|
| 1 | Regression | 184,866 | 2 | 92,433 | 11,435 | 0,000 ^a |
| | Residual | 347,569 | 43 | 8,083 | | |
| | Total | 532,435 | 45 | | | |

a. Dependent Variable: Performance (Y)

b. Predictors: (Constant), Dicipline (X_2), compensation (X_1)

Based on the output of ANOVA table in Table 11, it is seen that the value of Sig. = 0.000 is smaller than 0.05. This means that the Compensation (X_1) and Work Discipline (X_2) variables simultaneously have a significant effect on the Job Performance (Y) variable.

GENERAL DISCUSSION

The test results statistically prove that the compensation has no significant effect on employee performance. In theory and previous studies, the appropriate compensation influence employee productivity in work (Armstrong, 2003; Salisu, et.al., 2015; Riana and Wirasedana, 2016). The compensation in this case that is salary or wages is everything received by the employees as a reward for their work (Handoko, 2000). The findings in this study concerning with the influence of the compensation on employee performance is very interesting since the influence is not significant. This may be due to a salary that is in line with the expectations of the employee, so that the compensation given outside the salary is not so desirable. Exclusive interview results is that most employees want a more appropriate and interesting compensation plan, such as visits abroad. The proper application of work discipline can affect employee productivity. It can be seen that there is positive and significant influence between the variables of work discipline and work performance. High work discipline will increase employee productivity otherwise if there is no discipline, there will be many violations that will lead to low productivity (Notoatmodjo, 2003, Salisu, et al., 2015; Osibanjo et al., 2014; Riana and Wirasedana, 2016). The results of this test in accordance with the opinions of Rofi (2012) and Krismasari and Frianto (2014) is that work discipline also has an important role in realizing the goals of the organization because it has influence in improving the performance of employees. The same opinion was stated by Mangkuprawira (2007) that the discipline of work greatly affect the work performance of employees, this is because discipline is a form of exercise for employees in implementing company rules. The results of this study are in accordance with the empirical study of Abidin (2013) which states that the discipline of work has a positive and significant impact on employee performance. Because the higher the work discipline of employees the higher the performance. The results of this study also implies that compensation and work discipline plays an important role in supporting the improvement of employee performance in the Directorate General of Communications and Information Technology Jakarta, which means that if we want to improve employee performance, the Company should pay attention to the compensation and work discipline of employees.

CONCLUSION AND SUGGESTIONS

The conclusions obtained from this study are Compensation and Work Discipline variables together (simultaneously) have a significant effect on variable of Work Achievement. The amount of contribution of Compensation and Work Discipline together to the rise and fall of Work Achievement is equal to 34,7%, while the rest equal to 65,3% influenced by other factors outside this research. Based on correlation coefficient value of 0,589, the relation of variable of compensation and work discipline together with job performance variable is stated strong and have direct relation, that means if compensation and work discipline increase, it will influence the improvement of work achievement.

Variable of Compensation does not affect partially and not significantly effect on job performance variable. Meanwhile, Job Discipline variable partially and significantly influence to the variable of Work Achievement. In other words, Work Discipline has more dominant influence on employee's Job Performance at Directorate of Telecommunication Directorate General of Postal and Informatics Technology of Ministry of Communications and Informatics in Jakarta.

The result of the research shows that partially compensation has no significant effect on the work performance, it shows that the organization needs to reevaluate the compensation design other than salary, allowances and remuneration, so that it can be more suitable and improve the work performance of the employees.

WEAKNESS AND UPCOMING RESEARCH

Provision of compensation that is not described in detail causes the inaccuracy of the variables will be studied, so that the results of the research are slightly biased and the employee performance improvement objectives are not proven by the compensation. Limited sampling and no criteria at the employee level causing the results of the analysis are also biased. Provision of compensation and disciplinary application to public sector employees are all set out in the regulation of national or regional civil service bodies, so the freedom or improvisation of compensation is also limited in the future. Perhaps there should be researches that lead to the design of compensation and forms of development of more concrete employee work performance resembling the application of compensation and discipline in private companies.

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