

# THE ROLE OF COMPENSATION AND WORK MOTIVATION ON EMPLOYEE PERFORMANCE: A LITERATURE REVIEW ON COMPANIES IN INDONESIA

Nabila Apriliani<sup>1\*</sup>  
Aulia Keiko Hubbansyah<sup>2</sup>

<sup>1,2</sup> Faculty of Economics and Business, Pancasila University, Jakarta, Indonesia

\*Corresponding Author: [akhubbansyah@univpancasila.ac.id](mailto:akhubbansyah@univpancasila.ac.id)

---

**Abstract:** The purpose of this research is to analyze how compensation and work motivation influence employee performance within the framework of Human Resource Management (HRM). This article utilizes a literature review method to explore relevant information. Data were collected from Google Scholar, spanning the period from 2015 to 2024. The results of the analysis indicate that compensation and work motivation have a positive and significant influence and play an important role in improving employee performance. However, non-financial compensation that does not meet needs can have negative impacts, as well as the lack of work motivation provided by the company. In conclusion, throughout this literature research, the findings indicate that compensation and work motivation have a positive and significant influence and play an important role in improving employee performance. Enhancing the role of compensation and work motivation in the performance of company employees is a key factor in motivating and retaining the best talents, as well as improving overall organizational productivity.

**Keywords:** Compensation, Work Motivation, Employee Performance

**Abstrak:** Tujuan dari penelitian ini adalah untuk menganalisis bagaimana peran kompensasi dan motivasi kerja mempengaruhi kinerja karyawan dalam kerangka Manajemen Sumber Daya Manusia (MSDM). Artikel ini menggunakan metode literature review untuk menggali informasi terkait. Data dikumpulkan dari Google Scholar, dengan rentang waktu 2015 hingga 2024. Hasil analisis menunjukkan bahwa kompensasi dan motivasi kerja berpengaruh positif dan signifikan serta memiliki peran penting dalam meningkatkan kinerja karyawan perusahaan. Namun kompensasi non-finansial yang tidak sesuai dengan kebutuhan dapat berdampak negatif serta kurangnya motivasi kerja yang diberikan perusahaan. Kesimpulan Pada keseluruhan penelitian literatur ini, temuan menunjukkan bahwa kompensasi dan motivasi kerja berpengaruh positif dan signifikan serta memiliki peran penting dalam meningkatkan kinerja karyawan perusahaan. Peningkatan peran kompensasi dan motivasi kerja dalam kinerja karyawan perusahaan menjadi kunci utama dalam memotivasi dan menjaga talenta terbaik, serta meningkatkan produktivitas organisasi secara keseluruhan.

**Kata Kunci:** Kompensasi, Motivasi Kerja, Kinerja Karyawan

---

## **INTRODUCTION**

In the era of business in the industrial, trade, and service sectors, companies strive to achieve their goals in conducting their business. One crucial aspect is the success of activities in carrying out actions to achieve these goals, not solely relying on current technological capabilities, facilities, and infrastructure, but also leveraging human resources. Human Resource Management (HRM) is a part of general management related to organizing, planning, controlling, and implementing (Rivai, Sutrisno et al., 2022). Employees successfully completing their tasks effectively within the company are thus crucial in achieving organizational goals. If the company provides a conducive environment for employee development, employee performance can be deemed successful.

The primary focus of the company is to meet consumer needs and achieve optimal results for company success. Employees who achieve good performance play a role in achieving these company goals. The company needs to create an environment that fosters employee development and enhances their capabilities. Employee quality is crucial for companies with ambitious targets.

Companies expect employees to carry out their tasks with high motivation to achieve common goals. To create this condition, performance evaluation is necessary to retain and develop talented and highly motivated employees. Companies can enhance employee performance by encouraging motivation through the implementation of appropriate compensation systems, which will improve employee performance through the rewards they receive.

