

## Research Article

# The Effect of Compensation and Job Involvement on Work Satisfaction and Its Impact on Performance of Employee in Social Service Agency, Aceh Besar Regency, Aceh Province, Indonesia

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**Abstract:** The purpose of this study was to examine and analyze: (1) the effect of compensation and job involvement on employee job satisfaction (2) the effect of compensation and job involvement on employee performance (3) the effect of job satisfaction on employee performance (4) the effect of compensation and involvement job on employee performance through variable job satisfaction. The population in this study was employees of the Aceh Besar District Social Service scope and the samples in this study were 161 respondents. The source of this research data is primary data obtained from distributing questionnaires to research respondents. The analysis method uses path analysis. The results showed that (1) compensation and job involvement had a positive and significant effect on employee job satisfaction (2) compensation and job involvement had a positive and significant effect on employee performance (3) job satisfaction had a positive and significant effect on employee performance (4) compensation and job involvement has a positive and significant effect on employee performance through variable job satisfaction.

**Keywords:** Compensation, Job Involvement, Job Satisfaction and Employee Performance.

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## INTRODUCTION

The main tasks and functions of ASN (State Civil Apparatus) in Indonesia are regulated under Law No. 5 of 2014 concerning the State Civil Apparatus and become the basis of quality and professional public services. Ministerial Regulation of PAN and RB No. 11 of 2015 establish a road map for bureaucratic reform implementation 2015 to 2019. The road map is the basis of the Central Government and Local Government in the framework of implementing and implementing the 2015-2019 bureaucracy reform priority agenda.

As an agency that carries out the public service function in the field of community service, it requires professionalism and quality human resources to carry out the service function to the community related to welfare, empowerment, assistance and rehabilitation so that coping with social problems can be overcome and have a good impact on the community. Handling social problems is not only with a reactive approach, but must be planned that is supported by reliable and professional human resources.

Based on the author's observation, the performance of the Aceh Besar Social Affairs staff has

not shown optimal results according to the duties and functions of the Aceh Besar Social Affairs Office or in other words the employee performance appraisal is still low. One indication of the low performance of employees is the percentage of poverty. Based on the catalog of Aceh Besar District in Figures published by BPS Aceh Besar in 2018, the percentage of poor people in Aceh Besar was 15.41%.

The handling of poverty carried out by reliable human resources should be able to accelerate the decline in the poverty rate in the area of Aceh Besar District which in turn will be used as an assessment of employee performance.

Employee performance is identical to individual achievement that is assessed based on the standards & criteria of the organization that has been set. Performance management has an important role in achieving organizational goals and can be said to be successful if it meets the set targets (Kaswan, 2012). Good performance is based on employee satisfaction in carrying out tasks according to the field they are doing.

Satisfied or dissatisfied employees depend on what is expected by being obtained. If the employee

obtained is lower than what is expected to make employees not satisfied (Moorhead and Griffin, 2013).

One way the organization increases employee job satisfaction is through compensation, can be financial compensation or non-financial. Financial compensation is compensation in the form of material used by employees and their families to meet their needs. While non-financial compensation is compensation provided by the organization in the form of work facilities, tasks that are in line with their abilities and expertise, a comfortable work environment and pleasant work plans. If the remuneration received by the employee is in line with expectations, the job satisfaction is getting better (Moorhead and Griffin, 2013).

One of the low causes of employee performance related to compensation received. Compensation is used to bind the organization to its employees, attracting prospective employees and factors that encourage individuals to become employees. Compensation is one of the important factors and is the concern of many organizations to maintain and attract quality human resources (Build, 2012).

Employee performance can be improved by compiling a system about providing provorsional compensation according to the work weight and through job evaluation. The provision of compensation must consider fairness and balance based on input from the employee (skills, effort and responsibility).

