

The Role of Work Motivation in Mediating the Effect of Compensation on Employee Performance at the Medan Plantation Seed and Protection Center Plantation Crops in Medan

Yenni Asmar, Muhammad Isa Indrawan, Husni Muharram Ritonga

Abstract

This study aims to analyze the role of work motivation in mediating the effect of compensation on employee performance at the Medan Plantation Seed and Plant Protection Center (BBPPTP). This study uses a quantitative approach with a survey method. The study population consists of all 135 civil servant employees of BBPPTP Medan, all of whom were included as samples (population study). Data were collected through questionnaires and analyzed using Partial Least Square (PLS) with the help of SmartPLS. The results showed that compensation had a positive and significant effect on employee performance and work motivation, and work motivation had a positive and significant effect on employee performance. In addition, the results of the indirect effect test prove that work motivation acts as a mediating variable in the relationship between compensation and employee performance. The coefficient of determination value shows that compensation can explain 73.8% of the variation in work motivation, while compensation and work motivation together explain 91.7% of the variation in employee performance. The findings of this study confirm that improving employee performance is not only determined by providing fair compensation that is commensurate with the workload, but also by strengthening employee work motivation. This study is expected to serve as the basis for formulating more effective and sustainable human resource management policies at BBPPTP Medan.

Keywords: Compensation, Work Motivation, Employee Performance

Yenni Asmar¹

¹Master's Student in Management, Universitas Pembangunan Panca Budi, Indonesia
e-mail: yenni.faprtek@yahoo.com

Muhammad Isa Indrawan², Husni Muharram Ritonga³

^{2,3}Master of Management, Universitas Pembangunan Panca Budi, Indonesia
e-mail: isaindrawan@dosen.pancabudi.ac.id², husnimuharram@dosen.pancabudi.ac.id³

2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

<https://proceeding.pancabudi.ac.id/index.php/ICIE/index>

Introduction

Employee performance is a strategic factor in determining the effectiveness and success of public organizations in achieving their goals and providing optimal services to the community. At the Medan Plantation Seed and Plant Protection Center (BBPPTP), employee performance plays an important role in ensuring seed quality, controlling plant pests, and providing professional and sustainable technical services. The high demands of the job and the complexity of operational tasks require employees to work effectively, productively, and responsibly.

One of the main factors that influence employee performance is compensation. Fair compensation that is commensurate with responsibilities and workload can increase employee morale, satisfaction, and commitment to organizational . However, in practice, the compensation received by employees does not always directly result in improved performance. This shows that there are other factors that play a role in bridging the influence of compensation on employee performance.

Work motivation is a psychological factor that plays an important role in encouraging employees to work optimally. Work motivation reflects the internal drive of employees to strive, persevere, and excel in carrying out their duties. Employees with high work motivation tend to be able to optimize their abilities and skills, resulting in better performance. Conversely, compensation that fails to increase work motivation has the potential to decrease employee performance even though it is nominally sufficient.

A number of previous studies have shown that work motivation plays a mediating role in the relationship between compensation and employee performance, particularly in public sector organizations. This indicates that compensation will be more effective in improving performance if it is able to encourage employee work motivation. Therefore, it is important for BBPPTP Medan to understand the extent to which work motivation mediates the effect of compensation on employee performance as a basis for formulating more appropriate human resource management policies.

Based on this description, this study was conducted to examine the role of work motivation in mediating the influence of compensation on employee performance at the Medan Plantation Seed and Plant Protection Center, so that it is expected to provide empirical contributions and practical recommendations for improving employee performance and organizational performance in a sustainable manner.

Literature Review Employee Performance Definition of Employee Performance

Lukito (2025) states that employee performance in the context of family businesses in Indonesia refers to the ability of employees to produce good and sustainable output, measured by comparison with colleagues with equivalent qualifications and employee satisfaction with their own work results. Good employee performance is considered an important component in the sustainability of family organizations because it contributes to productivity, innovation, and long-term growth.

Factors Affecting Employee Performance

Factors Affecting Employee Performance According to Lukito (2025)

Lukito (2025) states that employee performance is influenced by five main factors, namely:

1) Leadership

Effective leadership is the most dominant factor in improving employee performance. Leaders who are able to provide direction, support, and role models have been proven to improve employee performance. 2) Work Motivation

Motivation is an internal driver that determines the level of effort, intensity, and perseverance of employees in completing their work. Motivated employees tend to have higher performance.