Compensation and motivation can impact employee job satisfaction, which in turn can affect how employees perform. Good employee performance can increase productivity, efficiency, job quality, and enhance employee job satisfaction. Compensation and motivation can be provided in various forms, such as fair wages, enjoyable work experiences, a good working environment, and solidarity among employees. Appropriate compensation can increase employee motivation to work better and improve performance.

## **LITERATURE REVIEW**

### **Compensation**

As stated by Hasibuan (2017), employees are rewarded either in the form of money or material for their direct or indirect work. Wibowo (2016) defines compensation as a comprehensive package offered by organizations to acknowledge and reward employees for their contributions. The profitability of a company depends on providing satisfactory compensation to its workforce, while inadequate compensation management can lead to financial losses. Based on the explanations above, compensation serves as a form of recognition given by the company to appreciate the efforts and ideas of employees in achieving the company's goals.

Bangun (2012) states that compensation is the reward received by employees in return for the contributions they make to their work. Meanwhile, according to Sutrisno et al. (2022), compensation includes everything given to employees as a bonus for the work they do. According to Kasmir (2016), compensation is the provision from the company to its employees,

which can be financial or non-financial. According to Simamora in Heryati (2016), there are four factors that determine employee compensation, namely salary, allowances, bonuses, and facilities.

Compensation can be divided into two types, namely (1) direct compensation consisting of wages and salaries, (2) indirect compensation which includes benefits and services as described by Hasibuan (2012:117) as follows:

- **Direct Compensation**

Direct compensation is a type of remuneration directly linked to the performance and results of employee work, such as wages and salaries. Wages are monetary rewards given to employees as a result of their contribution to the organization's goals or as regular payments received by members of the organization. Salary, on the other hand, is a monthly payment given to employees as a reward for the services rendered.

- **Indirect Compensation**

Indirect compensation refers to rewards indirectly related to employee performance. Usually known as supplementary benefits, this type complements the compensation already obtained through wages or salaries. This compensation consists of benefits and services. These benefits and services are additional financial or non-financial additions provided by the company. As an effort to improve employee welfare, the company provides additional benefits such as holiday bonuses, retirement programs, uniform clothing, access to cafeteria facilities, prayer rooms, sports facilities, and opportunities for travel.

## **Motivation**

Motivation is the driving force that causes a member of an organization to willingly participate by directing the skills, energy, and time used to perform various tasks that are the responsibility and obligation of an individual, to achieve goals that have been previously set in the organizational environment (Siagian, 2004:138).

The essence of the motivation concept (Lumbantobing, 2020) is "motive," the basic word that defines an individual's reasons for doing something. This means that an employee will tend to do things that they find enjoyable. If they don't enjoy it, they won't do it themselves. This principle will not stop situations where someone might do things they don't want to do. Motivation regulates behavior towards goals, according to (Pusparani, 2021). Motivation consists of not only arousing, directing, maintaining, showing consistent intensity but also having goals.

Based on Hasibuan (2009:141), work motivation is a factor that causes, directs, and supports someone's behavior so that they work diligently and enthusiastically to achieve the best results. Meanwhile, according to Notoatmodjo, (2009:115) work motivation means the drive that encourages someone to act to fulfill their living needs.

Based on the explanations above, it can be concluded that motivation is a psychological state and mental condition that drives someone to engage in activities and behaviors to meet needs that can make them feel satisfied and reduce imbalance. This motivational process is influenced by internal and external factors originating from employees (Sutrisno, 2009).

- **Internal Factors:** Include the drive for life, desire for recognition, acknowledgment, and the desire for power.
- **External Factors:** Include the situation in the work environment, fair rewards, effective supervision, job certainty, participation, status and responsibilities, and adaptation to rules.

### **Employee Performance**

Performance plays a crucial role in orchestrating the success of an organization in achieving its goals. Each individual has the ability to constantly assess their performance as this can be utilized to assist them in improving and enhancing their own performance. According to Tika (2006), performance is the result that will occur in the tasks or activities of individuals or groups within an organization that can influence the achievement of organizational goals within a certain period of time.

