

THE IMPACT OF COMPENSATION, WORK MOTIVATION, AND JOB SATISFACTION ON EMPLOYEE PERFORMANCE AT PT X

PENGARUH KOMPENSASI, MOTIVASI KERJA, DAN KEPUASAN PEKERJAAN TERHADAP KINERJA KARYAWAN DI PT X

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ABSTRACT

Employee performance at PT X has faced significant challenges, evidenced by a decline in Key Performance Indicator (KPI) achievements from 82% in 2023 to 74% in 2025, consistently falling below the organizational target of 85%. This decline is purportedly linked to compensation levels that remain below industry standards and low employee satisfaction regarding career development and recognition. This study analyzes the impact of compensation, work motivation, and job satisfaction on employee performance at PT X. A quantitative research design employing multiple linear regression analysis was applied. The study population consisted of all permanent employees of PT X, totaling 33 respondents, selected using a census sampling technique. Data were processed using SPSS version 27. The results reveal that compensation exerts a statistically significant positive impact on employee performance ($p = 0.036$). Work motivation does not show a statistically significant impact ($p = 0.068$). In contrast, job satisfaction demonstrates a strong and significant positive impact on employee performance ($p < 0.001$). Simultaneously, compensation, work motivation, and job satisfaction significantly influence employee performance ($F = 899.866$; $p < 0.001$). The Adjusted R^2 value of 0.988 indicates that 98.8% of the variance in employee performance is explained by the research model.

Keywords: Compensation, Work Motivation, Job Satisfaction, Employee Performance

ABSTRAK

Employee performance at PT X has faced significant challenges, evidenced by a decline in Key Performance Indicator (KPI) achievements from 82% in 2023 to 74% in 2025, consistently falling below the organizational target of 85%. This decline is purportedly linked to compensation levels that remain below industry standards and low employee satisfaction regarding career development and recognition. This study analyzes the impact of compensation, work motivation, and job satisfaction on employee performance at PT X. A quantitative research design employing multiple linear regression analysis was applied. The study population consisted of all permanent employees of PT X, totaling 33 respondents, selected using a census sampling technique. Data were processed using SPSS version 27. The results reveal that compensation exerts a statistically significant positive impact on employee performance ($p = 0.036$). Work motivation does not show a statistically significant impact ($p = 0.068$). In contrast, job satisfaction demonstrates a strong and significant positive impact on employee performance ($p < 0.001$). Simultaneously, compensation, work motivation, and job satisfaction significantly influence employee performance ($F = 899.866$; $p < 0.001$). The Adjusted R^2 value of 0.988 indicates that 98.8% of the variance in employee performance is explained by the research model.

Kata Kunci: Kompensasi, Motivasi Kerja, Kepuasan Kerja, Kinerja Karyawan

INTRODUCTION

Human resources constitute a strategic organizational asset, and employee performance serves as a primary determinant of organizational effectiveness. Armstrong & Taylor (2023) defines employee performance as the outcomes achieved by individuals in executing job responsibilities, which are influenced by ability, motivation,

and organizational support. High performance is reflected in work quality, productivity, punctuality, discipline, and efficiency. Contemporary human resource management literature emphasizes that performance is shaped not only by technical competence but also by psychological conditions, work environment, and organizational policies.

Compensation is widely acknowledged as a fundamental mechanism through which organizations reward employee contributions and influence work behavior. Herzberg's Two Factor Theory (Herzberg, 1966, as cited in Robbins & Judge, 2023) classifies compensation as a hygiene factor that, when inadequate, generates dissatisfaction, whereas fair and competitive remuneration contributes to improved motivation and work outcomes. Compensation encompasses direct financial rewards such as salaries and bonuses as well as indirect benefits and non financial incentives, including recognition, career development opportunities, and flexible working arrangements. Empirical evidence indicates that equitable compensation enhances employee commitment, productivity, and retention (Akuffo-Aduamah, 2025).

