Effect of Compensation and Benefit on Employee Performance with Motivation as Moderating Variable
(A Case on Millennial Employees of a Bank in Semarang)

Cahyo Prihantoko
Soegijapranata Catholic University
cahyo.prihantoko@gmail.com

Agatha Ferijani
Soegijapranata Catholic University
feri.unika@gmail.com

Abstract

Banking industry is currently experiencing a new demographic era known as the era of demographic bonus which occurs due to changes in the age structure of labor. This demographic bonus also occurs in Bank X in Semarang in which all funding officers in the marketing department are aged between 20 and 38 years old which is known as generation Y or millennial generation. The purpose of this study was to analyze the influence of compensation and benefits on employee performance and whether motivation moderates the influence. The population in this study were all funding officers in the marketing department, totaling 121 employees and all of them were selected as the sample. The type of data used is primary data obtained from the respondents by means of questionnaires. The classical assumption tests used in this study include normality, multicollinearity, and heteroscedasticity tests. The analytical tool used in this research is the Moderated Regression Analysis (MRA) test. The results indicate that compensation and benefits affect employee performance and motivation moderates the effect of compensation and benefits on employee performance.

Keywords: compensation and benefit, employee performance, motivation

INTRODUCTION

Employee performance levels are the result of a complex process, both from the personal employees (internal factors) and the company's strategic efforts (external factors). Internal factors that affect employee performance include work motivation, compensation and benefits. Meanwhile, external factors are the company environment, training and employee development. Good employee performance is, of course, an expectation of all companies and institutions that
employ workers, because employee performance is expected to increase the company's overall output.

According to Andi (2015), factors that influence performance are compensation and benefits because every activity and policy action must be made with the intention of achieving certain goals. The more appropriate the compensation and benefits received, the more likely the company will get maximum employee performance results. In addition to compensation and benefits, the factors that affect performance are ability factors and motivational factors. This means that performance is in the form of quality and quantity of work of individuals or groups in a particular activity caused by natural abilities or abilities obtained from the learning process and desire. In addition, a person's motivation in carrying out work becomes the maximum measure or benchmark for whether he or she is working.

A bank in Semarang (hereafter is labelled as Bank X for confidentiality purpose) was experiencing low employee performance on particularly funding officers in the marketing department which all are the millennial. Banking industry is currently entering a new demographic era known as the era of demographic bonus which occurs due to changes in the age structure of labor. This is indicated by a decrease in the ratio between non-productive employees (aged less than 15 years and over 65 years old) and productive employees (aged 15-64 years old) that is also known as dependency ratio. The demographic bonus phenomenon also occurs in the Bank X, which is indicated by the age criteria in selecting employees for funding officers in the marketing department that is between 20 and 38 years old. The people in this age is known as generation Y or millennial generation.

Even though, the bank had put more attention to it, the performance was still not optimal yet. It can be seen that during the period of 2013-2017, the bank did not reach the target for savings,
deposits, and current accounts and it met the target only in 2015. This research aims at analyzing the effect of compensation and benefits given by the bank to performance of the millennial employees and whether motivation moderates the effect.

LITERATURE REVIEW

Performance

According to John (2007), the world at work performance is the alignment of organizational, team, and individual efforts toward the achievement of business goals and organizational success. It includes establishing expectations, skill demonstration, assessment, feedback, and continuous improvement.

Employee performance is influenced by many factors. Suryadilaga (2016) noted 14 factors influencing performance: work satisfaction, organizational commitment, motivational commitment, leadership, work discipline, skills, work ethical attitude, nutrition and health, salary, work environment and climate, technology, production facilities, social insurance, management, and promotion opportunity.

Performance Indicators

According to Febrianti (2018), employee performance indicators are as follows:

1. The number of jobs produced by individuals or groups that become the standard of work.
2. Work quality every employee in the company must meet certain requirements to be able to produce work according to the quality demanded by the company.
3. The timeliness of a job has different characteristics and for certain types of work it must be completed on time because it is dependent on other jobs.
4. Attendance of employees according to the specified time because it involves discipline.
5. The ability to work in a team because not all work can be completed by one employee.

