

REMUNERATION REWARD MANAGEMENT SYSTEM AS A DRIVEN FACTOR OF EMPLOYEE PERFORMANCE

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ABSTRACT

Reward management system has been an important point of attention in any organization as a defining factor of employee's high welfare and performance. This research studies the influence of remuneration reward system on employee performance through motivation and job satisfaction as the mediation variable. The data in this research was taken from Universitas Negeri Semarang's permanent employees amounting to 403 employees. SEM tests are proposed in order to examine the influence of remuneration reward system, motivation, and job satisfaction either directly or indirectly on performance. The mediating roles of motivation and job satisfaction are measured to be an indirect relation intermediary. The results show that remuneration and job satisfaction have a positive influence on performance. Furthermore, motivation and job satisfaction are found to be significantly positively influenced by remuneration. However, the direct effect of motivation on performance is not supported. Motivation can improve employee performance, by becoming the mediation variable of remuneration reward system. This study shows that motivation and satisfaction are the variables that can mediate the relationship between remuneration and employee performance

Keywords: Management reward system; Remuneration; Motivation; Job satisfaction; Performance

1. INTRODUCTION

One of Universitas Negeri Semarang's goals in its 2015-2019 Business Strategy Plans is to organize and develop institutional governance addressed towards stakeholder welfare by following good university governance principles. Universitas Negeri Semarang with its academic and organizational management autonomies should be capable of bringing about welfare for its stakeholders, in particular its employees, to allow them to develop their performance professionally and to be more productive. The implementation of remuneration reward system which has been applied for two years in this university is a part of the strategy to achieve that goal which in turn results in the achievement of institutional accreditation improvement. The institutional accreditation improvement means that there has been an improvement of excellence in the fields of high-quality, conservation value-based education, research, and services to the

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society to develop a globally competitive national civilization.

Within organization management autonomy context, university is committed to be able to independently develop a management which integrates all of these fields by implementing the good university governance principles, performing an effective organization, HRM practices, and financial management structuring, as well as exploring income generating alternatives to support university's visions to be a world-class university. Wuryanti and Setiawan (2017) research results recommend the need to integrate financial and HR system through the implementation of merit-based reward system. Remuneration as a part of finance-based reward management system has been applied to all Universitas Negeri Semarang permanent employees since 2014, yet until recently the implication of remuneration on employee motivation, satisfaction, and performance has been comprehensively unknown. This research is conducted in an attempt to obtain empirical information on the implication of remuneration on employee motivation, satisfaction, and performance.

The empirical information obtained from this research is expected to be useful as the basis for consideration in management decision-making in relation to the revision of university remuneration policy in the future.

2. LITERATURE REVIEW

2.1. *Performance*

Viswesvaran and Ones (2000) defined work performance as measurable actions, behavior and outcomes that employees engage in or bring about that are linked with and contribute to organizational goals. Performance is also defined as employees' capability to accomplish their jobs (Poernomo and Wulansari, 2015).

Performance indicates anything performed by employees, which may be in the forms of their task completion effectiveness, cooperation relationship with other parties, quality and quantity of their job output, and their attendance at work. Individual performance can also be influenced by internal and external factors. The internal factors include intellectual ability, work discipline, job satisfaction, and job motivation. Meanwhile, the external factors involve the type of leadership, work environment, compensation, and the management system applied in the company (Emerald & Genoveva, 2014).

2.2. *Motivation*

Motivation is the main drive of one's behavior in a job. Motivation is a powerful tool that reinforces behavior and triggers the tendency to continue. In other words, motivation is an internal drive to satisfy an unsatisfied need and to achieve a certain goal. It is also a procedure that begins through a psychological need that stimulates a performance set by an objective (Dobre, 2013).

2.3. *Job Satisfaction*

Job satisfaction is a pleasant emotional state of individual related to his/her job. Job satisfaction reflects the individual feeling towards his/her job. Job satisfaction is one of an employee's positive attitudes to his/her job and everything he/she encounters at work (Macdonald and Peter, 1977).