Harsuko (2011) states, "Performance reflects the extent to which individuals have implemented organizational strategies, either by achieving targets related to their own roles or by demonstrating skills relevant to organizational success." The concept of performance has three dimensions, namely attitudes, skills, and achievements. According to Mangkunegara (2009), employee performance is the qualitative and quantitative result of an employee in completing assigned tasks.

Performance can be defined as the level of success and achievement of organizational goals. The level of success also indicates how far an organization can carry out its tasks. Furthermore, performance can demonstrate to what extent an organization is achieving the goals outlined in the achievement guidelines. Therefore, understanding the performance of an organization encompasses functions and compliance with established rules to achieve the goals of an organization.

### **RESEARCH METHODOLOGY**

The method applied in writing this article is a literature review. Data were obtained through sourcing from Google Scholar. This involves activities such as collecting, reading, note-taking, and processing information from various literature sources related to the research topic (Zed, 2004). This research uses a literature study approach relying on secondary data from previous relevant research, published in accredited national journals from the period of 2015 to 2024.

### **RESULT AND DISCUSSION**

Compensation and work motivation are two important factors that significantly influence employee performance. The findings of this study are in line with previous research conducted by Bella (2019), which showed that compensation and work motivation simultaneously have a positive and significant effect on employee performance. It can be concluded that compensation and work motivation have a positive impact on employee performance, and performance can be effectively enhanced by providing both elements simultaneously (Adiba and Rosita, 2023).

**Table 1.** Summary of Previous Research Results

No	Author (Years)	Research Method	Place	Results of Previous Research
1.	Dewa Ayu Putu Citra and Putu Jana Susila (2021)	Casual quantitative	PT. Indah Permai branch Singaraja	1. Employee performance PT. Indah Permai branch Singaraja is influenced by compensation and work motivation.
2.	Jufrizen (2018)	Quantitative research approach	PT. Razza Prima Trafo	1. Compensation and job discipline have a significant impact on employee performance at PT. Razza Prima Trafo. 2. Job motivation influences the relationship between compensation and employee performance, but work discipline and employee performance do not. Job motivation does not increase or decrease the influence of work discipline on employee performance.
3.	Ni Putu Ade Novita Adnyani and Ida Bagus Ketut Surya (2019)	Path analysis techniques	BUMDes UDAKA Dawan	1. Compensation from BUMDes UDAKA Dawan boosts employee morale directly and also strengthens work motivation. 2. This reinforced work motivation, in turn, contributes positively to the enthusiasm of employees in the BUMDes. 3. Work motivation plays a crucial role as a mediator between compensation and employee morale in BUMDes UDAKA Dawan.
4.	I Windu Subudi (2017)	Associative research	Unagi <i>Handicraft &amp; Painting</i>	1. Compensation has a positive influence on motivation, which in turn increases employee morale.
5.	Risky Adha, Nur Qomariah, Achmad	Population research (Census)	Jember district social service	1. Work motivation does not have a significant impact on employee performance because the majority of them are civil servants at the Jember

	Hasan Hafidzi (2019)			District Social Service, where work motivation already exists naturally. 2. A good and comfortable work environment and the work culture implemented in the Jember District Social Service have a significant impact on improving the performance of employees.
6.	RA. Ritawati (2015)	Deskriptive analysis	PT. Islamic BNI Bank Palembang.	1. Providing compensation in the banking industry is considered to play a crucial role in enhancing employee performance, as these rewards reflect individual performance over one year and are personalized evaluations.
7.	Try Angreni Haeruddin, M. Ilham Wardhana Haeruddin, Romansyah Sahabuddin, Burhanuddin, Uhud Darmawan Natsir (2023)	Causal associative research	PT Midi Utama Indonesia Tbk Makassar	1. H1 can be accepted because adequate compensation has a positive and significant impact on employee performance. 2. High motivation also has a positive and significant influence on employee performance, thus H2 can be accepted. This indicates that providing adequate compensation to employees plays a significant role in enhancing the performance of the entire team.
8.	Asih Niati, Teguh Ariefiantoro, Adhi Widyakto (2024)	Quantitative data analysis	Yamaha Motor	1. Compensation and work motivation have a positive and significant impact on job satisfaction levels at Yamaha Motor. This reaffirms that these elements can enhance employee satisfaction in the company. 2. Compensation and work motivation positively and significantly affect the performance of Yamaha Motor employees, indicating that appropriate rewards and strong incentives can help improve the work outcomes of employees within the organization.

