

# THE INFLUENCE OF WORK MORALE AND COMPENSATION ON EMPLOYEE PERFORMANCE AT PT. PANJI BINTANG JAYA WITH INDIVIDUAL CHARACTERISTICS AS INTERVENING VARIABLES

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## ABSTRACT

The aim of this research is to test, prove and analyze the influence of work morale, compensation on employee performance with individual characteristics as intervening variables. This research uses primary data in the form of distributed questionnaire data. The sample used was 48 employees at PT. Panji Bintang Jaya, saturated sampling method. The analysis used in this research is SEM. Based on the research results, it can be concluded that the variables Work morale significantly influences individual characteristics, Compensation does not significantly influence individual characteristics, Work morale significantly influences employee performance, Compensation does not significantly influence employee performance, Work morale and compensation have a positive and significant influence on employee performance with individual characteristics as an intervening variable. The implications and suggestions are that it would be better if every employee complied with and adapted the culture that exists in the organization, such as compensation, work morale and individual characteristics. The information that has been obtained and analyzed can be made into studies such as the suitability of the objectives of compensation, work enthusiasm and individual characteristics that can be used to contribute to building the company. Compensation, work morale, individual characteristics and employee performance are very suitable to be used as the main study on the theme of HR development for Company employees.

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## 1. INTRODUCTION

Technological advances, such as artificial intelligence, automation and data analysis, are impacting how companies manage HR. The background to the problem may include an evaluation of how new technology impacts jobs, skill needs, and employee development strategies. Human Resource Management (HRM) within an organization is crucial because HRM is vital for the progress of that organization. Human resources in this context encompass all individuals within the organization, from the lowest to the highest levels of operation. Human resources are essential for the effective and efficient functioning of a company. To achieve an organization's goals, high-quality human resources that can make a significant contribution to the company are required. Therefore, the management of human resources must be executed appropriately (Mangkunegara, 2019).

Performance can be influenced by several factors. Employee morale and compensation are part of the factors that can affect performance. According to Wibowo (2019), factors that influence performance include individual personal factors, including knowledge, skills, abilities, self-confidence, motivation, work morale, and compensation owned by each individual. Work morale is the behavior of employees who work under more optimal conditions. In other words, with high work morale, employees can perform their tasks better, and thus, work morale affects the performance of each individual within an organization. Another factor that can influence work morale is employee compensation. An employee with higher compensation will focus more on their work while prioritizing their company's well-being.

According to Robbins (2019), employee compensation is the effort to define and engage with the organization, with no desire to leave it. Meanwhile, according to Luthans (2019), compensation is generally defined as an attitude that shows employee loyalty and is a continuous process of how a member of an organization expresses their commitment to the success and welfare of the organization.

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According to Putra (2019), performance is the quality and quantity of work achieved by an employee in carrying out their responsibilities. One of the relationships that affects performance is compensation. Performance cannot be achieved optimally if compensation is not proportionally given. Compensation includes all forms of income, whether in money or in kind, that employees receive as rewards for the services they provide to the company. It can be concluded that compensation plays a crucial role in a company because it reflects the company's efforts to maintain and enhance the welfare of employees. When compensation is met and provided fairly, it increases employee performance motivation. Besides compensation, morale in the organization or company also plays a vital role in achieving performance success. This statement is supported by Nitisemito's opinion (2020), that morale is "doing work more diligently so that work is expected to be faster and better."

According to Pohan (2017:73), employee morale can be seen through attendance, discipline, punctuality in completing tasks, and responsibility. The role of human resources in a company is essential for the continuity of company performance, and morale can also arise due to a conducive and comfortable working environment. Morale, fundamentally, is individualistic. Each individual has a different level of work morale. Work morale influences the achievement of employee work targets. Similarly, employee compensation has a crucial role in helping achieve the company's goals. If each employee has high compensation from the company, there is a high possibility that the company's success can be achieved. A person's ability can be seen through their performance. According to Armstrong and Baron in Wibowo (2019), a strategic and integrated way to deliver sustainable success to an organization is by improving the individual work characteristics of the employees working within it and developing the team's capabilities and individual contributors." There are several factors that determine whether employee performance benefits the company, including morale, compensation, and characteristics.

