



The Effect of Wages and Incentives on Employee Performance Improvement

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ABSTRACT

This study aims to analyze the effect of wages and incentives on employee performance. This research was also causal associative, namely research that aims to determine the causal correlation between two or more variables, namely the independent or independent variables (wages and incentives) on the dependent variable (employee performance), with the respondents as private employees who had various positions in private companies in Banjarmasin as many as 30 people. Questionnaires were divided, tabulated, and tested with correlation regression to determine the relationship between variables. The results showed that partially wages had a significant positive effect on increasing employee performance, partially giving incentives had a significant positive effect on increasing employee performance, and simultaneously wages and incentives had a significant positive effect on increasing employee performance.

INTRODUCTION

An organization was founded of course with a specific purpose. While the goal itself will not fully be achieved if employees do not understand the purpose of the work they do. That is, the achievement of the goals of each work carried out by employees will have an overall impact on the goals of the organization. Therefore, an employee must understand the performance indicators as part of understanding the final results of his work, namely the amount of work, quality of work, punctuality, attendance and ability to cooperate (Cummings & Worley, 2018).

Economic developments that are uncertain and difficult to predict are currently very influential in the business world. This can be seen by the increasing level of competitive competition among companies with various forms of business. This condition also requires companies to keep trying to survive and develop their business as much as possible to grow. Strong companies will survive, otherwise, companies that are not able to compete are likely to experience setbacks and even bankruptcy. Employment relationships are built with work agreements, written or unwritten regarding various matters, including the type of work, hours of work, results of work, wages and others. Wages can be determined in a transparent, thorough, fair and non-oppressive manner, each party getting a legal share of the results of their efforts, without tyrannizing the other party. Most of the Indonesian population

who are workers often demand an increase in wages every year, on the other hand, employers and business companies do not want a wage increase because it can increase production costs, so the role of the government as a decision maker that determines the minimum wage is very urgent (Maloney & Milligan, 1992).

In Government Regulation of the Republic of Indonesia Number 78 of 2015 concerning Wages article 1 paragraph (1), wages are defined as the rights of workers/labourers received and expressed in the form of money as compensation from the entrepreneur or employer to workers/labourers who are determined and paid according to a work agreement, agreement, or statutory regulations including allowances for workers/labourers and their families for a job or service that has been or will be performed.

Employee performance is the degree to which employees achieve job requirements (Salanova et al., 2005). Suharto et al. (2019) defined performance as a comparison of the results achieved with the participation of labour per unit time (usually per hour). Furthermore, the definition of employee work as expressions such as output, efficiency and effectiveness are often associated with productivity. Employee performance is the work achieved by a person or group of people following the authority or responsibility of each employee during a certain period (Majid & Idris, 2019). A company needs to conduct a performance appraisal on its employees. Performance appraisal plays a very important role in increasing motivation in the workplace. Assessment should provide an accurate picture of work performance.

Performance is the result of work achieved by a person or group such as work standards and targets determined during a certain period based on norms, standard operating procedures, criteria and functions that have been determined or applicable within the company (Cummings & Worley, 2018). Employee performance is a combination of output and behaviour that directs the output of goods and or services (Arifin et al., 2019).

Incentives are a system of remuneration that is linked to performance, both material and non-material, which can provide motivation or impetus for employees to work better and be more enthusiastic, so that employee performance or work results can increase which in the end the company's goals can be achieved (Widyaningrum, 2020). Incentives are stimuli given to employees to encourage employees to act and do something for company goals. The purpose of incentives is to increase employee motivation so that employees are passionate about working to achieve company goals. Incentives also aim to increase productivity in carrying out their duties, therefore the provision of incentives must be carried out on time, to encourage every employee to work better than before (Widyaningrum, 2020).

According to Ulfa & Ridwan (2015), incentives are one of the rewards given by the company to employees as a form of appreciation for their achievements. Incentives can make employees work better in the company, where employees get various prizes, commissions or certificates, while companies do not need to increase their regular salary to reward their employees' performance. A well-designed incentive program will be very useful because it will add motivation to improve performance and identify the main motivation factors. According to Peters & Peters (2020), an incentive is a form of payment associated with performance and gainsharing, as a sharing of profits for employees due to increased productivity or cost savings. From some of the definitions above, it can be concluded that incentives are a form of stimulation that is intentionally given by the company to its workers so that these workers are motivated and want to work seriously so that the company's goals can be achieved. The main function of incentives is to give responsibility and encouragement to employees. Incentives ensure that employees will direct their efforts to achieve organizational goals. Meanwhile, the main purpose of providing incentives is to increase individual and group work productivity (Jeffrey et al., 2013).