9.	Santi Rimadias and Indah Ratry Pandini (2017)	Descriptive research	PT. Xacti	<ol style="list-style-type: none"> <li>1. Non-Financial Compensation has a positive and significant impact on Motivation at PT. Xacti.</li> <li>2. Motivation does not have a positive impact on employee performance within the company.</li> <li>3. Non-Financial Compensation does not have a positive impact on Employee Performance at PT. Xacti.</li> <li>4. Training has been proven to have a positive and significant impact on Employee Performance in the company.</li> </ol>
10.	Teguh Setiawan Wibowo, Hendy Tannady, Dila Erlianti, Rudi Setiadi, Suparman (2022)	Quantitative research	Foodpedia Group	<ol style="list-style-type: none"> <li>1. Job training affects employee performance at Foodpedia Group Jakarta.</li> <li>2. Financial compensation influences the performance of employees at Foodpedia Group.</li> <li>3. The performance of employees at Foodpedia Group Jakarta is jointly influenced by job training and financial compensation.</li> </ol>

**Source:** Research article screening results

### Compensation and Employee Performance in Companies

From the information obtained, there appears to be a positive and significant relationship considered to play a crucial role in compensation and enhancing employee performance in companies ((Dewa Ayu Putu Aprilia Citra Dewi and Gede Putu Agus Jana Susila, 2021); (Jufrizen, 2018); (Ni Putu Ade Novita Adnyani and Ida Bagus Ketut Surya, 2019); (I Made Windu Iswara and Made Subudi, 2017); (RA. Ritawati, 2015); (Try Angreni Haeruddin, M. Ilham Wardhana Haeruddin, Romansyah Sahabuddin, Burhanuddin, Uhud Darmawan Natsir, 2023); (Asih Niati, Teguh Ariefiantoro, Adhi Widyakto, 2024); (Teguh Setiawan Wibowo, Hendy Tannady, Dila Erlianti, Rudi Setiadi, Suparman, 2022)). Fair and performance-based compensation encourages employee motivation and dedication. When employees see that their efforts are recognized and financially rewarded, they tend to be motivated to achieve satisfying results. Additionally, a transparent and performance-oriented compensation system strengthens the bond between employees and the company. Providing performance-based compensation can also increase overall productivity within the organization. Employees who feel they will be rewarded commensurately with their efforts and results tend to work harder and smarter, which in turn can enhance the overall company performance.

From the analysis of 10 articles, one article was found, namely non-financial compensation that does not have a positive impact on employee performance in the company (Santi Rimadias and Indah Ratry Pandini, 2017). This negative influence arises due to the lack of relevance of

non-financial compensation with the needs and preferences of individual employees. For example, reward or incentive programs that do not align with employees' values or interests may not effectively motivate them. There may be a mismatch between the compensation provided and the expectations and needs of employees. Inadequate or mismatched compensation can lead to dissatisfaction and disappointment, which can disrupt employee morale and performance. Therefore, it is important for companies to ensure that their non-financial compensation is carefully planned, implemented, and evaluated to ensure they are effective in enhancing employee motivation and performance.