Abdallah (2019), *The Influence of Compensation and Communication on Employee Characteristics*. The focus of this research issue is to find out whether compensation and communication significantly influence employee characteristics. The result of this research is that compensation significantly influences individual characteristics, and communication significantly influences employee characteristics. Buer (2018), *on The Influence of Communication, Motivation, and Work Morale on Employee Performance*. The research issue focuses on finding out whether communication, motivation, and work morale affect employee performance. The result of this research is that communication significantly influences employee performance, motivation does not affect employee performance, and work morale significantly influences employee performance. Mayr (2018), *The Influence of Work Morale, Remuneration, and Motivation on Individual Employee Characteristics*. The research issue focuses on finding out whether work morale, remuneration, and motivation affect individual characteristics. The result of this research is that work morale does not affect individual characteristics, remuneration significantly affects individual characteristics, and motivation significantly affects individual employee characteristics.

Onofrei (2019), *The Influence of Leadership, Motivation, and Work Morale on Employee Performance*. The research issue focuses on finding out whether leadership, motivation, and work morale affect employee performance. The result of this research is that leadership significantly influences employee performance, motivation affects employee performance, and work morale does not affect employee performance. Yunandar, Willy (2020), *on "The Influence of Leadership, Job Stress, and Work Morale on Employee Performance."* The research issue focuses on finding out whether leadership, job stress, and work morale affect employee performance. The result of this research is that leadership significantly influences employee performance, job stress significantly influences employee performance, and work morale significantly influences employee performance.

Aprianty (2018), *The Influence of Communication, Job Training, Work Morale, Motivation, and Leadership on Employee Performance and Individual Characteristics as Intervening Variables*. The research issue focuses on finding out whether communication, job training, work morale, motivation, and leadership affect employee performance with individual characteristics as intervening variables. The result of this research is that communication significantly influences employee performance with individual characteristics as intervening variables, job training significantly affects employee performance with individual characteristics as intervening variables, work morale does not affect employee performance, motivation significantly influences employee performance with individual characteristics as intervening variables, and leadership significantly influences employee performance with individual characteristics as intervening variables.

Based on the results of previous research that have been conducted, there are some differences in research results between independent and dependent variables, the researcher is interested in testing the results of the research gap that already exists. A company can be said to be successful when human resource performance strives to improve employee performance to achieve the goals set by the company. According to Wibowo (2019), performance is about carrying out tasks and the results achieved from those tasks. To achieve the targets set by the organization (performance), employees must prioritize their interests and satisfaction by providing the best service, discipline, good work, and innovation, thus resulting in good performance. Based on the explanation or description above, the researcher is interested in conducting research with the title "The Influence of Work Morale and Compensation on Employee Performance at PT. Panji Bintang Jaya With Individual Characteristics As Intervening Variables."

## **Literature Review**

### **Work Ethic**

Every company desires its employees to have a high work ethic. This work ethic is needed to ensure the smooth operation of the company's activities in achieving its goals. Work ethic is a trait that every employee should possess so that the work they perform is not only completed quickly but is also of high quality. Achieving employees' expectations will boost their work ethic. According to Agusyani (2021), work ethic is the willingness of a group of people to work together diligently and consistently in pursuit of common goals. Work ethic enables tasks conducted by leaders to be completed quickly and easily, and the results are more optimal because employees are enthusiastic and motivated in performing their tasks.

### **Compensation**

Compensation is everything that employees receive as a reward for their work (Handoyo, 2016). Compensation includes all forms of income, whether in the form of money, direct or indirect goods, received by employees as a reward for the services provided by the company. The objectives of providing compensation are to establish cooperation, job satisfaction, effective recruitment, motivation, employee stability, work discipline, as well as the influence of labor unions and the government. The compensation provided by a company to its employees undoubtedly has a positive impact that benefits both the company and its employees.