In order for governance to be carried out optimally, one of the efforts carried out by the Aceh Besar Social Office is to improve the quality and quality of services to the community. The quality and quality of service can run optimally through stimulation of settings regarding compensation for the output produced.

In addition to compensation, job involvement (job involvement) of employees in work and decision making has an influence on employees in increasing employee obligations and control in their work lives so that employees can be more motivated, loyal to the organization, productive and more satisfied with their work (Robbins and Judge, 2008) The decline in the performance of employees of the Office of Social Affairs in Aceh Besar is partly due to the low involvement of employees in the work to carry out the work together or work in accordance with their duties. Shirin & Kleyn in Rizwan, (2018) states that employees who have a high level of work involvement are very impartial and really care about the field of work they do.

From the results of observations and phenomena that exist, indicate there is employee

dissatisfaction with the compensation received. The location of an office that is far from where employees live is one of the reasons for employee dissatisfaction in showing their performance.

The phenomenon related to employee work involvement is the delegation of authority and responsibility that is not evenly distributed from direct supervisors to staff so that not all employees have involvement in the work. This is shown by the attitude of employee apathy towards the task beyond its responsibilities and can lead to a lack of employee contribution to organizational scale activities.

In accordance with the formulation of the problem, this study aims to: (1) Test and analyze the influence of the variable Compensation and Work Involvement on Employee Satisfaction (2) Test and analyze the influence of the variable Compensation and Work Involvement on Employee Performance (3) Test and analyze the effect of Job Satisfaction variables on Performance (4) Test and analyze the influence of the variable Compensation and Work Involvement on Employee Performance through Job Satisfaction.

This research is expected to be useful and useful, among others: (1) used as input and consideration for the Aceh Besar District Social Service in relation to job satisfaction and employee performance (2) can contribute ideas to the Aceh Besar District Social Service related to compensation and work involvement and influence on job satisfaction and employee performance at the Aceh Besar District Social Service (3) For practitioners to be used as indicators in order to improve overall organizational performance.

## LITERATURE REVIEW

### Performance

The success of an organization is influenced by employee performance. Government agencies that play a role in service to the community will try to improve the performance of their employees to realize the organizational vision set by management.

Performance is a work result achieved by a person based on job requirements (job requirement) (Wake up, 2012). Then the performance is also interpreted as the actual achievement of the employee compared to the expected achievement of the organization from the employee (Dessler, 2013).

Kinicki & Williams (2016: 32) states that "Performance is the value of employee behavior that contributes positively or negatively to the achievement of organizational goals".

From some understanding of performance by experts, it was concluded that performance related to work results that could be measured both quality and quantity within

a certain period of time to help achieve the goals of the organization.

### **Job Satisfaction**

Job satisfaction of an employee is an indication of the fun or not the work done. Job satisfaction can be felt if the work done is pleasant, otherwise dissatisfaction will occur if the work is not pleasant.

Experts have various definitions related to job satisfaction, in principle the definition proposed is the same. Moorhead and Griffin (2013: 71) define that "Job satisfaction is the level at which a person is satisfied or fulfilled by his work".

Kinicki & Williams (2016: 96) say that "job satisfaction is a pleasant emotional state that results from an employee's job assessment or work experience".

Gibson *et al.* (2012: 102) means "job satisfaction as a series of individual attitudes towards their work". Job satisfaction is related to positive feelings about individual work based on the results of evaluating a number of characteristics (Robbins & Timothy, 2012: 87). Kuswadi (2014: 131) states that employee satisfaction is a measure of how far the company can meet employee expectations related to various aspects of work and position.

### **Compensation**

One's motivation to be an employee in a state or private organization, one of which is to make a living in order to fulfill their needs. This encourages a person to use their skills, knowledge and energy to work and gives time to work solely expecting compensation that is appropriate for the work they do.

According to Dessler (2013: 352) Employee compensation refers to the form of payment or rewards for employees who come from their work. Compensation is also defined as a combination of material and non-material awards given to employees as remuneration for the performance given by the organization (Armstrong, 2009).