### **Work Motivation Towards Employee Performance in Companies**

Work motivation also has a positive and significant influence and plays an important role in improving employee performance in companies ((Dewa Ayu Putu Aprilia Citra Dewi and Gede Putu Agus Jana Susila, 2021); (Jufrizen, 2018); (Ni Putu Ade Novita Adnyani and Ida Bagus Ketut Surya, 2019); (I Made Windu Iswara and Made Subudi, 2017); (Try Angreni Haeruddin, M. Ilham Wardhana Haeruddin, Romansyah Sahabuddin, Burhanuddin, Uhud Darmawan Natsir, 2023); (Asih Niati, Teguh Ariefiantoro, Adhi Widyakto, 2024)). The results can show that motivation positively impacts employee performance improvement. This means that when employees feel motivated in their work, they tend to work more effectively and efficiently, which can result in overall organizational performance improvement. In other words, work motivation is a key factor that can influence the level of productivity and success of a company.

The analysis results reveal 2 articles where motivation does not have a positive and significant impact on employee performance in the company. This could be due to various factors, such as the lack of alignment between the motivation given to employees and the company's goals, lack of support or resources needed to encourage employees to achieve expected outcomes, or even external factors such as an unfavorable work environment. Therefore, the company may need to conduct further evaluation to understand why motivation does not have the expected impact on employee performance, and then take appropriate actions to improve the situation.

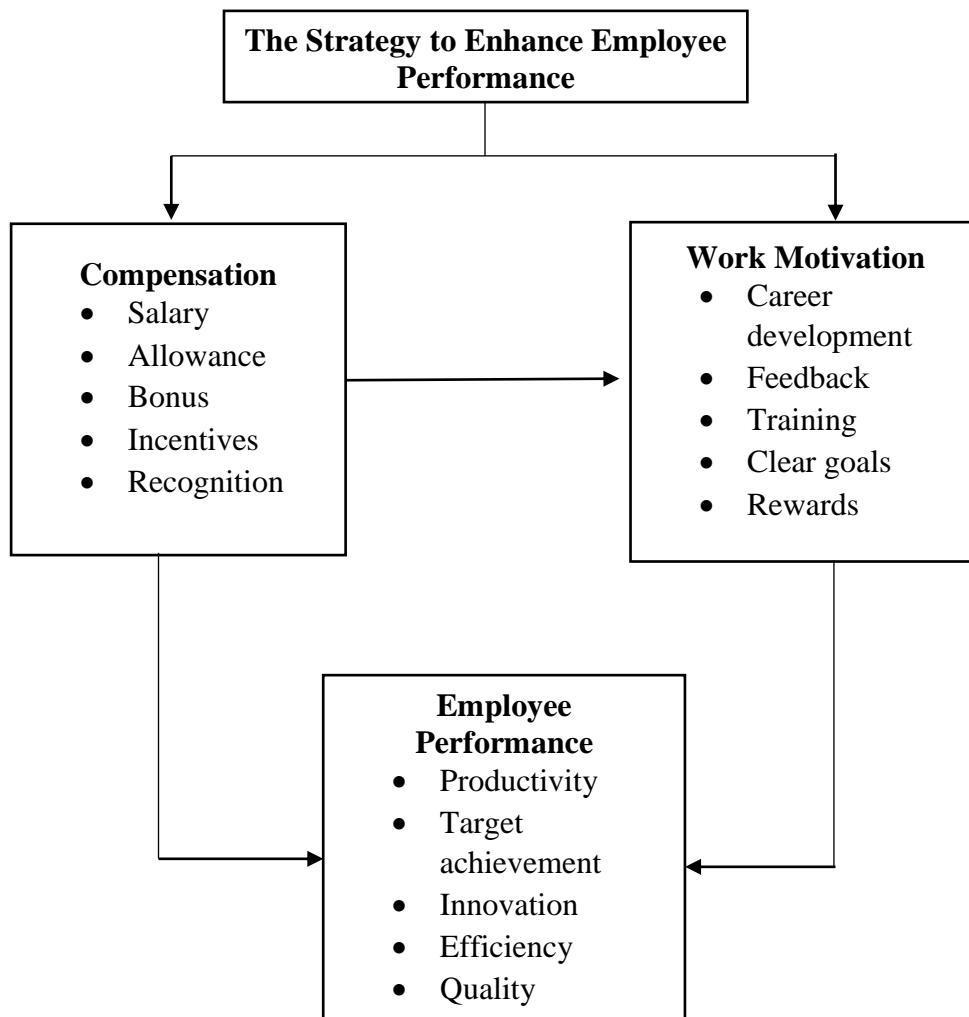
### **Enhancing the Role of Compensation and Work Motivation Towards Company Employee Performance**