2.4. Remuneration Reward System

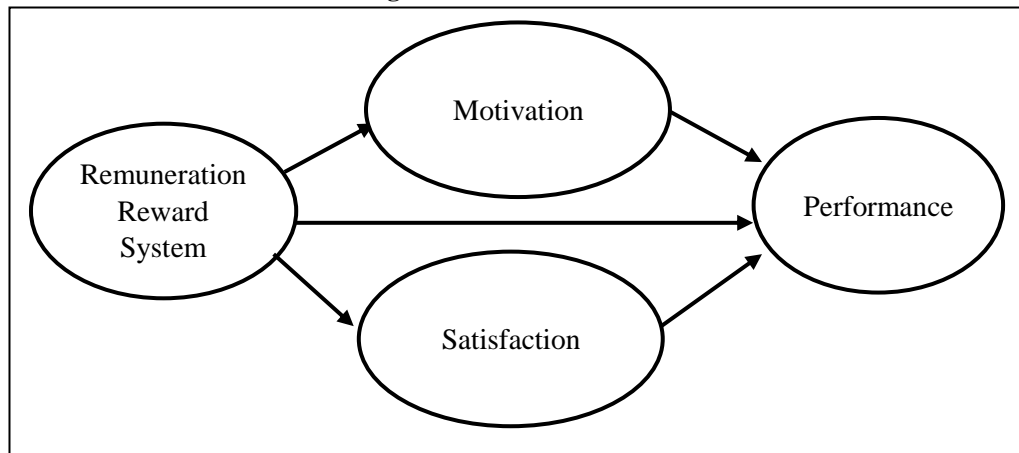
Reward management system is a core function of human resource discipline and is a strategic partner with company managements. Besides, it has an important role on work outcome. Reward management systems have major impact on organizations capability to catch, retain and motivate high potential employees and as a result getting the high levels of performance (Gungor, 2011).

Remuneration reward system is usually implemented to motivate employees so that they perform better quality, are more productive, are not easily moved to other companies, establish a service-oriented behavior, and avoid corruption. Remuneration can be in the form of money or salary, fixed allowances, variable allowances, incentives and other facilities. Remuneration is the total compensation received by the employees in return for the services he or she has done (Agustiniingsih et al. 2016).

2.5. Research Framework

Figure 1 presents the research model, examining factors that influence work performance. The factors examined are remuneration reward system, motivation, and job satisfaction.

Figure 1: Research Model



Motivation and Performance. In organization context, it is important for the organization to motivate its employees. It is because any employee with work motivation will show the behaviors expected by the organization at work. When someone has motivation in doing his job, then the performance will also increase (Sarwar & Abugre, 2013). Based on this explanation, the following hypothesis could be formulated:

H1: Motivation has Positive Influence on Performance

Job Satisfaction and Performance. The term job satisfaction refers to the attitude and feeling employees have about their works. Positive and favorable attitudes towards the job indicate job

satisfaction, and negative and unfavorable attitudes towards the job indicate job dissatisfaction. In other words, job satisfaction can be defined as the extent to which the individual's needs are satisfied and to the extent to which the individual perceives that satisfaction stems from his total work situation (Kiruja and Mukuru, 2013; Salisu et al, 2015, Muchtar, 2016). When someone has satisfaction in his/her job, it will eventually influence positive work outcome, such as increased performance (Kappagoda et al. 2014). Based on this explanation, the following hypothesis could then be formulated:

H2: Job Satisfaction has Positive Influence on Performance

Remuneration Reward System, Motivation, Satisfaction, and Performance. The provision of remuneration or compensation either directly or indirectly is found to stimulate employee performance. A reward system which is perceived to be fair and proportional by employees could improve their productivity at work (San et al., 2012 & Gohari et al., 2013). Meanwhile, the remuneration given may also have indirect influence on their performance. This implementation of remuneration reward system could also be a powerful tool to improve employees' work motivation and job satisfaction. When someone feels that the system being applied by their organization is fair, it can improve his job satisfaction and increase their motivation to work (Jehanzeb et al., 2012; Priya & Eshwar, 2014). Therefore, the following hypothesis could be formulated:

H3a: Remuneration Reward System has Positive Influence on Performance.

H3b: Remuneration Reward System has Positive Influence on Motivation

H3c: Remuneration Reward System has Positive Influence on Satisfaction

H3d: Motivation Facilitates the Influence of Remuneration Reward System on Performance.

H3e: Job Satisfaction Facilitates the Influence of Remuneration Reward System on Performance.

3. METHODOLOGY

3.1. *Sample and Procedure*

A sample of 403 respondents was taken from all permanent employees of Universitas Negeri Semarang. The quantitative sampling was made using Purposive Proportional Random Sampling. The sample was chosen since it met the criteria required in this research. It was randomly selected, and represented the population proportionally. The criteria were employees (lecturers and education staff) with permanent status and have received the remuneration reward for the last two years.

3.2. *Measures*

The variables in this research included: remuneration reward system as an independent variable, motivation and job satisfaction as mediating variables, and performance as the dependent variable. The data were analyzed by using Structural Equation Modeling (SEM) assisted by AMOS Program with Goodness of Fit on structural equation.

Remuneration Reward System. The remuneration variable was measured with seven (7) question items from Herpen et al. (2003). Examples of items of questions for remuneration reward system is "The

method of remuneration at this organization is clearly defined”.