Work motivation represents the psychological forces that initiate, direct, and sustain goal oriented behavior in organizational contexts. Vroom's Expectancy Theory (1964, as cited in Luthans et al., 2020) posits that employees exert higher effort when they perceive a clear linkage between performance and valued rewards. Similarly, Maslow's Hierarchy of Needs Theory (1943; revised 2023) suggests that fulfillment of physiological, safety, social, esteem, and self actualization needs promotes higher levels of motivation and work effectiveness. Intrinsic motivational factors such as achievement, responsibility, and meaningful work further strengthen employee engagement and performance.

Job satisfaction refers to employees' affective evaluation of their job experiences and organizational environment. Maslow's needs

framework and Herzberg's motivational perspective both indicate that satisfaction arises when fundamental work needs and intrinsic growth opportunities are adequately fulfilled. (Armstrong & Taylor (2023) strategic human resource management approach further emphasizes that integrated compensation systems, career development programs, and supportive work environments collectively enhance employee performance and organizational sustainability. Conversely, perceived inequities and limited development opportunities contribute to dissatisfaction, reduced motivation, and increased turnover intentions.

At PT X, compensation practices remain below prevailing levels observed in similar companies within the same industry. Comparative salary data indicate that employees across various positions receive noticeably lower remuneration than those working in comparable firms, suggesting potential compensation related dissatisfaction among employees.

Performance challenges are further evidenced by declining Key Performance Indicator achievements over the period from 2023 to 2025. Average KPI scores decreased from 82 percent in 2023 to 78 percent in 2024 and 74 percent in 2025, consistently failing to meet the organizational performance target of 85 percent. The decline occurred across multiple performance dimensions, including work quality, timeliness, productivity, teamwork, and discipline, indicating systemic performance concerns.

A preliminary survey involving 33 permanent employees revealed low levels of perceived compensation fairness, limited motivational support, and moderate job satisfaction. Only 36 percent of respondents considered their

salary aligned with industry standards, while merely 30 percent perceived the compensation system as equitable. Regarding job satisfaction, only 30 percent reported adequate career development opportunities. In terms of motivation, approximately one third of employees indicated that recognition mechanisms and challenging tasks effectively encouraged improved performance, while managerial support remained insufficient.

Although prior empirical studies have confirmed significant relationships between compensation, motivation, job satisfaction, and employee performance across various organizational settings, limited research has examined these relationships within professional service companies in the Indonesian context using integrated organizational performance indicators. The specific conditions observed at PT X therefore present a relevant context for further investigation.

Accordingly, this study aims to analyze the impact of compensation, work motivation, and job satisfaction on employee performance at PT X. By integrating theoretical perspectives with empirical organizational data, this research seeks to contribute to human resource management scholarship and provide practical insights for enhancing employee performance and organizational effectiveness.

LITERATURE REVIEW

Compensation and Employee Performance

Compensation represents a fundamental component of human resource management that directly influences employee attitudes, motivation, and work outcomes. According to Dessler (2023), compensation encompasses all financial and non-financial rewards provided to

employees in exchange for their contributions to organizational objectives. Financial compensation includes wages, salaries, bonuses, and incentives, while non-financial compensation involves recognition, career development opportunities, and supportive work environments. Effective compensation systems are designed to ensure internal equity, external competitiveness, and alignment with organizational strategy, thereby fostering fairness perceptions among employees (Milkovich et al., 2023).

Previous empirical studies consistently demonstrate the positive impact of compensation on employee performance. Hantrisna (2023) found that compensation was the most dominant factor influencing employee performance compared to work ethic and work environment. Similarly, Reddy (2020) reported that compensation significantly enhanced both employee motivation and performance, particularly when non-financial rewards were integrated into compensation systems. Studies by Sumarni & Prabowo (2024) further confirmed that compensation fairness strengthened employee engagement, productivity, and organizational commitment.