Increasing the role of compensation in relation to company employee performance can be a crucial step to motivate and retain top talent and enhance productivity, as follows:

- **Fair Compensation:** When employees feel they receive fair compensation that aligns with their contributions to the company, they tend to be more motivated to perform well. Competitive and transparent compensation can increase satisfaction and work motivation.
- **Recognition and Incentives:** In addition to salary and benefits, additional recognition and incentives can serve as strong motivators. This could include performance bonuses, recognition for specific achievements, or other incentive programs that motivate employees to reach targets.



- **Transparency and Fairness:** It's important to maintain transparency in the compensation system so that employees feel they are treated fairly. Clear criteria and compensation determination processes can strengthen trust and motivate employees to perform well.
- **Career Development:** Offering career development opportunities and training can boost employee morale as they feel appreciated and have the chance to enhance their skills. This can also improve employee performance by expanding their abilities.
- **Engagement and Participation:** Employee involvement in decision-making and participation in company goals can also increase their motivation and performance. When employees feel that their opinions and contributions are valued and heard, they are more likely to be motivated to contribute to the fullest.



**Figure 1.** Strategy Scheme to improve employee performance  
 Source: Developed from different sources

## CONCLUSION

Compensation and work motivation play important roles in improving employee performance in companies. A transparent compensation system oriented towards performance can enhance overall productivity within the organization. However, it is also important to note

that non-financial compensation that does not align with the needs and preferences of individual employees can negatively impact performance.

Furthermore, work motivation has been proven to have a positive influence on employee performance. Employees who feel motivated in their work tend to work more effectively and efficiently, leading to improved organizational performance overall. However, there are also cases where work motivation does not yield the expected impact on employee performance, possibly due to a lack of alignment between the motivation provided and the company's goals or insufficient support.

The increased role of compensation and work motivation in employee performance holds a key role in motivating and retaining top talent and enhancing organizational productivity. Strategies such as providing fair compensation, offering additional rewards and incentives, maintaining transparency and fairness in the compensation system, providing career development opportunities, and involving employees in decision-making and company goals are important steps to enhance employee motivation and performance.

## REFERENCES

- Adnyani, N. P. A. N., & Surya, I. B. K. (2019). *The Mediating Role of Work Motivation on the Influence of Compensation on Work Enthusiasm at Bumdes Udaka Dawan*. (Doctoral dissertation, Udayana University).
- Arisanti, K. D., Santoso, A., & Wahyuni, S. (2019). The Effect of Work Motivation and Work Discipline on Employee Performance at PT Pegadaian (Persero) Branch of Nganjuk. *JIMEK: Journal of Economic Student Scientific Journal*, 2(1), 101–118. <https://doi.org/10.30737/jimek.v2i1.427>
- Dewi, D. A. P. A. C., & Susila, G. P. A. J. (2021). The Role of Compensation and Work Motivation on Employee Performance. *Scientific Journal of Accounting and Humanika*, 11(1), 44-51.
- Febriana, A., & Kustini, K. (2022). Impact of Compensation and Workload on Employee Loyalty at PT. Berlian Multi Sejahtera. *Scientific Journal Of Reflection: Economic, Accounting, Management and Business*, 5(3), 656–664. <https://doi.org/10.37481/sjr.v5i3.519>
- Haeruddin, T. A., Haeruddin, M. I. W., Sahabuddin, R., Burhanuddin, B., & Natsir, U. D. (2023). The Influence of Compensation and Work Motivation on Employee Performance at PT. Midi Utama Indonesia Tbk. *Mirai Management Journal*, 8(2), 126-137.
- Hidayat, R. (2020). *The Effect of Motivation on Employee Performance at PT. Peputra Supra Jaya in Langgam Pelalawan District*. Riau Islamic University.
- Iswara, W., & Subudi, M. (2017). *The Mediating Role of Work Motivation in the Influence of Compensation on Work Enthusiasm*. (Doctoral dissertation, Udayana University).
- Jufrizen, J. (2018). *The Role of Work Motivation in Moderating the Influence of Compensation and Work Discipline on Employee Performance*. The National Conference on Management and Business (NCMAB) 2018.
- Khaerunisa, A., Marhadi, A., Cahyani, R., & Maulia, I. R. (2023). The Influence of Compensation and Work Motivation on Employee Performance. *IJM: Indonesian Journal of Multidisciplinary*, 1(6), 2435-2446.
- Khair, H. (2019). The Influence of Leadership and Compensation on Job Satisfaction Through Work Motivation. *Maneggio: Scientific Journal of Master of Management*, 2(1), 69–88.