### **Characteristics**

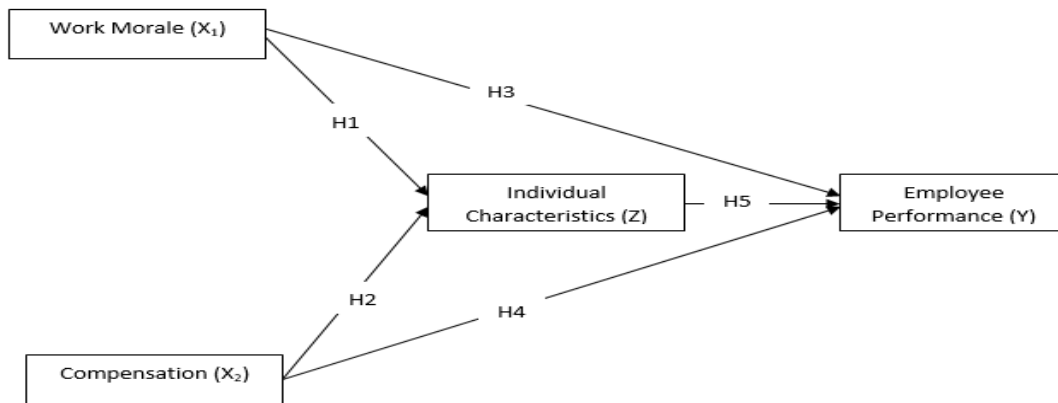
Every person has different views, goals, needs, and abilities. These differences manifest in the workplace, leading to varying levels of job satisfaction, even when working in the same place. Regarding the characteristics of individual individuals, individuals bring order to the organization, abilities, beliefs, personal qualities, needs, and past experiences. These are all individual characteristics possessed by individuals, and these characteristics enter a new environment, which is the organization (Thoha, 2020:31).

### **Employee Performance**

In performing their work, employees produce something known as performance. Performance is the result of an employee's work over a specified period compared to various possibilities such as standards, targets/objectives, or predefined and mutually agreed criteria. According to Mangkunegara (2019:67), "Performance is the quality and quantity of work produced by an employee in carrying out their duties in accordance with their responsibilities." Employee performance is essentially the result of an employee's work over a specified period. This notion is compared to targets or objectives that have been mutually agreed upon. Certainly, assessments take into account various circumstances and developments that affect this performance. Employee performance significantly contributes to a company's progress.

### **Conceptual framework**

Based on the description above, it can be built research framework as follows:



**Figure 1.** Research Model

**Research Hypothesis**

Based on the problem formulation and conceptual framework above, the research hypothesis put forward by the research her is as follows:

1. Work ethic has a positive and significant influence on individual characteristics.
2. Compensation has a positive and significant influence on individual characteristics.
3. Work ethic has a positive and significant influence on employee performance.
4. Compensation has a positive and significant influence on employee performance.
5. Work ethic and compensation have a positive and significant influence on employee performance with individual characteristics as an intervening variable.

**2. METHOD**

**Types of research**

This research employs a descriptive research type with a quantitative approach. Quantitative research method, as described by Sugiyono (2019:52), is a method based on positivism philosophy aimed at describing and testing the hypotheses formulated by the researcher. Quantitative research involves a significant amount of numerical data, from data collection and processing to the presentation of results. The type of research used is causal associative research. Causal research aims to determine the influence between two or more variables and also indicates the direction of the relationship between independent and dependent variables.

**Location and Time of Research**

This research was conducted to examine kinerja pegawai PT. Panji Bintang Jaya, This research was conducted in the Kebraon area in October 2023.