- 3) Compensation
Financial and non-financial rewards greatly influence employee morale and productivity. Fair and appropriate compensation increases satisfaction and performance.
- 4) Job Satisfaction
High job satisfaction (regarding tasks, supervisors, salary, and work environment) is directly related to improvements in the quality and quantity of employee performance.
- 5) Work Environment
A safe, comfortable environment with adequate facilities, good social relationships, and a positive work culture encourages employees to work more effectively and productively.

Employee Performance Indicators

Employee Performance Indicators according to Lukito (2025):

- 1) Comparison of work results with peers
Employees are assessed based on how their performance compares to that of other colleagues with similar qualifications.
- 2) Employee satisfaction with their own work results
The extent to which employees feel satisfied with what they have achieved in their work.
- 3) Productivity & long-term growth
Performance that is not only good at the time, but also supports the sustainability of the organization (sustainable performance).

Work Motivation Definition of Work Motivation

According to Vo et al., 2022, work motivation is a drive that stems from individual needs (competence, autonomy, social relations) that encourages productive and effective work behavior.

Indicators of Work Motivation

The indicators of work motivation according to Vo et al., 2022 are as follows:

- 1) Competence
Refers to an individual's ability to perform tasks well and feel capable of mastering their work. In this study, competence is measured through "highest level of education achieved" as a proxy.
- 2) Autonomy
Refers to an individual's freedom and control over how they perform their work, namely the ability to make their own decisions and have choices in their work.
- 3) Social connectedness
Refers to an individual's need to feel connected, accepted, and have positive relationships with others in the work environment, such as feeling that they belong to a group, are supported by coworkers, and have a sense of social belonging.

Compensation Definition of Compensation

According to Dessler (2021), compensation is a reward system provided by organizations to employees in the form of benefits and rewards, both financial (such as salaries and bonuses) and non-financial (such as awards or career development opportunities). The main purpose of compensation is to motivate employees to improve their performance and productivity within the organization, as well as to retain quality employees.

Compensation Indicators

According to Dessler (2021), compensation indicators are:

- 1) Salary and Wages

Base salary is a fixed payment given to employees based on their position and responsibilities. Wages are payments given based on hours worked or volume of work.

2) Allowances and Other Benefits

Health benefits are compensation in the form of health coverage for employees and their families.

Pension benefits such as long-term benefits provided to employees after retirement. Vacation and leave allowances, such as giving employees the right to take vacation time with fixed pay.

3) Bonuses and Incentives

Performance bonuses are additional payments given based on individual or group performance achievements.

Performance incentives are results-based compensation that encourages employees to increase productivity or achieve certain targets.

4) Non-Financial Awards

Achievement awards are awards in the form of certificates, medals, or other forms of recognition for outstanding achievements.

Career development opportunities are opportunities to participate in training and skills development that increase employee value in the long term.

5) Work-Life Balance

Flexible working hours by giving employees the freedom to arrange their working hours to suit their personal needs.

Remote work policies that provide flexibility in choosing a place of work, which is increasingly popular in modern work environments.

6) Work Safety and Other Guarantees

Social security programs provide financial protection for employees in certain situations, such as illness or workplace accidents.

Job security is protection that ensures employees have long-term job stability.

Conceptual Framework

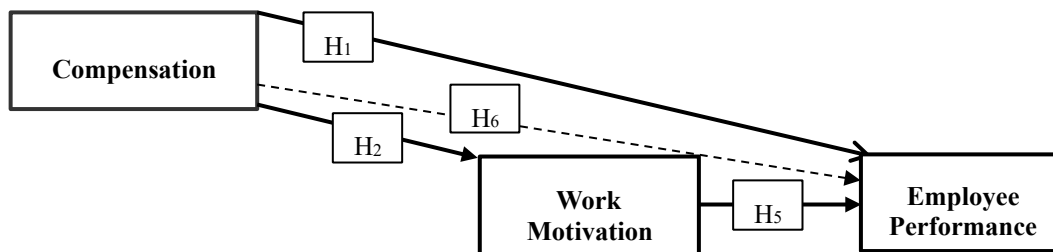


Figure 1. Conceptual Framework

Research Hypothesis

H₁ : Compensation has a positive and significant effect on employee performance at the Medan Plantation Seed and Plant Protection Center.