**Compensation and Benefits**

According to the world at work, compensation is payment provided by an employer to an employee for rendered services (i.e. time, effort, and skill). Both fixed and variable pay are tied to level of performance. Benefits programs are used by an employer to support compensation in cash for the employees. Health, income protection, savings, and retirement programs provide security for employees and their families.

Compensation and benefits are given for variety purposes: to establish formal cooperation between employer and employee, to create work satisfaction, to support effective recruitment, to motivate employees, to keep employee stability, to increase discipline, to reduce influence of the labor union, and to minimize government intervention (Hasibuan, 2016). Furthermore, Hasibuan (2016) stated that compensation can be divided into three: direct financial payment in terms of salary, incentives, bonus, and commission; indirect financial payment in terms of benefits and insurances; and non-financial rewards such as flexible work hours and prestigious office.

**Motivation**

According to Febrianti (2018), motivation is a conscious effort to influence a person's behavior so that he is motivated to do a thing to achieve certain results or goals. Motivation is considered important because it causes, channels, and supports human behavior so that they are willing to work hard and enthusiastically to achieve optimal results.

There are two types of motivation: intrinsic and extrinsic. Intrinsic motivation refers to factors coming from the inside of an individual that drive the employee to do their best. The factors can be self-perception, interest, responsibility, personal expectation, needs, wants, satisfaction from the job. Whereas, extrinsic motivation refers to external stimulants that drive an individual to
do a thing. They are for example the job itself, progress in the career, and compensation and benefits, working conditions, work safety, and relationship with colleagues.

**Effect of compensation and benefits on employee performance**

According to Andi (2015), the factors that influence performance are compensation and benefits because every activity and policy action must be made with the intention for achieving certain goals. Likewise, this compensation policy has specific objectives in addition to the company's main objectives as well as employee performance. The more appropriate the compensation and benefits received, the more likely the company will get maximum employee performance results. Policy to provide compensation and benefits to employees will avoid the risk of protests by employees provided that they are in accordance with the employees’ wishes.

Pratama's research (2015) resulted in compensation has a positive and significant effect on employee performance. Based on the description above, the research hypothesis is formulated as follows:

H1: Compensation affects employee performance of Bank X.

**Motivation moderates the effect of compensation and benefits on employee performance**

The policy on providing compensation and benefits to employees will avoid the risk of protests by employees as long as it is in accordance with employees’ wishes. Pratama (2015) researched motivation as the variable moderates the influence of compensation and benefit n performance. Based on the description above, the research hypothesis is formulated as follows:

H2: Motivation moderates the effect of compensation and benefits on employee performance of Bank X.

**Research Framework**

Based on the background above, the research model can be described as follows:
RESEARCH METHODS

Population and Sample

This research is an explanatory research using a quantitative approach with survey methods to examine a particular population or sample from which data was collected using research instruments.

The population of this study was the millennial funding officers in the marketing department of Bank X totaling 121 employees. All of them were the sample of the research.

Data Collection Method

Questionnaire containing statements in 4-point Likert scale was the instrument to collect data from the respondents. Research instrument tests were conducted to the questionnaire to ensure that all the questions are valid and thus they are accurate to collect data. The validity test was based on the following: an item is considered valid if the correlation of the item to the total score shows a significant result at the level of 0.01 - 0.05. The results of the calculation is compared to the value of correlation in the table for the r value at the 5% significance level. If the criteria for the r value are at the 5% significance level, the item in the test is validity.