**Sampling technique**

According to Sugiyono (2019:81), a sample is a part of the quantity and characteristics possessed by the population. The sample taken from that population must be truly representative or represent the population being studied. The sampling was done using probability sampling techniques with non-probability sampling (saturation sampling). Non-probability sampling is a sampling technique that provides an equal chance for each element (member) of the sample to be selected as a sample, which in this case consisted of 48 employees.

**Types of Research Data**

In this research, the researcher used primary data. Primary data is data that has not been previously collected, collected directly, and gathered solely for investigative purposes (Sugiyono, 2019:111). Primary data was collected directly by the researcher from the research respondents through a research questionnaire (questionnaire) aimed at employees of PT. Panji Bintang Jaya. Operational Definition of Research Variables.

**Table 1.** Operational Definition of Research Variables

Variable	Definition	Indicator	Size
Work Enthusiasm (X <sub>1</sub> )	Work enthusiasm is the willingness of a group of people to work together diligently and consistently in pursuit of common goals. Work enthusiasm makes tasks carried out by leaders completed quickly and easily, and the results	1. Work Discipline 2. Job Satisfaction 3. Responsibility 4. WorkEnthusiasm	Likert

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	are more optimal because employees are spirited and enthusiastic in performing their tasks (Hartono, 2020).	Hartono (2020)	
Compensation (X2)	Communication is the flow of information, exchange of thoughts or information, and transfer within a complex organization, often conveyed through speech, writing, or signs (Rasulitas, 2022).	1. Skills 2. Attitude 3. Knowledge 4. Communication Channel Media (Rasulitas, 2022)	Likert
Employee Performance (Y)	According to Suwatno and Priansa (2021:196), it refers to performance or job performance. Performance can also be defined as work achievement or work execution. Good performance benefits both parties, employees and the company. Achieving this results in harmony.	1. Quantity of output 2. Quality of output 3. Timeframe 4. Attendance at the workplace 5. Cooperative attitud (Mathis dan Jackson, 2020:78)	Likert
Individual Characteristics (Z)	According to Sudja (2019:249-250), different individual characteristics include their needs, values, attitudes, and interests. These differences are brought into the workplace, leading to varying motivations among individuals. Individual characteristics encompass different values, abilities, beliefs, personalities, and needs.	1. Personal values 2. Individual personal interests 3. Attitudes in individual work 4. The needs of each individual (Sudja, 2019:252)	Likert

### Measurement Scale

The scale used in this measurement is the Likert scale. To reduce the impact of bias and the occurrence of concentration of data during analysis, the scale used can be seen in the following table:

**Table 2.** Skala Likert

No	Question	Score
1	Strongly Agree (SS)	1
2	Agree (S)	2
3	Disagree (KS)	3
4	Disagree (TS)	4
5	Strongly Disagree (STS)	5

### Data Analysis Techniques

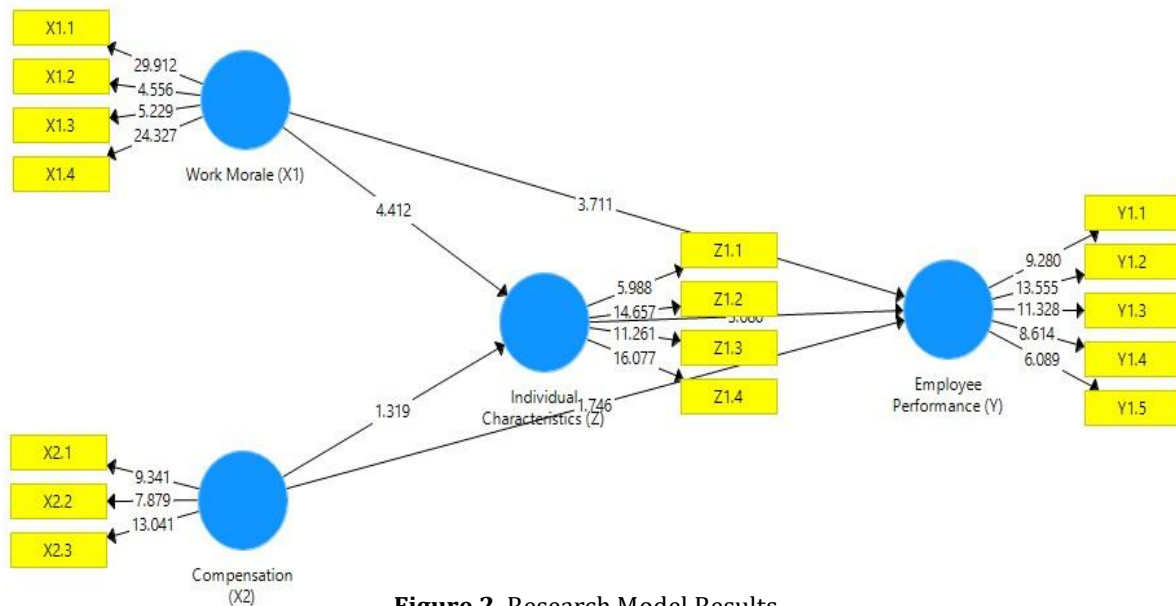
Data analysis was carried out by the method *Partial Least Square* (PLS) use *SmartPLS software version 3*.