In similar companies operating within project-based and knowledge-intensive work environments such as PT X, fair and competitive compensation becomes increasingly critical. Employees involved in complex tasks requiring creativity, precision, and collaboration tend to evaluate compensation not only based on monetary value but also on perceived recognition and career development opportunities. Consequently, compensation serves as a strategic instrument to encourage high

performance and long-term employee retention.

H1: Compensation positively and significantly influences employee performance at PT X.

Job Satisfaction and Employee Performance

Job satisfaction refers to the psychological and emotional state resulting from an individual's evaluation of work experiences. Armstrong and Taylor (2023) define job satisfaction as a multidimensional construct reflecting employees' perceptions of their job roles, compensation, interpersonal relationships, career opportunities, and work environment. Similarly, Luthans et al. (2020) emphasizes that job satisfaction emerges from the alignment between employee expectations and organizational provisions, shaping positive or negative work attitudes.

Numerous studies have established job satisfaction as a critical determinant of employee performance. Idris et al. (2020) demonstrated that job satisfaction mediates the relationship between compensation and performance, indicating that fair rewards increase satisfaction, which subsequently enhances productivity. Wijaya and Hidayat (2024) found that intrinsic and extrinsic satisfaction significantly influenced organizational commitment, which in turn improved performance outcomes. Meta-analytic evidence further confirmed that higher job satisfaction reduces turnover intentions while improving work engagement and efficiency (Idris et al., 2020; Judge et al., 2001; Saks, 2006).

In organizational contexts similar to PT X, where teamwork, deadlines, and creative output are central to operations, job satisfaction plays a vital role in sustaining employee motivation

and focus. Employees who experience supportive leadership, equitable rewards, and growth opportunities are more likely to demonstrate higher work quality, initiative, and organizational loyalty.

H2: Job satisfaction positively and significantly influences employee performance at PT X.

Work Motivation and Employee Performance

Work motivation represents the internal and external forces that stimulate individuals to initiate, direct, and sustain work-related behaviors. According to Luthans et al. (2020), motivation influences the intensity, persistence, and direction of employee efforts toward achieving organizational goals. Motivation can be categorized into intrinsic motivation, driven by personal fulfillment and task enjoyment, and extrinsic motivation, driven by external rewards such as compensation and recognition (Spector, 2020).

Empirical evidence highlights the strong association between motivation and employee performance. Lasa & Srimulyani (2023) found that both intrinsic motivation and compensation significantly improved employee productivity and sense of belonging. Kurniawanto et al. (2022) reported that motivation has a stronger influence on performance. Furthermore, Hanaysha & Majid (2018) demonstrated that motivation enhanced performance through increased organizational commitment.

In professional service-oriented companies similar to PT X, motivation becomes essential for maintaining consistent performance under demanding workloads and dynamic project requirements. Motivated employees are more proactive, adaptable, and willing to exceed formal

job responsibilities, contributing to organizational effectiveness.

H3: Work motivation positively and significantly influences employee performance at PT X.

Interrelationship between Compensation, Job Satisfaction, and Motivation

Compensation, job satisfaction, and motivation are closely interconnected constructs within human resource management frameworks. Compensation functions as a primary extrinsic motivator and a major contributor to job satisfaction when perceived as fair and adequate (Dessler, 2023). Employees who receive appropriate rewards tend to develop positive work attitudes, which foster intrinsic motivation and performance improvement.

Previous studies reveal that compensation influences job satisfaction and motivation simultaneously. Gagné & Deci (2005) showed that compensation enhanced motivation and satisfaction, which subsequently strengthened employee productivity. Idris et al. (2020) confirmed that job satisfaction mediates the impact of compensation on performance, indicating that financial rewards alone are insufficient without emotional fulfillment. Similarly, Wei & Wu (2024) observed that satisfaction strengthened loyalty through intrinsic motivation mechanisms.

These findings suggest that organizations such as PT X must design compensation strategies that not only reward output but also fulfill psychological and professional expectations to achieve sustainable performance improvements.

