

## **The Effect of Additional Compensation on Employee Performance Mediated by Job Satisfaction of Employees of PT Telkom Indonesia Tbk.**

**Hazmanan Khair**<sup>✉ 1</sup> **Luthfiah Adira**<sup>2</sup>

<sup>1</sup>Faculty of Economics and Business, Muhammadiyah University of North Sumatra (UMSU), email : hazmanankhair@email.umsu.ac.id

<sup>2</sup>Faculty of Economics and Business, Muhammadiyah University of North Sumatra (UMSU), email : Luthfiahadira793@gmail.com

<sup>✉</sup>Corresponding Author: Email : hazmanankhair@email.umsu.ac.id

---

### **Abstract**

The purpose of this research is to determine the effect of additional compensation on employee performance at PT Telkom Indonesia, Tbk Witel Medan. To determine the effect of job satisfaction and employee performance on additional compensation at PT. Telkom Indonesia, Tbk Witel Medan. To determine the effect of job satisfaction on employee performance at PT Telkom Indonesia, Tbk Witel Medan. To determine the effect of additional compensation and employee performance on job satisfaction at PT Telkom Indonesia, Tbk Witel Medan. The approach in this research is included in the quantitative research approach. The population used as a sample is all employees of PT Telkom Indonesia, Tbk Witel Medan, totalling 70 people. The data analysis technique in this study uses Structural Equational Modelling (SEM) using Smart-PLS 3. The results of testing the first hypothesis show that the additional compensation variable has a positive and significant effect on employee performance at PT Telkom. The results of testing the third hypothesis show that the additional compensation variable has a positive and significant effect on employee job satisfaction at PT Telkom. The results of testing the fifth hypothesis show that the job satisfaction variable has a positive and significant effect on employee performance at PT Telkom. The results of the sixth test show that employee job satisfaction mediates the effect of additional compensation on performance at PT Telkom by showing a positive but insignificant effect.

**Keywords:** Additional Compensation; Employee Performance; Job Satisfaction;

---

### **Introduction**

The existence of human resources in the organisation occupies a strategic and vital position, even though various other factors needed are available. Without the presence of humans or so-called employees, the goals of an organisation will not work. Employees are the main asset in the organisation where they are in direct contact with clients and affect organisational performance. In this view, organisational performance is often linked to employees' satisfaction with their jobs, their efficiency and their level of enthusiasm while at work (Pang K, 2018). Therefore, employee performance and motivation are important aspects to consider in ensuring organisational competitiveness and performance. The need to continuously motivate employees in order to improve their performance. One way to improve employee morale and performance is through the use of incentives. Incentives can make someone want to do something or work harder, motivate or encourage someone to do something or behave in a certain way. According to Al-Belushi and Khan [5], incentives are one of the key factors that improve the non-financial and financial dimensions of organisational performance.

All individuals engaged in one form of work or another have an expectation to receive benefits for the work performed in the form of wages, salaries, compensation, bonuses, etc. as well as other non-financial incentives. The payment received for work performed can fulfil certain basic needs such as clothing, food, and shelter. Every company in determining the amount of wages paid to an employee must be feasible so that the lowest wage given must be able to meet the needs of its employees (Kanzunn udin, 2007). Reward systems in the context of organisations are incentives to workers. It is one of the key human resource management strategies to attract and retain high-quality workers and enable them to improve performance. Reward systems aim to offer an efficient method to deliver positive consequences for contributions to performance. Therefore, it is crucial to determine the elements that influence employees in achieving higher productivity. Moreover, achieving a high level of productivity is one of the corporate objectives of various corporate entities. To achieve this achievement, human capital assets in the form of employees or workers need to be optimally motivated or rewarded.

In view of this, Edirisooriya, (2014) agrees that to improve overall organisational performance, it is imperative to retain creative and effective employees. To get creative and effective results from human resources, motivation is necessary (Prathee pkanth, 2011). According to Beardwell and Claydon, (2010) motivated employees can add value to the organisation by positively achieving its goals and can improve employee performance. Consequently, it is imperative to find a reward system that influences employees. Bartol and Srivastava, (2006) define motivation as a series of processes related to the forces that energise behaviour and direct it to achieve goals.

The elements assessed to measure employee performance are based on SKP (Employee Performance Objectives) which contains work plans, and targets to be achieved by employees. Based on 70 samples of SKP (Employee Performance Objectives) that researchers obtained from employees of PT Telkom Indonesia, Tbk Witel Medan, there are still 5 employees who have SKP with a predicate assessment (bad), or in the sense that the employee's SKP value is worth only 0-49. This can be proven in the table below:

Table 1. Employees SKP

No	Score SKP	Predicate	Quantity
1.	91-120	Very good	12 Employes
2.	76-90	Good	26 Employes
3.	61-75	Fair	18 Employes
4.	50-60	Bad	9 Employes
5.	0-49	Vary Bad	5 Employes
Totals			70 Employes