### Hypothesis test

Hypothesis test using analysis *full model structural equation modeling* (SEM) with smartPLS. *Infull model structural equation modeling* besides confirming the theory, Hypothesis testing is carried out by examining the probability value. For the probability value, the p-value with an alpha of 5% is <0.05. If the p-value is <0.05, the hypothesis is accepted, while if the p-value is >0.05, the hypothesis is rejected.

## 3. RESULT AND DISCUSSION

Before conducting hypothesis testing to predict the relational relationship in the structural model, measurement model testing must first be done to verify the indicators and latent variables that can be tested further. The algorithm results can be seen in the form of research model data that displays loading scores (outer loading). Using Smart PLS, the model is then executed. dengan menggunakan PLS Algorithm berikut adalah tampilan PLS Algorithm. The value of testing the research hypothesis can be described as shown below:



**Figure 2.** Research Model Results

Looking at the PLS algorithm results in the figure, it can be seen that the variables " Work ethic, compensation, employee performance, and individual characteristics" have correlation values above 0.70. However, in the scale development research stage, loading values between 0.50 and 0.60 are still acceptable. The output results from the SmartPLS graph, as shown in Figure 4.1, meet the criteria for convergent validity because all factor loadings are above 0.50.

Convergent validity and the measurement model with reflexive indicators can be assessed through the correlation between indicator scores and their constructs. Indicators are considered reliable if they have correlation values above 0.7. However, in scale development research, loading values between 0.5 and 0.6 are still acceptable (Ghozali, 2019:40). The validity test uses Pearson's product-moment correlation with a significance level of 5% ( $\alpha = 0.05$ ). To assess good discriminant validity, the Average Variance Extracted (AVE) values for each construct should be greater than 0.50. Table 3 will present the AVE values for all variables.

**Table 3.** Validity Test Construct Reliability and Validity

	<b>Cronbach's Alpha</b>	<b>rho_A</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
Individual Characteristics (Z)	0.847	0.849	0.897	0.686
Employee Performance (Y)	0.899	0.904	0.925	0.712
Compensation (X2)	0.761	0.765	0.862	0.676
Work Morale (X1)	0.910	0.976	0.934	0.781

Based on Table 3, it can be concluded that all the construct variables meet the validity criteria. This is indicated by the Average Variance Extracted (AVE) values for all construct variables being above 0.50, as recommended criteria, so the data used in this study is valid.