- Mahardhika, R. (2013). The Effect of Work Motivation on Employee Performance (Employee Survey at PT. Axa Financial Indonesia Sales Office Malang). *Journal of Business Administration S1 Universitas Brawijaya*, 4(2).
- Niati, A., Ariefiantoro, T., & Widyakto, A. (2024). The Role of Job Satisfaction in Mediating Compensation and Work Motivation on Employee Performance. *BBM (Bulletin of Business & Management)*, 10(1), 103-118.
- Poluakan, A. K., Runtuwene, R. F., & Sambul, S. A. P. (2019). The Influence of Compensation on Employee Performance PT. PLN (Persero) UP3 Manado. *Journal of Business Administration (JAB)*, 9(2), 70–77. <https://doi.org/10.35797/jab.9.2.2019.25114.70-77>
- Ratnasari, R. (2015). The Impact of Compensation, Competence, and Work Motivation on Employee Performance (Study at PT. "X" Management Consultant Surabaya). *AKUNESA Accounting Journal*, 5(1), 1–25.
- Rimadias, S., & Pandini, I. R. (2017). Analysis of the Role of Non-Financial Compensation, Training, and Motivation on Contract Employee Performance (Study at PT Xacti). *Journal of Economics, Management, and Banking*, 3(1), 29-37.
- Ritawati, R. R. R. (2015). The Role of Compensation in Improving Employee Performance in Islamic Banks in Palembang. *I-Finance: A Research Journal on Islamic Finance*, 1(1), 63-79.
- Rosmaini, R., & Tanjung, H. (2019). The Influence of Competence, Motivation and Job Satisfaction on Employee Performance. *Maneggio: Scientific Journal of Master of Management*, 2(1), 1–15.
- Silaen, N. R., Syamsuriansyah, Chairunnisah, R., Mahriani, M. R. S. E., Triwardhani, R. T. D., Masyuroh, A. H. A., ... Putra, S. (2021). Employee Performance. In *Employee Performance*. Bandung: Widina Bhakti Persada.
- Sutrisno, Herdiyanti, Asir, M., Yusuf, M., & Ardianto, R. (2022). The Impact of Compensation, Motivation, and Job Satisfaction on Employee Performance in the Company: Literature Review. *Management Studies and Entrepreneurship (MSEJ)*, 3(6), 3476–3482.
- Suwati, Y. (2013). The Effect of Compensation and Work Motivation on Employee Performance at PT. Tunas Hijau Samarinda. *eJournal of Business Administration Science*, 1(1), 41–55.
- Wibowo, T. S., Tannady, H., Erlianti, D., Setiadi, R., & Suparman, S. (2022). Analysis of the Role of Job Compensation and Job Training on Employee Performance in Foodpedia Group. *Journal of Economic, Business, and Accounting (COSTING)*, 6(1), 924-930.