With the demands of the company's targets that increase every month, the company expects employee performance to be optimal. These factors encourage companies to motivate employees, namely by the steps taken by the company by providing incentives each month with different amounts and quite satisfactory. A fair incentive system by looking at the output produced by employees is expected to optimize performance so that company goals can be achieved.

Wages are given as a form of fair and proper remuneration given to workers for their services in achieving organizational goals. Wages are paid to workers based on hours worked, the number of goods produced or the number of services provided (Rivai, 2005). Meanwhile, according to Muchdarsyah Sinungan, work wages are a reflection of national income in the form of money wages received by workers following the amount and quality devoted to the manufacture of a product (Maloney & Milligan, 1992).

The provision of incentives within a company plays an important role because it is believed to be able to overcome various problems in increasingly complex work such as low performance due to the enthusiasm and passion of employees who are still not fully good and there is no additional income for employees other than salary. Employees who have an attitude of struggle, dedication, discipline, and professional abilities are very likely to have achievements in carrying out their duties so that they are efficient and effective. Professional employees can be interpreted as a view to always think, work hard, work full time, be disciplined, honest, have high loyalty, and be full of dedication for the success of their work. Performance is a function of motivation and ability. To complete a task or job, a person should have a certain degree of willingness and level of ability (Robbins, 2013).

Employee performance is the work achieved by a person or group of people following the authority or responsibility of each employee during a certain period (Salanova et al., 2005). A company needs to conduct a performance appraisal on its employees. Performance appraisal plays a very important role in increasing motivation in the workplace. Assessment should provide an accurate picture of work performance.

In a private company in Banjarmasin, several problems arise, including the number of employees who are felt to work less effectively, the lack of cooperation between employees, and the number of employees working does not experience an increase. Based on previous studies, several factors cause stagnant or low employee performance, including wages and incentives. Currently, wages in private companies in Banjarmasin are following the minimum wage, but for some employees, there is already more than the minimum wage, while incentives are given to employees who have the best level of work and not to all employees. The purpose of this study is to analyze the effect of wages and incentives on employee performance.

METHOD

In this study, researchers used a quantitative approach, namely an approach that uses data in the form of numbers in statistical analysis. This research was also causal associative, namely research that aims to determine the causal relationship (correlation) between two or more variables, namely independent variables on the dependent variable (Sugiyono, 2014). In this study, the dependent variable was employee performance, while the independent variables were wages and incentives. The procedure for collecting data used in this study was the observation, questionnaire, and documentation study. Data analysis is one of the methods used to determine the extent to which variables affect other variables so that the data collected can be useful, it must be processed or analyzed first so that it can be taken into consideration in decision making (Ferdinand, 2014). The analysis used in this research was as follows: descriptive statistical analysis and quantitative analysis. This method of analysis was carried out on the data obtained from the results of the questionnaire answers and was used to analyze data in the form of numbers and calculations using statistical methods. The data must be classified into certain categories by using certain tables to facilitate the analysis, for that SPSS analysis program to be used.

Respondents were private employees who had various positions in private companies in Banjarmasin as many as 30 people. The accuracy of the sample regression function in estimating the actual value can be measured from its goodness of fit. Statistically, at least this can be measured from the value of the t statistic partially, and the value of the F statistic simultaneously. The t-test was used to test the partial effect of each independent variable on the dependent variable to measure hypotheses 1 to 7 using the SPSS 21 program if the probability is greater than 0.05 and t-count < t-table then the hypothesis is rejected, and vice versa if the probability is below 0.05 the F test is used to test the significance of the effect of all independent variables simultaneously on the dependent variable, using the SPSS 21 program if the probability is greater than 0.05 and F-count < F-table then the hypothesis is rejected, and vice versa if the probability is below 0.05.

The framework of thought that describes the relationship/influence of each of the variables studied can be seen in Fig 1.

