

The Effect of Compensation and Training on Employee Performance

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Abstract

Employee performance is an important factor in achieving organizational goals and improving organizational productivity. This study aims to analyze the effect of compensation and training on employee performance at PT PNM Branch Medan. The research used a quantitative approach with explanatory research design. The population in this study consisted of all employees of PT PNM Branch Medan, with a total sample of 50 employees using saturated sampling techniques. Data were collected through questionnaires and analyzed using Jamovi statistical software. The analysis methods included validity test, reliability test, multiple linear regression analysis, t-test, and F-test. The results showed that compensation has a positive and significant effect on employee performance with a significance value of $0.002 < 0.05$. Training also has a positive and significant effect on employee performance with a significance value of $0.005 < 0.05$. Simultaneously, compensation and training significantly affect employee performance with an F significance value of $0.000 < 0.05$. These findings indicate that fair compensation and effective training programs can improve employee productivity and work performance. Therefore, organizations are expected to improve compensation systems and provide continuous training programs to support employee performance and organizational effectiveness.

Keywords: Compensation, Training, Employee Performance, Human Resource Management, Organizational Effectiveness.

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Introduction

Employee performance has become one of the most important factors in determining organizational success in today's competitive business environment. Organizations are required to improve employee productivity and effectiveness in order to achieve organizational goals and maintain sustainability. High employee performance contributes to organizational effectiveness, service quality, and operational efficiency. Therefore, organizations need to implement effective human resource management practices to support employee performance improvement (Armstrong, 2023). One of the important factors influencing employee performance is compensation. Compensation refers to financial and non-financial rewards provided by organizations to employees for their contributions and work achievements. Fair and competitive compensation systems can increase employee motivation, job satisfaction, and organizational commitment. Employees who feel appreciated through proper compensation tend to demonstrate better productivity and work performance (Dessler, 2023). Previous studies also revealed that compensation has a significant effect on employee performance and employee engagement in organizations (Ferine et al., 2023).

Besides compensation, training also plays an essential role in improving employee performance. Training is a systematic process aimed at improving employee knowledge, technical skills, and work competencies. Through training programs, employees are able to adapt to organizational changes, technological developments, and increasingly complex job demands. Effective and continuous training programs can improve employee confidence, work quality, and productivity (Noe et al., 2021). Training is therefore considered an important organizational strategy for enhancing both employee capability and organizational performance.

In the financial service sector, employee performance becomes increasingly important because employees directly interact with customers and communities. PT Permodalan Nasional Madani (PNM) Branch Medan as a microfinance institution requires employees who are capable of maintaining productivity, service quality, and work effectiveness in achieving organizational objectives. Employees are expected to perform optimally in a dynamic and competitive work environment. Therefore, understanding the factors affecting employee performance is important for organizational sustainability and service improvement. Several previous studies have examined the relationship between compensation, training, and employee performance. Compensation and training were found to positively influence employee productivity, motivation, and work effectiveness in various organizational sectors (Ferine et al., 2023). However, studies related to employee performance in microfinance institutions are still limited, particularly in the context of PT PNM Branch Medan. Therefore, this study aims to analyze the effect of compensation and training on employee performance at PT PNM Branch Medan.

Literature Review

A. Compensation

Compensation refers to all financial and non-financial rewards provided by organizations to employees as remuneration for their contributions and work performance. Compensation is considered an important element in human resource management because it can influence employee motivation, satisfaction, and organizational commitment. Financial compensation includes salary, incentives, bonuses, and allowances, while non-financial compensation includes recognition, career opportunities, and a supportive work environment (Dessler, 2023). A fair and competitive compensation system can encourage employees to improve their productivity and work performance. Employees who feel appreciated by the organization through proper compensation tend to demonstrate higher motivation and stronger commitment toward organizational goals. Previous studies also revealed that compensation significantly affects employee engagement and employee performance within organizations (Ferine et al., 2023).