Based on table 1, it is found that all items forming variables have calculated correlation to the total (r) > 0.1716 and thus all items are valid.
Table 1. Validity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Item</th>
<th>Corrected Item</th>
<th>r-table</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and benefit</td>
<td>Indicator 1</td>
<td>.635</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 2</td>
<td>.687</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 3</td>
<td>.748</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 4</td>
<td>.760</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 5</td>
<td>.726</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 6</td>
<td>.781</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 7</td>
<td>.754</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 8</td>
<td>.733</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 9</td>
<td>.753</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 10</td>
<td>.712</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td>Motivation</td>
<td>Indicator 1</td>
<td>.589</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 2</td>
<td>.484</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 3</td>
<td>.557</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 4</td>
<td>.275</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 5</td>
<td>.483</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 6</td>
<td>.482</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 7</td>
<td>.280</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Indicator 8</td>
<td>.576</td>
<td>0.1716</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Multiple regression was applied to analyze the influence of independent variables (compensation and benefit, and motivation) on dependent variable of employee performance. Moderated Regression Analysis (MRA) or interaction test was used to examine whether there is factor strengthen or lessen the influence of independent variables on dependent variable. Here the intended factor is motivation.

Regression moderation equations to examine if motivation is either a pure moderator, a quasi moderator, a predictor, or a homologizer are expressed as follow:

i. $Y = b_1X_1 + e_1$

ii. $Y = b_1X_1 + b_2Z_1 + e_1$

In which

$Y$: Employee Performance

$b_1$, $b_2$: Regression coefficients

$X_1$: Compensation and benefit

$Z$: Motivation
e1: Standard error

The role of motivation (Z) is examined using the following criteria:

a. Z if a pure moderator if the influence of Z on Y on the first output is insignificant and the influence of interaction between Z and X₁ (Z*X₁) on the second output is significant.

b. Z is a quasi moderator if the influence of Z on Y on the first output is significant and the influence of interaction between Z and X₁ (Z*X₁) on the second output is also significant.

c. Z is a predictor if the influence of Z on Y on the first output is significant and the influence of interaction between Z and X₁ (Z*X₁) on the second output is insignificant.

d. Z is a homologizer if the influence of Z on Y on the first output is insignificant and the influence of interaction between Z and X₁ (Z*X₁) on the second output is also insignificant.

Classical Assumption Tests

The tests were to know whether the regression model can produce good linear estimator. In other words, if the tests confirm all the classical assumptions, the regression model is thus unbiased. The classical assumptions cover normality, multicollinearity, and heteroscedasticity.

1. Normality test

The normal test for data distribution was carried out on the data residues using the Kolmogorov-Smirnov test. Data normality testing is carried out as follows:

a. If the significance value is > 0.05, it can be concluded that the residual distribution of the researched data is normal.

b. If the data significance < 0.05, it can be concluded that the residual distribution of the researched data is not normal.
2. Multicollinearity Test

The multicollinearity test is aimed to test whether there is correlation between independent variables in the regression model which can be identified through tolerance and variance inflation factor (VIF). Correlation between the independent variables does not exist if tolerance value is less than 0.10 or if VIF value is more than 10, and vice versa.

3. Heteroscedasticity Test

Heteroscedasticity is determined using Glejser test. The Glejser test shows that if the independent variables have significance value > 0.05. It can be said that there are no symptoms of heteroscedasticity.

Hypothesis Test (t test)

According to Ghozali (2016), the t statistical test shows influence of the independent variables individually have in explaining variations of the dependent variable. The t test results is to determine whether the proposed hypothesis is accepted or rejected. To detect the results of hypothesis testing, the following criteria are determined:

- If the Sig value <0.05, the variable has a significant effect
- If the Sig value> 0.05, the variable has no significant effect

Coefficient of Determination

If the R-square value is closer to one, the independent variables have bigger contribution in explaining variation of the dependent variable. On the other side, if the R-square value is close to zero, the independent variable indicate smaller contribution in explaining variation of the dependent variable.
RESULTS AND DISCUSSION

Classical Assumption Tests

The results on classical assumption tests indicate that the data can be used for regression analysis since they are distributed normally, have no multicollinearity and heteroscedasticity. Based on the SPSS output in table 2, it shows that the Asymp Sig (2-tailed) value for the four variables is greater than 0.05. It can be concluded that the research variable data is normally distributed.