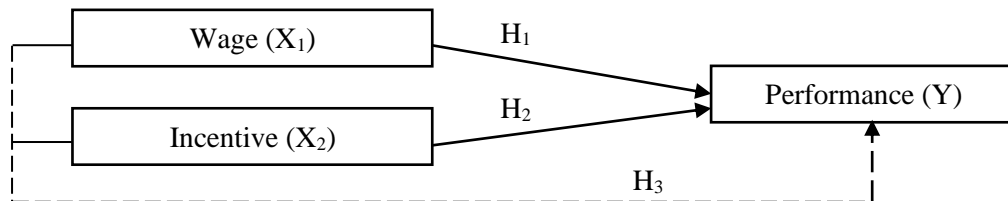


Fig. 1 Conceptual Framework

Based on the description of the opinion and some of the results of the research above, the following hypothesis was formulated:

- H1: Wages have a partial effect on employee performance
- H2: Giving Incentives have a partial effect on Employee Performance
- H3: Wages and Incentives have a simultaneous effect on Employee Performance

RESULTS AND DISCUSSION

After the data is declared valid, reliable, and normal, there is no multicollinearity, there is no heteroscedasticity, then the regression test is then carried out. A multiple linear regression test was used to determine the effect of Wages (X1) and Incentives (X2) on Employee Performance (Y). The t-test and F-test are indispensable for the residual value that follows a normal distribution, so if this assumption deviates from the normal distribution it can cause the statistical test to be invalid (Ghozali, 2012).

The first to second hypotheses in this study will be tested using a partial test (t-test) which aims to determine whether the independent variables individually affect the dependent variable. The model test will be carried out using a simultaneous test (F-test) to determine the effect of the independent variable on the dependent variable simultaneously. The results of multiple linear regression in this study can be seen in Table 1.

Mathematically the multiple linear regression function model can be stated as follows:

$$Y = 4.214 + 0.678.X1 + 0.712.X2$$

The interpretation of the equation is as follows:

- a. The constant value of 4.214 indicates that if the variables X1 and X2 have a value of 1 or do not change, then the Employee Performance (Y) is 4.214.
- b. An increase in the Wage variable (X1) by 100% will increase Employee Performance (Y) by 67.8%.

- c. An increase in the Incentive variable (X2) by 100% will increase Employee Performance (Y) by 71.2%.

Table 1
 Multiple Linear Regression Test Results

Variable	Regression Coefficient	t-count	Sig.	Information
Constant	4,214			
Wages (X1)	0.678	4.306	0.000	Significant
Incentive (X2)	0.712	3.113	0.004	Significant
Simultaneous	F-count= 27.457 F-table= 3.35 Sig. F = 0.000			
Partial	t-table= 1, 70113			
Coefficient of Determination	R = 0.819 R Square= 0.670 Adjusted R Square = 0.646			

Source: Primary data processed (2022)

Hypothesis Testing

1. Coefficient of Determination Test

The coefficient of determination test is carried out based on the statistical summary model of the statistical output results, which include the following:

- The R-value with a value of 0.819 or 81.9% is a correlation coefficient that shows the level of relationship between Wages (X1), Incentives (X2) and Employee Performance (Y) at PT. Borneo Center Noesantara.
- The value of R Square with a value of 0.670 is R squared, which indicates that the independent variable taken in this study has a relationship level with the dependent variable of 67.0%.
- The value of Adjusted R Square for this regression model is 0.646 which indicates that the variation or fluctuation of the Dependent Variable (Y) is influenced by the Independent Variable (X) of 64.6%.

2. Simultaneous Test (F-Test)

The F-test was conducted to determine the feasibility of the regression model used in the study. The F-test is a simultaneous test of the independent variable and the dependent variable of the study consisting of Wages (X1), and Incentives (X2) on Employee Performance (Y).

Simultaneous analysis to determine the simultaneous effect of the independent variable on the dependent variable. From the ANOVA test or F-test, the F-count was 27.457 with Sig. 0.000. For the value of the F-table, it can be seen in column df, where the numerator was 2 and the denominator was $30-2-1=27$ so the F-table value was 3.35. From the comparison of the F-count with the F-table, it can be seen that F-count was greater than F-table ($27.457 > 3.35$), thus all independent variables (X) had a simultaneous influence on the dependent variable (Y). It was also seen based on the value of sig. F of 0.000 was smaller than sig 0.05.

3. Partial Test (t-Test)

This t-test is to test the independent variable on the dependent variable. To determine the effect of the independent variable partially on Employee Performance (Y) is to use the t-test at the Level of Confidence of 95% or = 5%. This step was taken to determine the extent of the influence of the Wage (X1) and Incentives (X2) variables on the Employee Performance variable (Y).