Stewart and Brown (2011: 412) define compensation as "the process of paying and valuing people for contributions given to an organization". Compensation is the total amount of money (wages, salaries, commissions), incentives, benefits, privileges and prizes that organizations give to employees in return for their contribution to the organization (Moorhead and Griffin, 2013).

Compensation according to Wibowo (2010: 348) "counter performance against the use of labor or services that have been provided by labor".

Judging from a number of definitions presented by experts, the researcher draws conclusions to conclude that compensation is an expectation of

appreciation given in material or non-material form by a company for its contribution to the company.

### **Job Involvement**

Work Engagement is the right term to express regarding the recognition of management / participation of employees in carrying out their duties. Appreciated or not an employee depends on the extent to which the employee is involved in his work. Several definitions related to work involvement were raised by experts. According to Faslah in Puspitasari and Rahyuda (2016) Job Satisfaction is the level at which a person analyzes psychologically the work, or the importance of the work to the overall self-image. Job involvement is an assessment of the extent to which individuals psychologically side with work and consider the level of performance achieved as self-esteem (Robbins and Judge in Puspitasari and Rahyuda, 2016).

Kanungo quoted by Kahn (2011) suggests that work involvement is "the degree of psychological identification of employees has with him / her role in the workplace" can mean that work involvement is the level of psychological identification that an employee has for his / her role in the workplace. In different editors work engagement is explained as a measure by which employees participate in their work.

Job involvement is also defined as the degree to which a person participates and has authority in making decisions about their own work (Moorhead and Griffin, 2013).

## **RESEARCH METHOD**

### **Location and Object of Research**

The research was conducted at the Aceh Besar Office of Social Affairs, having its address at T.P Polem of Jantho City, Aceh Besar District. The object of this study is compensation, work involvement, job satisfaction and the performance of employees of the Aceh Besar District Social Service.

### **Population and Sample**

The population in this study is employees of the Aceh Besar District Social Service 253 people consisting of civil servants, assistants of the Aceh Besar Sejahtera (Pro Abes) Program and the Family Hope Program Companion (PKH) which are under the coordination of the Aceh Besar District Social Service.

### **Data collection technique**

The technique for collecting data for this research was carried out with documentation and questionnaire techniques as described below:

1. Documentation techniques are carried out by collecting and studying supporting documents relating to research obtained from journals and management articles, government regulations, online books and sources relating to the issues under study.

2. Next, the Questionnaire Technique (Questionnaire) is done by submitting a questionnaire to each respondent at the Aceh Besar District Social Service.

Data processing application employed in this study is SPSS software (*Statistical Product and Service Solutions*). Meanwhile, Path Analysis is used as a research model. Noor and Juliansyah, (2011) define path analysis as relationship / influence between independent variables, intervening variables, and dependent variables where the researcher clearly defines that a variable will be the cause of other variables commonly presented in the form of diagrams. In the diagram there are pictures of arrows showing the direction of influence between independent variables, intervening and dependent variables.

Intervening variables are variables that function to mediate exogenous variables with endogenous variables. to examine the effect of intervening variables used path analysis

## RESULTS

### Compensation

Based on the results of the study of the average respondent's answer related to the compensation variable of 3.72, this average shows that the perception of compensation given to employees in the form of salaries, incentives, benefits, facilities and work environment is in good perception, even though not very good.

Indicator with the highest average value, namely the environment (X15) with an average value of 4.03, this means that the work environment at the Aceh Besar District Social Service is comfortable and feels comfortable by the respondents. While the lowest indicator is incentives (X12) with a mean value of 3.53, it shows that the number of incentives received by employees is not commensurate with the work.

### Work Engagement

The results of the study illustrate that the perception of job involvement of employees of the Aceh Besar District Social Service is still in good category with the average perception value of five indicators of 3.95. The indicator includes work as a self-image, high responsibility for work, participation in decision making, teamwork and contribution to organizational activities.