B. Training

Training is a systematic process designed to improve employee knowledge, skills, and competencies needed to perform work effectively. Training helps employees adapt to organizational changes, technological developments, and increasingly complex work demands. Effective training programs contribute to higher employee productivity, confidence, and work quality (Noe et al., 2021). Organizations that continuously invest in employee training generally experience better organizational performance because employees become more capable of carrying out their responsibilities efficiently. Training also helps employees improve technical and non-technical skills that support organizational effectiveness. Therefore, training is considered an important strategy in developing human resources and improving employee performance.

C. Employee Performance

Employee performance refers to the work results achieved by employees in carrying out their duties and responsibilities according to organizational standards and objectives. Employee performance reflects the effectiveness and productivity of employees in completing their work. High employee performance contributes positively to organizational productivity, service quality, and sustainability (Armstrong, 2023). Employee performance can be influenced by several factors such as motivation, compensation, work environment, leadership, and employee competencies. Organizations with effective human resource management practices tend to achieve higher employee performance levels. Previous studies also found that compensation and training positively influence employee productivity and work effectiveness in various organizational sectors (Ferine et al., 2023).

Research Methodology

This study uses a quantitative research approach with an explanatory research design. Quantitative research is applied because this study aims to examine the relationship between compensation, training, and employee performance using numerical data and statistical analysis (Sugiyono, 2022). The explanatory approach is used to explain the causal relationship between the independent variables and the dependent variable. The research was conducted at PT Permodalan Nasional Madani (PNM) Branch Medan. The population in this study consists of all employees of PT PNM Branch Medan. Based on company data, the total population is 50 employees. Because the population is relatively small, this study uses a saturated sampling technique, where all members of the population are selected as research samples (Sugiyono, 2022).

The data used in this study consist of primary and secondary data. Primary data were collected through questionnaires distributed directly to employees of PT PNM Branch Medan. Secondary data were obtained from company documents, journals, books, and other relevant literature related to compensation, training, and employee performance. The variables in this study consist of compensation as the first independent variable (X1), training as the second independent variable (X2), and employee performance as the dependent variable (Y). Compensation indicators include salary, incentives, bonuses, and employee benefits. Training indicators include training materials, training methods, instructor quality, and competency improvement. Employee performance indicators include work quality, work quantity, responsibility, and work effectiveness. The measurement scale used in this study is the Likert scale with five response categories ranging from strongly disagree to strongly agree. The collected data are analyzed using Jamovi statistical software. The analysis techniques include descriptive statistics, validity test, reliability test, classical assumption test, multiple linear regression analysis, t-test, and F-test to determine the effect of compensation and training on employee performance.

Results

A. Descriptive Statistics

Descriptive statistical analysis was conducted to describe the research variables, namely compensation, training, and employee performance. The analysis was performed using Jamovi statistical software. The descriptive statistics included mean, minimum value, maximum value, and standard deviation.

Table 1. Descriptive Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
Compensation	4.18	0.52	3.10	5.00
Training	4.09	0.48	3.00	5.00
Employee Performance	4.21	0.50	3.20	5.00

The results show that compensation, training, and employee performance are categorized as high because the mean values of all variables are above 4.00. Employee performance has the highest mean value, indicating that employees generally demonstrate good work performance at PT PNM Branch Medan.

B. Validity Test

The validity test was conducted to determine whether the questionnaire items were capable of accurately measuring the research variables, namely compensation, training, and employee performance. Validity testing is important to ensure that each statement item in the questionnaire is relevant and appropriate for measuring the intended construct. In this study, the validity test was carried out using the Pearson Product Moment correlation method through Jamovi statistical software. A questionnaire item is considered valid if the correlation coefficient value (r-count) is greater than 0.30. The results of the analysis showed that all statement items for the compensation, training, and employee performance variables had correlation coefficient values above 0.30. This indicates that all questionnaire items were able to measure the variables properly and consistently.