If the t value has a probability of each of these factors is smaller than the alpha level (α) = 0.05, it is stated that the independent variable has a significant effect on Profitability (Y). The t-table value based on (df) = (nk) was 1.70113

The description above can be seen that the level of influence given by each independent variable on the dependent variable was as follows:

- a. The wage variable (X1) had a t-count of 4.306 with a significant level of 0.000. This showed that wages (X1) had a significant positive effect on employee performance (Y). The proof of the statement was based on the value of the t-count which was greater than the value of the t-table ($4,306 > 1,70113$) and a significant value which was smaller than the significant level ($0.000 < 0.05$). Thus the hypothesis which stated that wages affected employee performance was proven to be accepted.
- b. The incentive variable (X2) had a t-count value of 3.113 with a significant level of 0.004. This showed that the Incentive (X2) had a significant positive effect on Employee Performance (Y). The proof of the statement was based on the value of the t-count which was greater than the value of the t-table ($3,113 > 1,70113$) and the significant value was smaller than the significant level ($0.004 < 0.05$). Thus the hypothesis which stated that the provision of incentives affected employee performance was proven to be accepted.

Based on the results of data analysis, it was known that wages had a significant positive effect on employee performance. This was shown from the results of partial hypothesis testing showing that wages had a significant level of $0.000 < 0.05$ and a positive t-count value of 4.306 because the significance level was less than 0.05. The test results indicated that the first hypothesis (H1) was accepted, which means that wages have a significant positive effect on employee performance. This means that the better the application of wages given by PT. Borneo Sentra Noesantara, the level of employee performance will also increase. Wages are defined as the rights of workers/labourers received and expressed in the form of money as a reward from the entrepreneur or employer to workers/labourers who are determined and paid according to a work agreement, agreement, or statutory regulations including allowances for workers/labourers and their families for a job or service that has been or will be performed. Wages are given as a form of fair and proper remuneration given to workers for their services in achieving organizational goals. Thus, the wage factor measured through indicators of the wage system, the wage system according to results, the wage system according to seniority and the provision of wages according to needs is a factors that will affect employee performance. The results of this study are in line with research conducted by Hidayat (2015) and Rahman (2020) who proved that there was a significant effect of wages on employee performance.

Based on the results of data analysis, it was known that incentives had a significant positive effect on employee performance. This was shown from the results of partial hypothesis testing showed that the incentive had a significant level of $0.004 < 0.05$ and a positive t-count value of 3.113 because the significance level was less than 0.05. The test results indicated that the second hypothesis (H2) was accepted, which means that incentives have a significant positive effect on employee performance. This means that the better the implementation of incentives provided, the level of employee performance will also increase. With the demands of the company's targets that increase every month, the company expects employee performance to be optimal. These factors encourage companies to motivate employees, namely by the steps taken by the company by providing incentives each month with different amounts and quite satisfactory. A fair incentive system by looking at the output produced by employees is expected to optimize performance so that company goals can be achieved. The provision of incentives within a company plays an important role because it is believed to be able to overcome various problems in increasingly complex work such as low performance due to the enthusiasm and passion of employees who are still not fully good and there is no additional income for employees other than salary. The results of this study are in line with research conducted by Zulkarnaen (2017) and Candrawati (2013) which proved that there was a significant influence of incentives on employee performance.

Based on the results of data analysis, it was known that wages and incentives had a significant positive effect on employee performance. This was shown from the results of simultaneous hypothesis testing showed that wages and incentives had a significant level of $0.000 < 0.05$ because the significance level

was smaller than 0.05. The test results indicated that the third hypothesis (H3) was accepted, which means that wages and incentives have a significant effect on employee performance. This means that the better the application of wages and incentives, the employee's performance will also increase. Wages are payments for physical services provided by workers to entrepreneurs or companies so that if the wages given are following the abilities of workers and government regulations, it will also be able to improve employee performance, providing incentives with the incentives provided by the company, it will also be a motivation for employees to be able to provide even more maximum performance.

CONCLUSIONS

Based on the results of research on the effect of wages and incentives on improving employee performance, it can be concluded as follows: (1) partially wages had a significant positive effect on improving employee performance, (2) partially the provision of incentives had a significant positive effect on improving employee performance, (3) simultaneously wages and incentives had a significant positive effect on improving employee performance. Following the discussion and conclusions above, the researchers provide some suggestions as follows: (1) future researchers are expected to be able to add other independent variables that have an influence on employee performance in addition to the variables used in this study, (2) future researchers are expected to be able to use more samples by choosing research locations with even more employees, (3) for companies to be able to improve employee performance based on research results, it can be done by further increasing the provision of incentives as motivation for employees to work more optimally so that the targets expected by the company are also achieved. In addition, giving greater wages to employees who have achievements and are also loyal to the company is one of the keys to improving employee performance.

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