Motivation. The motivation variable was measured with fourteen (14) question items from Tan and Waheed (2011) in which they used Herzberg's Motivation-Hygiene Theory approach. One of the item question instruments is “I am proud to work at this organization because my achievements are recognized”.

Job Satisfaction. Furthermore, job satisfaction variable was measured with ten (10) job satisfaction scale items from Macdonald and Peter (1977). One of the example question is “I am satisfied with the recognition given when I finish my job well”

Work Performance. Finally, the performance variable was measured with thirteen (13) work performance measurement items from Koopmans (2014). One of the item questions is “I take full responsibility in my work”.

4. THE EMPIRICAL RESULTS

4.1. Reliability and Construct Validity

There are several types of instrument tests in SEM, namely validity and reliability. The reliability used two ways, construct reliability and variance extracted. Cut Off Value from Construct reliability is > 0.70 while Cut Off Value of variance extracted is > 0.50 even though the cut off values are not absolute numbers. The result of Construct Reliability and Average Variance Extract test shows that some variables have AVE value of < 0.5 . Thus, to increase the value of AVE and the value of Goodness of Fit, some parameters were then removed from the model. The omitted parameter was 13 out of 44. Then, the model is re-tested and re-calculated by using CR and AVE values. The results are as follows:

Table 1: Instrument Test

Variable	CR	AVE
Job Satisfaction	0.934	0.589
Performance	0.949	0.595
Motivation	0.948	0.573
Remuneration	0.926	0.647

CR and AVE calculation results show that all variables have CR of > 0.7 and AVE of > 0.5 . Thus, the model used have no validity and reliability issues.

4.2. Results of Normality Test

SEM requires normal distributed data to avoid bias results of the analysis. Normality test was done by using criteria of critical ratio of kurtosis value, which was equal to ± 2.58 at level of significance 0.01. The data has a normal distribution if the value of the critical ratio of kurtosis value is < 2.58 (Ghozali, 2011). Based on the results of normality test, it was known that all parameters had the value of critical ratio of kurtosis ranged from -2.58 and $+2.58$, so it could be concluded that the data used was distributed normally.

Table 2. The Suitability of Model

Goodness-of-fit Indices	Cut-off Value	Value	Result
<i>Chi-Square</i> (X^2)	Value expected (X^2 count < 441,282)	762.689	Not Good
<i>P Value</i>	> 0.05	0.04	Medium
CMIN / DF	≤ 3.00	2.951	Good
GFI	≥ 0.90 < 1	0.91	Good
AGFI	≥ 0.80 < 1	0.82	Good
TLI	≥ 0.95 < 1	0.915	Medium
CFI	≥ 0.95 < 1	0.923	Medium
RMSEA	Between 0.03 – 0.08	0.070	Good

Based on Table 2, the value of Chi Square included in the category is not good. This is because there are still some data that have an outlier problem. In addition, the number of respondents or observation has a high value of d-squares and $p1 < 0.1$ is quite a lot so it affects the Chi square value. However, the overall model used is categorized as Good.

4.5. Hypothesis Testing

The hypothesis in this research was tested by implementing Structural Equation Modeling (SEM) analysis technique. The hypothesis testing was done by looking at the strength of dimensions form latent factor. This could be seen in the Regression Weight generated by the model. The critical ratios are identical to t-arithmetic in the regression analysis. The value of Critical Ratio is > 2.0 and it indicates that those variables significantly are the dimensions of the latent factors formed.

Table 3: Regression

			Estimate	S.E.	C.R.	P
Perfor	<---	Motivat	.026	.054	.477	.634
Perfor	<---	JobSatis	.688	.064	10.794	***

The value of C.R of motivation influences the performance of 0.477 is <2, and the value of P value 0.634 is > 0.05 so that H1 is not accepted. Value of C.R influence job satisfaction on performance 10,794 is > 2, and value of P value 0.000 is <0.05, so H2 is accepted.

Table 4. Regression

			Estimate	S.E.	C.R.	P
Motivat	<---	Remun	.325	.034	9.658	***
JobSat	<---	Remun	.256	.032	7.937	***
Perfor	<---	Remun	.193	.035	5.515	***

The value of C.R effect of remuneration on performance 5,515 is > 2, and value of P value 0.000 is <0.05 so H3a is accepted. The value of C.R of the effect of remuneration on motivation 9.658 is > 2, and the value of P value 0.000 is <0.05 so that H3b is accepted. Value of C.R effect of remuneration

on job satisfaction 7,937 is > 2 , and value P value 0.000 is < 0.05 so H3c is accepted.