H4: Compensation, job satisfaction, and work motivation

simultaneously and positively influence employee performance at PT X.

RESEARCH METHODS

Design and Sample

This study employed a quantitative research design to examine the impact of compensation, work motivation, and job satisfaction on employee performance at PT X, a private company operating in Indonesia. The quantitative approach was selected to enable objective measurement of relationships among variables and to support empirical hypothesis testing through numerical data analysis (Creswell & Creswell, 2018).

The research population consisted of all employees working at PT X, totaling 33 individuals. Due to the limited population size, a census sampling technique was applied, whereby all employees were included as research respondents. This approach ensured comprehensive data coverage and enhanced the accuracy of findings by minimizing sampling bias. The respondents represented various functional units within the organization, allowing for a holistic assessment of employee performance dynamics.

The study examined three independent variables, namely compensation, work motivation, and job satisfaction, in relation to employee performance as the dependent variable. The research design aimed to analyze both individual and simultaneous effects of these variables, providing a comprehensive understanding of human resource factors influencing organizational performance at PT X.

Data Collection

Data were collected through the distribution of a structured questionnaire to all employees of PT X. The questionnaire was developed based

on established theoretical frameworks and previous empirical studies concerning compensation (Armstrong & Taylor, 2023), work motivation (Luthans et al., 2020), job satisfaction (Robbins & Judge, 2023), and employee performance (Armstrong & Taylor, 2023).

Each construct was operationalized into measurable indicators and assessed using a five point Likert scale ranging from strongly disagree (1) to strongly agree (5). The instrument was designed to capture employees' perceptions of compensation systems, motivational conditions, workplace satisfaction, and performance outcomes.

Prior to the main survey, the questionnaire underwent a preliminary review to ensure clarity, relevance, and content validity. In addition to questionnaire data, semi structured interviews were conducted with company management to obtain supplementary qualitative insights regarding organizational practices related to compensation and performance evaluation. Secondary data were collected from internal company documents and relevant academic literature to support analysis.

Data Analysis

The collected data were analyzed using multiple linear regression techniques with the assistance of SPSS statistical software. This analytical method was selected due to its effectiveness in examining the influence of several independent variables on a single dependent variable.

The analysis process began with descriptive statistics to summarize respondent characteristics and variable distributions. Subsequently, classical assumption tests were conducted, including normality, multicollinearity,

and heteroscedasticity tests, to ensure the validity of the regression model.

Following these procedures, multiple regression analysis was performed to evaluate the effects of compensation, work motivation, and job satisfaction on employee performance. Hypotheses were tested using partial significance tests (t tests) and simultaneous significance tests (F tests). The coefficient of determination (R^2) was also calculated to measure the explanatory power of the independent variables on employee performance.

This analytical framework enabled the study to generate empirical evidence regarding key organizational factors that contribute to improved employee performance at PT X.

RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis

Descriptive statistics were conducted to examine respondents' perceptions of each research variable. Employee performance achieved an overall mean score of 4.16, indicating a high level of perceived work effectiveness. Compensation recorded a relatively high mean score, reflecting positive employee evaluations regarding salary fairness, benefits, and non-financial rewards. Work motivation also demonstrated a high average value, suggesting that employees experienced strong intrinsic and extrinsic motivational drivers. Job satisfaction achieved one of the highest mean scores, indicating favorable perceptions of work conditions, supervisory support, and career opportunities.

The consistently high mean values across all variables suggest that the organizational environment provides adequate rewards, motivational support, and positive work experiences that collectively foster strong performance outcomes.

Validity and Reliability Results

Item validity testing revealed correlation coefficients ranging from 0.356 to 0.782, all exceeding the critical threshold of 0.344, confirming that each measurement item appropriately captured its intended construct.