The compensation variable consisted of several indicators related to salary, incentives, bonuses, and employee benefits. All compensation indicators showed valid correlation values, indicating that the questionnaire items successfully reflected employee perceptions regarding compensation provided by the organization. The training variable also demonstrated good validity results. Indicators related to training materials, training methods, instructor quality, and competency improvement showed correlation values above the required standard. This means that all training statement items were appropriate for measuring employee perceptions of training programs conducted by the organization. Furthermore, the employee performance variable also showed valid results in all questionnaire items. Indicators related to work quality, work quantity, responsibility, and work effectiveness had correlation coefficients greater than 0.30. Therefore, all indicators used in this study were declared valid and suitable for further statistical analysis.

C. Reliability Test

Reliability testing was conducted to measure the consistency and stability of the questionnaire items in measuring the research variables. A reliable instrument indicates that the questionnaire provides consistent results when used repeatedly under similar conditions. In this study, reliability testing was conducted using Cronbach's Alpha through Jamovi statistical software.

A research variable is considered reliable if the Cronbach's Alpha value is greater than 0.70. The reliability test results for each research variable are presented in the following table.

Table 2. Reliability Test

Variable	Cronbach's Alpha	Result
Compensation	0.821	Reliable
Training	0.798	Reliable
Employee Performance	0.845	Reliable

Based on the table above, the compensation variable obtained a Cronbach's Alpha value of 0.821, indicating that the questionnaire items used to measure compensation had a high level of consistency. The training variable obtained a Cronbach's Alpha value of 0.798, which also indicates good reliability. Meanwhile, the employee performance variable had the highest Cronbach's Alpha value of 0.845, indicating that the questionnaire items used to measure employee performance were highly consistent and reliable.

Overall, all research variables obtained Cronbach's Alpha values above 0.70. Therefore, it can be concluded that all questionnaire items used in this study were reliable and suitable for further analysis. The reliability results indicate that the research instrument was capable of consistently measuring compensation, training, and employee performance variables among employees of PT PNM Branch Medan.

D. Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to determine the effect of compensation and training on employee performance.

Table 3. Multiple Regression Results

Variable	Beta	t-value	Sig.
Compensation	0.412	3.284	0.002
Training	0.368	2.917	0.005

The regression results indicate that compensation has a positive and significant effect on employee performance with a significance value of $0.002 < 0.05$. Training also has a positive and significant effect on employee performance with a significance value of $0.005 < 0.05$.

E. Simultaneous Test (F-Test)

An F-test was conducted to examine the simultaneous effect of compensation and training on employee performance at PT PNM Branch Medan. The F-test is used to determine whether all independent variables collectively influence the dependent variable. If the significance value is less than 0.05, it indicates that the independent variables simultaneously have a significant effect on employee performance.

Table 4. Simultaneous Test (F-Test)

F-value	Sig.
24.631	0.000

The F-test results show that compensation and training simultaneously have a significant effect on employee performance because the significance value is less than 0.05.

F. Discussion

The findings indicate that compensation positively affects employee performance. Employees who receive fair salaries, incentives, and benefits tend to demonstrate better productivity and work effectiveness. This finding supports previous studies stating that compensation is an important factor in improving employee performance (Ferine et al., 2023).

Training was also found to positively influence employee performance. Employees who participate in training programs tend to have better competencies and work capabilities. Continuous training programs help employees improve productivity and adapt to organizational demands more effectively (Noe et al., 2021). Overall, compensation and training are important factors influencing employee performance at PT PNM Branch Medan. Therefore, organizations should improve compensation systems and provide continuous training programs to support employee productivity and organizational performance.

Conclusion

This study aimed to analyze the effect of compensation and training on employee performance at PT PNM Branch Medan. The results of the study indicate that compensation has a positive and significant effect on employee performance. Employees who receive fair

salaries, incentives, and benefits tend to demonstrate higher motivation, productivity, and work effectiveness. The findings also show that training has a positive and significant effect on employee performance. Effective training programs help employees improve their knowledge, skills, and competencies, which contribute to better work performance and productivity.

In addition, the simultaneous test results revealed that compensation and training collectively have a significant effect on employee performance. Therefore, compensation and training are important factors that should be considered by organizations in improving employee performance and organizational effectiveness. Based on these findings, PT PNM Branch Medan is expected to improve compensation systems and provide continuous training programs to support employee productivity and organizational performance.

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