H₂ Compensation has a positive and significant effect on work motivation at the Medan Plantation Seed and Plant Protection Center.

H₃ Work motivation has a positive and significant effect on employee performance at the Medan Plantation Seed and Plant Protection Center.

H₄ : Compensation has a positive and significant effect on employee performance through work motivation at the Medan Plantation Seed and Plant Protection Center.

Research Methodology Type of Research

The type of research used by the researcher is quantitative research. According to Sugiyono (2022), quantitative research can be defined as a method based on positivism philosophy, used to study a specific population or sample, with sampling techniques generally

Yenni Asmar, Muhammad Isa Indrawan, Husni Muharram Ritonga conducted randomly, data collection using research instruments, and quantitative/statistical data analysis with the aim of testing predetermined hypotheses. This type of quantitative research was conducted to create a study aimed at adjusting a study and analyzing the role of work motivation in mediating the influence of compensation on employee performance at the Medan Plantation Seed and Plant Protection Center.

Research Location and Time

The research location was at the Medan Plantation Seed and Protection Center, located at Jalan Asrama No. 124 Sei Sikambing Medan, North Sumatra. The research was conducted over a period of 3 months, from October to December 2025.

Population and Sample

Sugiyono (2022) defines population as a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn. The population and sample in this study are all permanent employees with civil servant status at the Medan Plantation Seed and Protection Center. There are 135 civil servant employees at the Medan Plantation Seed and Protection Center. In this study, the entire population was used as the sample, which is known as a population study.

Research Data Sources

The data source used in this study is primary data.

Results Outer Model Analysis

Outer Model Analysis using the PLS Algorithm yielded the following results: **Validity Test**

Table 1.Outer Loadings Values

	Compensation	Employee Performance	Work Motivation
X2.1	0.839		
X2.2	0.908		
X2.3	0.887		
X2.4	0.899		
X2.5	0.902		
X2.6	0.903		
Y.1		0.898	
Y.2		0.929	
Y.3		0.899	
Z.1			0.891
Z.2			0.916
Z.3			0.888

Source: Smart PLS Output, 2025

Based on the values in Table 1 above, which show the results of outer model testing through loading factor/outer loadings values, all indicators in each variable have a loading value ≥ 0.70 . This indicates that each indicator is measured validly and strongly. Therefore, it can be concluded that all items in the questionnaire have met the validity criteria, as shown in the following figure.

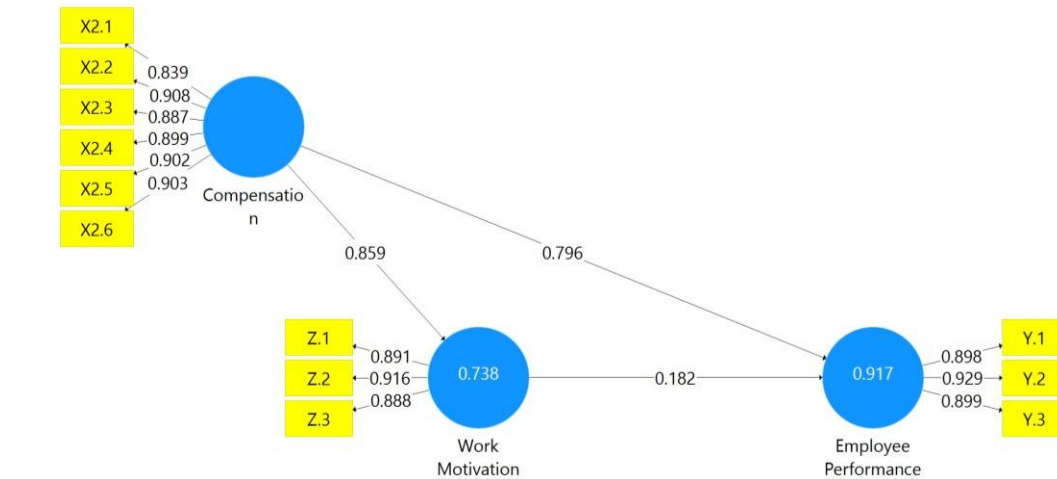


Figure 2. Outer Loading

Reliability Test

Table 2. Construct Reliability and Validity Test

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Compensation	0.947	0.948	0.958	0.792
Employee Performance	0.894	0.895	0.934	0.826
Work Motivation	0.881	0.884	0.926	0.807