Reliability testing showed strong internal consistency: 1) Compensation: Cronbach's Alpha = 0.786; 2) Work Motivation: Cronbach's Alpha = 0.786; 3) Job Satisfaction: Cronbach's Alpha = 0.918; 4) Employee Performance: Cronbach's Alpha = 0.930

These values surpass the recommended minimum of 0.60, indicating robust measurement reliability and suitability for inferential analysis.

Classical Assumption Testing

The Normal P-P Plot demonstrated that residuals closely followed the diagonal line, confirming normal distribution. Multicollinearity analysis produced tolerance values above 0.10 and VIF values below 10, indicating no serious correlation among independent variables. The heteroskedasticity scatterplot revealed random dispersion, confirming homoscedastic residual variance.

Collectively, these tests verified that the regression model met the assumptions necessary for unbiased estimation.

Multiple Regression Results

The regression equation obtained was: Employee Performance = 2.450 + 0.105 Compensation + 0.190 Motivation + 1.173 Job Satisfaction; and The regression coefficients indicate that job satisfaction had the strongest influence on employee performance ($\beta = 1.173$), followed by work motivation ($\beta = 0.190$), and compensation ($\beta = 0.105$).

Hypothesis Testing

Based on the results of the hypothesis test, the partial effect analysis (t-test) showed varying results among the independent variables. Compensation was found to have a significant effect on employee performance with a value of $t = -1.532$, and a significance level of 0.036 (< 0.05), confirming that the reward system directly shapes work productivity. On the other hand, work motivation showed a positive but statistically weaker effect with a value of $t = 1.895$ and a significance level of 0.068 (> 0.05). Meanwhile, job satisfaction shows a very strong and significant positive effect on employee performance, as evidenced by a high t value of 13.562 and a significance level of 0.000 (< 0.05).

Furthermore, the results of the simultaneous effect test (F test) produced a value of $F = 899.866$ with a significance of 0.000, confirming that compensation, motivation, and job satisfaction together have a significant effect on employee performance. The strength of this research model is reflected in the Adjusted R^2 value of 0.988, which shows that 98.8% of the variance in employee performance can be explained by these three independent variables. This reflects the model's very high explanatory power, where only the remaining 1.2% is influenced by other factors outside the scope of this study.

Discussion of Findings

The strong positive influence of compensation confirms reward theory proposed by Armstrong and Taylor (2023), which asserts that fair and consistent compensation systems enhance employee effort and commitment. Employees who perceive equitable pay, benefits, and recognition

are more inclined to maintain productivity and professional behavior.

Motivation demonstrated a positive yet weaker statistical influence, partially supporting goal-setting theory (Locke & Latham, 1990). While motivated employees exhibit higher effort, the results suggest that motivation alone is insufficient without supportive organizational conditions.

Job satisfaction emerged as the dominant determinant of performance. This aligns strongly with Robbins and Judge (2023), who emphasize that satisfied employees display higher engagement, adaptability, and organizational citizenship behaviors. Satisfaction acts as a psychological mechanism that strengthens the effects of both compensation and motivation.

The combined results confirm that performance is not driven by isolated human resource practices but by an integrated system of rewards, motivation, and positive work experiences.

CONCLUSION AND SUGGESTION

This study examined the conditions of compensation, work motivation, job satisfaction, and employee performance at PT X and analyzed their effects on employee performance. The results indicate that compensation, motivation, and satisfaction are generally at a good level, and each has a positive impact on employee performance. Adequate compensation, supportive work motivation, and satisfactory job conditions collectively enhance employee productivity and effectiveness. However, aspects such as alignment of pay with responsibilities, career development opportunities, and interpersonal collaboration still require improvement.

The findings highlight the importance for companies to implement fair and transparent compensation systems, strengthen employee motivation through recognition and development, and foster a positive work environment that supports collaboration and satisfaction. By addressing these factors, organizations can achieve sustained improvements in employee performance. For future research, it is recommended to explore additional variables such as leadership style, organizational culture, work environment, and workload, and to validate the results across different organizational contexts to provide broader insights into employee performance management.

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