Table 2. Normality Test
One Sample Kolmogorov-Smirnov Test

<table>
<thead>
<tr>
<th></th>
<th>Compensation and Benefit</th>
<th>Motivation</th>
<th>Employee Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>93</td>
<td>93</td>
<td>93</td>
</tr>
<tr>
<td>Mean</td>
<td>37.0215</td>
<td>38.6882</td>
<td>21,0753</td>
</tr>
<tr>
<td>Normal Parameters a,b</td>
<td>Std.</td>
<td>9.96840</td>
<td>5.40929</td>
</tr>
<tr>
<td>Deviation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute</td>
<td>.112</td>
<td>.214</td>
<td>.246</td>
</tr>
<tr>
<td>Positive</td>
<td>.112</td>
<td>.122</td>
<td>.205</td>
</tr>
<tr>
<td>Negative</td>
<td>-.108</td>
<td>-.214</td>
<td>-.246</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>1.081</td>
<td>2.061</td>
<td>2.376</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.193</td>
<td>.062</td>
<td>.126</td>
</tr>
</tbody>
</table>

a. Test distribution is normal.
b. Calculated from data.

Source: Data processed by SPSS V21
The result of multicollinearity test is presented in table 3. The results of the tolerance value show that there are no independent variables with tolerance value less than 0.10, which means that there is no correlation between the independent variables. The calculation of variance inflation factor (VIF) also shows the same result that there are no independent variables that have a VIF value of more than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Table 3. Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Compensation</td>
<td>.914</td>
</tr>
<tr>
<td>Motivation</td>
<td>.914</td>
</tr>
</tbody>
</table>

*Table 4 presents the results of the heteroscedasticity test. The results display clearly that none of the independent variables are statistically significant affect the dependent variable in absolute value. This can be seen from the probability of significance above the 5% confidence level. So it can be concluded that the regression model does not contain heteroscedasticity.*
Table 4. Heteroscedasticity Test

Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>9.324</td>
<td>1.872</td>
<td>-.342</td>
<td>4.981</td>
<td>.000</td>
</tr>
<tr>
<td>Compensation</td>
<td>-.090</td>
<td>.026</td>
<td>-1.535</td>
<td>.081</td>
<td>.914 1.094</td>
</tr>
<tr>
<td>Motivation</td>
<td>-.075</td>
<td>.049</td>
<td>-.154</td>
<td>.128</td>
<td>.914 1.094</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: ABS_RES (data processed using SPSS V21)

Based on classical assumption tests, the data can be used for regression. Table 5 presents the result of moderated regression analysis.

Table 5. Moderated Regression Analysis

Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.410</td>
<td>3.180</td>
<td>.417</td>
<td>2.016</td>
</tr>
<tr>
<td>Compensation and Benefit</td>
<td>.199</td>
<td>.045</td>
<td>.417</td>
<td>4.428</td>
</tr>
<tr>
<td>Motivation</td>
<td>.282</td>
<td>.387</td>
<td>.138</td>
<td>.556</td>
</tr>
<tr>
<td>Interaction 1</td>
<td>.188</td>
<td>.083</td>
<td>.214</td>
<td>2.272</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Performance
The result indicates that the significance value of motivation is 0.580 (> 0.05) and thus it is insignificant. Meanwhile, the significance value of the interaction variable is 0.025 (< 0.05) and thus is significant. This means that the moderating variable is pure moderator, which indicates that motivation moderates the effect of compensation and benefits on employee performance.

The results of the t statistical test can be seen in table 6. Based on the hypothesis testing, it can be seen that the partial test on compensation and benefits has a significant effect on employee performance. This is evidenced by a significance value of 0.002 which is < 0.05 and from the t value of 4.428 which is bigger than the t table value of 1.986. It can be concluded that compensation and benefit have a positive significant effect on employee performance. Thus, the first hypothesis (H1) is accepted.