Source: Smart PLS Output, 2025

From Table 2 above, the reliability test results show that the Cronbach's Alpha and Composite Reliability values for all constructs are above 0.70. This indicates that all indicators have high internal consistency and are reliable in measuring their respective constructs. Thus, the research instrument is declared reliable and suitable for use in structural model testing.

Coefficient of Determination (R^2)

In assessing the model with PLS, we begin by looking at the R-square for each dependent latent variable. The table below shows the Rsquare estimation results using SmartPLS.

Table 3. R Square Results

	R Square	Adjusted R Square
Work Motivation	0.738	0.735
Employee Performance	0.917	0.915

Source: Smart PLS, 2025

Table 3 shows the R square values for both dependent variables. For the work motivation variable, the R square value is 0.738, meaning that the influence of compensation is 0.738 or 73.8%, with the remainder attributable to other variables outside the model. The R-square value for employee performance is 0.917, meaning that compensation and work motivation account for 0.917 or 91.7%, with the remainder attributable to other variables outside the model.

Structural Model Testing (Inner Model) Hypothesis Testing Direct Influence Between Variables

The direct effect between variables can be seen in the path coefficients. The data analysis results show the direct effect values in the following table.

Table 4. Path Coefficients (Direct Effects)

	Original Sample	T Statistics	P Values	Conclusion
Compensation -> Employee Performance	0.796	15.133	0.000	Accepted
Compensation -> Work Motivation	0.859	30,080	0	Accepted
Work Motivation -> Employee Performance	0.182	3,167	0.002	Accepted

Source: Smart PLS Output, 2025

The results in Table 4 show the following direct effect values:

1. Compensation has a positive and significant effect on employee performance with a tstatistic value of 15.133 above 1.96 and a significance of 0.000 below 0.05, meaning that compensation has a real effect on employee performance because the significance value is below 0.05. The results of this study are in line with previous studies, namely that compensation has a positive and significant effect on employee performance (Hulu & Farida, 2025).
2. Compensation has a positive and significant effect on work motivation with a t-statistic value of 30.080 above 1.96 and a significance of 0.000 below 0.05, meaning that compensation has a real effect on work motivation because the significance value is below 0.05. The results of this study are in line with previous studies, namely that compensation has a positive and significant effect on work motivation (Putri et al., 2023).
3. Work motivation has a positive and significant effect on employee performance with a tstatistic value of 3.167 above 1.96 and a significance of 0.002 below 0.05, meaning that work motivation has a significant effect on employee performance because the significance value is below 0.05. The results of this study are consistent with previous studies, namely that work motivation has a positive and significant effect on employee performance (Siahaan et al., 2022).

Indirect Influence Between Variables

The indirect effect between variables can be seen in the specific indirect effects value. The data analysis results show the indirect effect value in Table 5 below.

Table 5. Specific Indirect Effects (Indirect Effects)

	Original Sample	T Statistics	P Values	Conclusion
Compensation -> Work Motivation -> Employee Performance	0.156	3.023	0.003	Accepted

Source: Smart PLS, 2025

Table 5 shows the indirect effect between variables, namely: compensation has a positive and significant effect on employee performance through work motivation with a t-statistic value of 3.023 above 1.96 and a significance value of 0.003 below 0.05, meaning that work motivation acts as an intervening variable between compensation and employee performance.

Conclusion

1. Compensation has a positive and significant effect on employee performance at the Medan Plantation Seed and Plant Protection Center.
2. Compensation has a positive and significant effect on work motivation at the Medan Plantation Seed and Plant Protection Center.

3. Work motivation has a positive and significant effect on employee performance at the Medan Plantation Seed and Protection Center.
4. Compensation has a positive and significant effect on employee performance through work motivation at the Medan Plantation Seed and Plant Protection Center.