Of the five indicators as a measure of work engagement variables, the employment indicator as a self-image (X21) has the highest perception by respondents with an average value of indicator 4.14. Meanwhile the indicator of participation in decision making (X23) was perceived as the lowest among the five indicators to measure work involvement with an

average indicator value of 3.84, these results indicate that employee involvement in decision making is still not optimal compared to other indicators.

### Job satisfaction

The results obtained by the average results of all indicators amounted to 3.73, this result shows that the respondents' interpretation of the variable job satisfaction is in the good category although not very good. The indicators used in the form of work according to expertise, income received, promotion opportunities, supervision and motivation from direct supervisors and pleasant colleagues.

Indicator with the biggest average is a pleasant colleague (Y5) with a value of 3.83, it shows that the Y5 indicator is perceived to be more maximal than other indicators in measuring the variable job satisfaction. While indicators of income received (Y2) are perceived to have the lowest value with an average of 3.59, this indicates that the amount of salaries, incentives and benefits received by employees has not been satisfactory.

### Performance

Based on the results of the research the average performance variable value of all indicators is perceived as 3.85, this shows that the quality of work, the quantity of work completed, technical and practical skills, attendance at work and standard operating procedures are perceived to have a good category although not very good.

The indicator of attendance at work (Z4) is perceived to be the highest by respondents when compared to other indicators with an average value of indicator 3.87, this indicates that the respondents were always present on time according to the schedule set by the Social Service. While the quantity indicator of work completed (Z2) is perceived by the lowest respondent with an average value of indicator 3.85, it shows that the respondent has not produced a job according to the expected quantity.

## DISCUSSIONS

### Compensation variable

Based on the regression results the compensation variable shows the effect of partial and simultaneous positive and significant on the variable job satisfaction (Ha1). This situation illustrates that the better compensation provided to employees can have an influence on increasing job satisfaction at the Aceh Besar Social Service. This result is consistent with the research conducted by Husni, *et al.* (2018) entitled "The Influence of the Work Environment, Compensation and Motivation of Job Satisfaction and Its Impact on the Work Loyalty of Rutan Employees in Aceh Province" which concluded that compensation had a positive & significant effect on job satisfaction variables. Similar results were also concluded by Mabaso & Dlamini (2017) in a study entitled "Impact of Compensation and

Benefits on Job Satisfaction" which concluded that compensation had a positive and significant effect on variable job satisfaction.

In relation to the performance of employees, the results of the regression show that there are positive and partial effects of positive and significant compensation variables on employee performance (Ha2). These results indicate that increasing compensation will have a positive impact on the increasing performance of the Aceh Besar Social Affairs staff.

Related to the results of the study the effect of compensation on performance, in a study entitled "The Effect of Direct Compensation and Indirect Compensation on Employee Performance PT Pranata Jaya Abadi Banjaran Operational Staff" Zulkarnaen & Herlina (2018) concluded that direct compensation and compensation did not directly have a positive influence and significant performance.

### **Job Involvement Variables**

According to the results of the regression variable work involvement in this study indicates that there is a positive and significant influence partially or simultaneously between the variables of work involvement on employee job satisfaction (Ha1). This shows that work involvement has an effect on increasing job satisfaction of employees of the Aceh Besar District Social Service.

Khan & Akbar (2014) In a study entitled "Job Involvement Predictor of Job Satisfaction and Job Performance Evidence from Pakistan" also concluded that Job Involvement directly affects Job Satisfaction.

While the results of the work engagement variable regression on performance show the results that work involvement has a positive & significant influence both partially and simultaneously on employee performance (Ha2). This illustrates that increasing work involvement will be able to improve the performance of Aceh Besar Social Affairs employees.