**Table 4** Path Coefficients T-Values, P-Values

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
Compensation (X2) -> Employee Performance (Y)	0,379	0,364	0,217	1,746	<b>0,081</b>
Compensation (X2) -> Individual Characteristics (Z)	0,228	0,214	0,173	1,319	<b>0,188</b>
Individual Characteristics (Z) -> Employee Performance (Y)	0,816	0,897	0,265	3,080	<b>0,002</b>

Work Morale (X1) -> Employee Performance (Y)	-0,607	-0,650	0,164	3,711	<b>0,000</b>
Work Morale (X1) -> Individual Characteristics (Z)	0,646	0,677	0,147	4,412	<b>0,000</b>

In PLS analysis, statistical testing of each hypothesized relationship is conducted using simulations. In this case, the bootstrap method is applied to the sample. The purpose of testing with bootstrap is also to mitigate issues related to the non-normality of the research data. The results of the bootstrapping analysis within the PLS framework are as follows:

1. Hypothesis 1, which posits that work enthusiasm has an influence on individual characteristics, is supported. This is because the results of Hypothesis 1 testing indicate that the relationship between the work enthusiasm variable and individual characteristics shows a significance value of 0.000. The significance value is smaller than 0.05, signifying that work enthusiasm significantly affects individual characteristics. Therefore, Hypothesis 1 is accepted.
2. Hypothesis 2, which posits that compensation affects individual characteristics, is not supported. This is because the results of Hypothesis 2 testing reveal that the relationship between the compensation variable and individual characteristics has a significance value of 0.188. The significance value is greater than 0.05, indicating that compensation does not significantly influence individual characteristics. Consequently, Hypothesis 2 is rejected.
3. Hypothesis 3, which states that work enthusiasm has an impact on employee performance, is supported. This is because the results of Hypothesis 3 testing demonstrate that the relationship between the work enthusiasm variable and employee performance has a significance value of 0.000. The significance value is less than 0.05, suggesting that work enthusiasm significantly affects employee performance. Therefore, Hypothesis 3 is accepted.
4. Hypothesis 4, which posits that compensation affects employee performance, is not supported. This is due to the results of Hypothesis 4 testing, which indicate that the relationship between the compensation variable and employee performance has a significance value of 0.081. The significance value is greater than 0.05, indicating that compensation does not significantly affect employee performance. As a result, Hypothesis 4 is rejected.
5. Hypothesis 5, which states that work enthusiasm and compensation have a positive and significant influence on employee performance with individual characteristics as an intervening variable, is supported. This is because the results of Hypothesis 5 testing reveal a significance value of 0.002. The significance value is smaller than 0.05, indicating that both work enthusiasm and compensation have a positive and significant influence on employee performance with individual characteristics as an intervening variable. Therefore, Hypothesis 5 is accepted.

**Table 5.** Summary of Hypothesis Testing Results

No	hypothesis	Results (p-value)	Information
1.	Work morale has a positive and significant influence on individual characteristics.	0.000	Accepted
2.	Compensation has a positive and significant influence on individual characteristics.	0.188	Disaccepted
3.	Work morale has a positive and significant influence on employee performance.	0.000	Accepted
4.	Compensation has a positive and significant influence on employee performance.	0.081	Disaccepted
5.	Work morale and compensation have a positive and significant influence on employee performance with individual characteristics as intervening variables.	0.002	Accepted

#### 4. CONCLUSION

This research was conducted at PT. Panji Bintang Jaya with a total of 49 employee respondents using SEM and the SmartPLS analysis method. Based on the results of data analysis and proof of the five hypotheses proposed in the study entitled "The Influence of Work Morale and Compensation on Employee Performance at PT. Panji Bintang Jaya With Individual Characteristics As Intervening Variables". So this study concluded that the five hypotheses proposed in this study are as follows: Work morale significantly influences individual characteristics, thus hypothesis 1 is accepted. Compensation does not significantly influence individual characteristics, thus hypothesis 2 is rejected. Work morale

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significantly influences employee performance, thus hypothesis 3 is accepted. Compensation does not significantly influence employee performance, thus hypothesis 4 is rejected. Work morale and compensation have a positive and significant influence on employee performance with individual characteristics as an intervening variable, thus hypothesis 5 is accepted. Based on the results of the research above, there are several suggestions that researchers can provide that might be useful, with some of these suggestions as follows:

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