Recommendations

1. Employee performance with the lowest value statement is "My work results are equivalent to or better than those of my colleagues at the same job level." Therefore, the recommendation is that the Medan Plantation Seed and Protection Center needs to strengthen its objective and measurable human resource performance assessment and development system by establishing clear individual performance indicators according to position, accompanied by regular feedback, so that employees are able to recognize their performance position, increase their professional confidence, and be motivated to achieve performance that is equal to or better than their peers at the same job level.
2. Work motivation with the lowest value statement "I feel that I have sufficient abilities and skills to complete my work well." The Medan Plantation Plant Protection and Seed Center should develop position-based competency training and coaching programs so that each employee can continuously improve their technical and non-technical abilities and skills, enabling them to complete their tasks with greater confidence, effectiveness, and professionalism.
3. Compensation with the lowest score statement: "The salary or wages I receive are commensurate with my responsibilities and workload." The Medan Plantation Seed and Plant Protection Center needs to review and adjust its workload and responsibility-based compensation structure so that employees feel fairly valued, motivated, and encouraged to optimize their performance.

References

- [1] Bass, B. M., & Riggio, R. E. (2019). *Transformational leadership* (2nd ed.). Psychology Press.
- [2] Dessler, G. (2021). *Human resource management* (15th ed.). Pearson Education.
- [3] Fadillah, I., & Mesra, B. (2023). The Influence of Transformational Leadership on Employee Performance Mediated by Work Motivation at The Communications and Informatics Department of Binjai City. *SIBATIK JOURNAL: Scientific Journal in the Fields of Social, Economic, Cultural, Technology, and Education*, 2(9), 2853-2866.
- [4] Greenberg, J., & Baron, R. A. (2020). *Behavior in organizations* (11th ed.). Pearson Education.
- [5] Herzberg, F. (2017). *The motivation to work*. Routledge.
- [6] Hulu, J. A., & Farida, K. (2025). Examining the Impact of Workload, Compensation, and Work Environment on Employee Job Satisfaction: A Study at the Department of Transportation, Binjai City. *INVEST: Journal of Business Innovation and Accounting*, 6(2), 295-305.
- [7] Lukito, A. (2025). The influence of leadership and motivation on employee performance: A study of family organizations in Indonesia. *Journal of Management*, 12(3), 45-60.
- [8] Neiroukh, N., et al. (2024). Compensation systems in government organizations: A study on the impact of rewards and recognition. *Journal of Public Administration Research*, 18(2), 73-85.
- [9] Northouse, P. G. (2021). *Leadership: Theory and practice* (8th ed.). Sage Publications.
- [10] Pratama, R. (2021). The role of work motivation in mediating the relationship between compensation and employee performance. *Journal of Human Resources*, 15(1), 101-114.
- [11] Putri, R. M. I., Robain, W., & Rahayu, S. (2023). The Analysis of Compensation and Training Effect on Work Motivation with The Work Environment as An Intervening

- [12] Robbins, S. P., & Judge, T. A. (2020). Organizational behavior (18th ed.). Pearson Education.
- [13] Sari, R. L., & Arifin, Z. (2022). The role of work motivation in mediating the relationship between transformational leadership and employee performance in government organizations. *Jurnal Manajemen Publik*, 14(2), 101-110.
- [14] Siahaan, D. S. Y., Anwar, Y., & Ritonga, H. M. (2022). The Influence of Ability, Work Discipline, and Work Motivation on Employee Performance (Study on Honorary Employees at the Department of Transportation of the City of Binjai). *Konfrontasi: Journal of Culture, Economy, and Social Change*, 9(3), 483-495.
- [15] Sugiyono. (2022). Quantitative research methods (16th ed.). Alfabeta.
- [16] Tarigan, E. A., & Indrawan, M. I. (2024, June). The Influence of Transformational Leadership on Employee Performance at The Kutambaru District Office. In *Proceedings of the International Conference on Multidisciplinary Science (INTISARI)* (Vol. 1, No. 1, pp. 28-36).
- [17] Vo, A. V., et al. (2022). Work motivation: The effects of individual and organizational factors on employee behavior. *Asian Journal of Organizational Behavior*, 9(1), 24-36.
- [18] Wibowo, A. (2020). Performance management: Theory, application, and research (5th ed.). RajaGrafindo Persada.