The results of this study support the opinion expressed by Rizwan, *et al.* (2018) In a study entitled "The Influence of Organizational Culture and Work Involvement on Organizational Commitments and Their Implications for Employee Performance of Meuraxa Regional Hospital in Banda Aceh City". Rizwan concluded that Work Involvement affects Performance.

### **Job Satisfaction Variables**

The Ha3 hypothesis in this study indicates that job satisfaction has a positive and significant effect on employee performance. This condition means that with increasing job satisfaction will be able to improve the

performance of employees in the Aceh Besar Social Office.

The results of this study support the statement put forward by Robbins and Judge (2008), Moorhead and Griffin (2013) and Mullins (2006) who argue that job satisfaction can influence employee performance. This study also agrees with the results of research conducted by Sopiah (2013) and Dhermawan (2013) who found a positive influence on job satisfaction on employee performance. In a study entitled "Impact of Job Satisfaction on Employee Performance: An Empirical Study of Autonomous Medical Institutions of Pakistan" Khan, *et al.* (2012) also agree and conclude that Job Satisfaction affects Performance. Furthermore Bakan, *et al.* (2014) in a study entitled "Effects of Job Satisfaction on Job Performance and Occupational Commitment" also concluded that Job Satisfaction affects Performance.

Job satisfaction variables in this study are mediators of compensation and work involvement variables with partial mediating effects on performance. Making work satisfaction as a mediator is caused by good performance that is very much determined by one's heart's feelings towards their work. Employees who are satisfied with what they receive will improve their performance individually and have an impact on organizational performance.

### **Performance Variable**

The findings of this study indicate that the endogenous variables of performance can be influenced by three variables, namely compensation, work involvement and positive job satisfaction.

This means that employee performance increases if compensation, work involvement and job satisfaction increase.

### **Direct and Indirect Influences**

Based on the results of testing the direct and indirect effects in this study, the most dominant direct relationship was obtained, namely between compensation variables to job satisfaction with a path coefficient of 0.374 which is greater than the compensation variable for performance with a path coefficient of 0.309. This illustrates that compensation gives a large impact on employee job satisfaction when compared to compensation for performance variables. This shows that an increase in compensation has a greater effect on job satisfaction when compared to performance.

Furthermore, the path coefficient of work involvement on job satisfaction is 0.286 or smaller when compared to the path coefficient of work involvement on performance with a value of 0.336. This indicates that an increase in job involvement has a

greater impact on performance when compared to job involvement on job satisfaction.

## CONCLUSIONS

- The compensation variable and work involvement in this study has a positive and significant effect simultaneously and partially on job satisfaction.
- This study also shows where the compensation and work involvement variables have a positive and significant effect partially and simultaneously on employee performance.
- Job satisfaction in this study has a positive and significant effect on employee performance, where job satisfaction becomes a mediating variable of exogenous variables of compensation and work involvement.
- There is an indirect effect between compensation and work involvement variables on employee performance through variable job satisfaction, where compensation and work involvement have a partial mediating effect on performance through job satisfaction.

## RECOMMENDATIONS

1. It is wise for the management of the Office of Social Affairs in Aceh Besar to continue to maintain a comfortable and pleasant working atmosphere towards the work environment that has been carried out so far.
2. To improve employee performance, management needs to consider adding incentives to employees, this can be done by incorporating activity proposals in the Social Service budget implementation list (DPA) at the time of discussion of the District Budget (APBK) which is annually passed by the joint Government of Aceh Besar District
3. It is also wise for Management of the agency to continue to maintain the involvement of every employee in carrying out tasks according to the field and ability of employees, the interaction between superiors and subordinates is an indication of harmony that is interwoven in modern management.
4. When drafting the budget and activities at the agency, it is recommended to be able to involve all employees in decision making. Employee involvement is carried out in stages in accordance with the relevant field. The implementation of activities will be more optimal due to the sense of responsibility that employees have because they feel they have a stake in each stage of management which ultimately can improve employee performance.

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