The Bootstrapping test was used to confirm the effect of mediation. If the value of bootstrapping indirect effect is $< 0,05$ then it can be stated that the mediation variable can mediate the influence of independent variables on the dependent variable. Hail bootstrapping test result is as follows:

Table 5: Bootstrapping Test 1

	Remuneration	JobSat	Motivation	Perform
JobSat	...	...	...	...
Perform	.002	...	...	...

Table 6. Bootstrapping Test 2

	Remuneration	Motivation	JobSat	Perform
Motivat	...	...	...	...
Perform	.006	...	...	...

Based on the table, it is obvious that Bootstrapping Indirect Effect remuneration on performance through motivation of 0.006 is < 0.05 while Bootstrapping Indirect Effect remuneration on performance through job satisfaction of 0.002 is > 0.05 . Thus, motivation and job satisfaction can mediate the relationship between remuneration and performance so that H3d and H3e are accepted.

The result shows that H1 is not accepted. This means that motivation does not have a positive influence on performance. This shows that employees motivation is not able to influence their performance level. Although the motivation felt by employees is high, it is not encourage them to perform high. The results of this study has supported the research conducted by Abdulsalam and Mawoli (2012), which found that the level of motivation of academic staff at Ibrahim Badamasi Babangida University does not influence its performance. Likewise, with Darya (2016), who found that motivation is not significantly affect a person's performance.

The result also shows that H2 is accepted, meaning that job satisfaction has a positive influence on performance. This indicates that the satisfaction of employee's experience in their job could influence the level performance they show. The higher the job satisfaction experienced by employees, the higher the performance they show. This result is consistent with the research performed by Khan et al. (2012), Fadlallah (2015), and Riski et al. (2015).

The results show that H3a is supported. This means that the reward system of remuneration has a positive effect on performance. This shows that employee perception of the remuneration received is able to influence their performance. This result is consistent with the findings of San et al. (2012), and Gohari et al. (2013). It indicates that reward systems of compensation or money have a positive influence on employee performance.

The result indicates that H3b is supported, meaning that remuneration has positive influence on motivation. It shows that the remuneration received by employees for their job influence the motivation. The better their perception towards the remuneration they receive, the higher their motivation to work. This result is consistent with the research held by Khalid et al (2011), and Rizal et al (2014).

The result also shows that H3c is supported, meaning that remuneration has positive influence on job satisfaction. This suggests that the remuneration received by employees for their job influence the job satisfaction they feel. The better their perception towards the remuneration they receive, the higher their satisfaction in working. This result is consistent with the research conducted by Khalid et al (2011), Sawar and Aburge (2013), and Salisu et al. (2015).

Based on the bootstrapping test to H3d, it is found that H3d is supported. It indicates that motivation is proven to be a mediating variable in the relation between remuneration and performance. It also means that the remuneration the employees receive promote their motivation to work. The motivation that employees have, in turn, will improve the performance they show in every work they perform. This research is consistent with Rizal et al. (2014) who suggest that the relation of reward system on employee performance could be mediated by motivation variable.

The result of bootstrapping test to H3e finds that H3e is supported. It indicates that job satisfaction is proven to be a mediating variable in the relation between remuneration and performance. It means that the remuneration received by employees will improve their satisfaction at work. Furthermore, this employees job satisfaction will in turn improve the performance they show in every work they perform. This research is consistent with the research held by Sopiah (2013) which suggests that job satisfaction could be a mediating variable in the relation between financial compensation and performance.

6. CONCLUSION

Remuneration and job satisfaction are two highly important factors in individual performance improvement. In addition, remuneration can improve motivation and job satisfaction. This research also shows that, the influence of reward management system in the form of remuneration to employee performance could be created through mediating variables such as motivation and job satisfaction. Furthermore, remuneration implementation is expected to achieve employee creativity (Ardiansyah & Wulansari, 2018) should be highlight in the future research. Based on the findings, it is obvious that the motivation cannot directly improve employee performance. This result is different from the previous literature in which motivation plays a dominant role in improving performance. This discrepancy shall be evaluated in order to see the aspects needed by employees to improve their performance objectively. Evaluation in the determination of motivation can be done by looking at the reward management system policy which is obviously proved as an important factor to increase employee motivation. The results of these evaluations should encourage employee motivation and indirectly also encourage their performance. This study has limitations, namely the limited data collection method and quantitative data processing. It would be better if the further research combines both quantitative and qualitative methods (mix method), in order to get more objective and detail outcome.

ACKNOWLEDGEMENT

Funding for this project comes from the Superior University Applied Research Grant Scheme, Year 1/2017 provided by the Directorate General of Higher Education, Indonesia

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