Similarly, it can be seen that partial test on the interaction variable 1 (Compensation and Benefit * Motivation) has a significant effect on employee performance. This is evidenced by a significance value of 0.025 (< 0.05), and from the t value of 2.272 which is bigger than t table value of 1.986. Thus, it can be concluded that the interaction variable 1 moderates the effect of compensation and benefits on employee performance and thus the second hypothesis (H2) is accepted.
Table 6. t Test

Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.410</td>
<td>3.180</td>
<td></td>
<td>2.016</td>
</tr>
<tr>
<td>Compensation</td>
<td>.199</td>
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<td>.417</td>
<td>4.428</td>
</tr>
<tr>
<td>Motivation</td>
<td>.282</td>
<td>.387</td>
<td>.138</td>
<td>.556</td>
</tr>
<tr>
<td>Interaction</td>
<td>.188</td>
<td>.083</td>
<td>.214</td>
<td>2.272</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Performance

Source: Data processed by SPSS V21

The result of coefficient of determination (model 1) presented in the table 7 shows the adjusted R-square value of 0.059. This means that compensation is able to explain variation of employee performance by 5.9% while the remaining of 94.1% is explained by other variables outside this research model.

Table 7. Test of the Coefficient of Determination

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.264(^a)</td>
<td>.070</td>
<td>.059</td>
<td>2.64313</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Compensation and Benefits
The coefficient of determination in the table 8 shows the adjusted R-square value of 0.137. This means that compensation and motivation are able to explain performance by 13.7% while the remaining 86.3% is explained by other variables outside this research model. The table also shows the comparison of the results of the adjusted R-square coefficient of determination affecting the independent variable against the dependent variable before and after the moderating variable. It can be concluded that the moderating variable succeeded in strengthening the effect of the independent variable on the dependent variable by 7.8%.

Table 8 Test of the Coefficient of Determination II

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.407a</td>
<td>.165</td>
<td>.137</td>
<td>2.86091</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Interaction, Motivation, Compensation and Benefits

b. Dependent Variable: Performance

The results of hypothesis testing prove that compensation and benefit have effect on performance. The results of this study support previous research conducted by Febrianti (2018), Siburian Rinto (2017), and Uno (2016) which resulted in compensation having a positive and significant effect on performance. These results also prove that motivation can moderate the effect of compensation and benefits on performance.
CONCLUSION AND RECOMMENDATIONS

Conclusion

1. Compensation and benefits have positive effect on the performance of millennial employees of Bank X so that the higher the compensation and benefits, the higher the employees performance.

2. Work motivation can mediate the effect of compensation and benefits on the performance of millennial employees of Bank X, thus compensation is more effective in directly affecting employee performance than through motivation.

Recommendations

Based on the results, some suggestions that can be offered are as follows:

1. Compensation and benefits have an influence on the performance of millennial employees of Bank X, therefore the bank needs to increase compensation by improving compensation indicators that are still deficient according to the respondents, such as social security that must be set for the welfare of employees. The company does not pay enough attention yet to social security for employees to deal with health problems and work accidents in doing job outside the office.

2. Motivation influences the performance of millennial employees of Bank X. As seen from the regression coefficient, it can moderate the effect of compensation on performance. With these results, the company must be able to foster work motivation of its employees, such as by giving bonuses when an employee reaches the highest target.

3. The research sample needs to be expanded beyond millennial employees of Bank X so that the research results on the role of motivation as a moderating variable on the effect of compensation on employee performance can be generalized.
4. Many other factors that can affect the level of employee performance which may be more relevant and can affect employee performance such as work environment and organizational culture can be added.

5. The scope of research is limited. It is suggested that future research can be carried out in other organizations in order to know consistency of the existing theories so that other theories can be developed in improving employee performance in general.

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