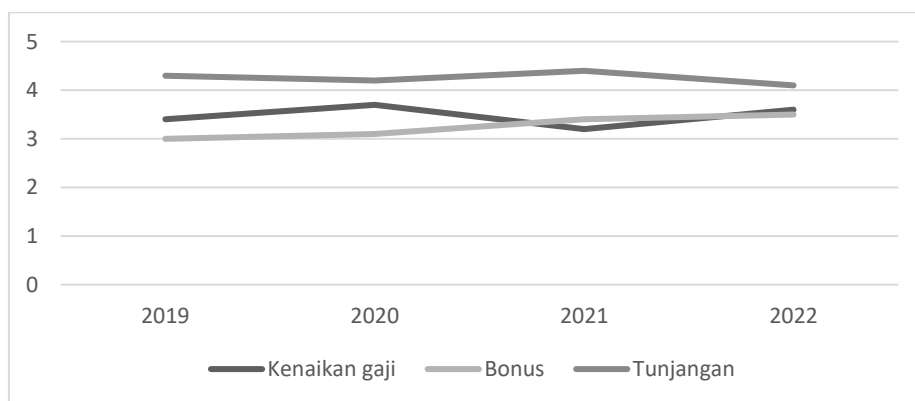
Based on the data in table 1.1 above, it can be stated that from the sample that the researchers used, there were 70 SKP employees, including 26 employees who had a predicate of work (good), then there were still 12 employees who had a predicate of work (very good), and there were still 18 employees who had a predicate of work (sufficient) and 9 employees who had a predicate of work less but in fact there were still 5 employees who had a bad predicate of work seen from the SKP that the researchers got. This indicates based on the SKP that there are still employees who have not reached the targets set by the company.

Several factors have caused the decline in performance. To improve their performance and maintain a competitive advantage, companies must find efficient and effective strategies. Several studies have shown that adequate rewards can motivate employees, especially low performers.

Financial rewards or commonly known as monetary rewards are the most common type of incentives used by organisations to improve employee performance. According to Anyim Chukwudi et al. [8], monetary incentives can include salary or wages, bonuses, health, transport, education benefits, and pensions, among others. Financial incentives include stock options, profit sharing, salary increases, and commissions [9]. Different financial incentives are offered to employees for different purposes. Bonuses, for example, are extra money offered to employees who work overtime on a project, while there are also pension incentives, which are deferred income that employees accumulate during their working life and become theirs upon retirement (Anyim Chukwudi F, 2018).

Financial incentives can also be divided into direct and indirect incentives. While direct financial incentives include good salaries, profits, and commissions, indirect financial incentives are all benefits that are not covered by direct financial incentives (Ndichu JN, 2017). The most common reward scheme is where performance is pegged to pay, where workers receive bonus payments as a percentage of salary based on the profitability or efficiency of the organisation. Alternatively, individual rewards can be issued where individuals increase their productivity, improve the quality of output, increase their contribution to the department or section by providing advice, or co-operate with other members of the workforce (Ndichu JN, 2017).

PT Telkom Indonesia, Tbk Witel Medan is one of the companies engaged in integrated telecommunications services and networks in Indonesia, one of which is in Medan City. PT Telkom Indonesia, Tbk Witel Medan was established in 1991, with the company's status changed to a state-owned limited liability company (persero). The source to be researched, namely PT Telkom Indonesia, Tbk Witel Medan, found that there are several problems that occur at this time experienced directly by company employees, these problems include employees feeling less than optimal in receiving compensation that has been given by the company, as well as intensif that has been set by the company employees feel less than optimal and there are some employee performance that is less than optimal can be seen from the results of slow work that is not completed on time.



**Figure 1.** Tingkat kompensasi yang ddidapatkan pada karyawan PT. Telkom Indonesia, Tbk Witel Medan  
Based on the table above, the level of compensation provided by the company to employees has not increased, the

trend is flat every year, even though they feel their performance has improved from the previous years. This also causes employee dissatisfaction when working because they do not get the appropriate compensation. By satisfying the needs of workers through compensation, it can provide job satisfaction for the workers concerned. Compensation has a positive and significant relationship with worker job satisfaction, where workers will feel satisfied when they receive compensation that is proportional to the sacrifices they make for the company. Based on the information and results that researchers get, researchers find the phenomenon of problems at PT Telkom Indonesia, Tbk Witel Medan that are currently occurring such as there are still some employees who are less responsible for their work, employee work results are not in accordance with what the company expects and there are still some employees who feel less about the intensification given by the company, giving rise to the following hypothesis:

HO\_1: Additional compensation has a direct effect on job satisfaction;

HO\_2: Additional compensation has a direct effect on employee performance;

HO\_3: Job satisfaction has a direct effect on employee performance;

HO\_4: Additional compensation affects employee performance mediated by job satisfaction.

## **Literature Review**

### **Performance**

According to Susan (2019) Employees are individuals employed by an employer to perform a specific job. Employees are hired by an Employer after an application and interview process results in their selection as an employee. This selection occurs after the applicant is found by the employer to be the most qualified applicant to do the job they are recruiting for. Employees in an organisation play an important role in performing tasks to achieve goals (Richard, 2014). Therefore, employee performance in an organisation is very important. According to Aguinis (2009) performance is the effort along with the ability to exert effort supported by organisational policies to achieve certain goals. Performance can also be described as the achievement of a specific job calculated based on identified or established standards of accuracy, completeness, and speed and cost (Javed, 2014). When employees are properly motivated by rewards such as financial rewards, recognition schemes and allowances there is an increase in productivity, quality and quantity of output. There is also an increase in the efficiency and effectiveness of the work completed. Further, rewards are given to employees according to their level of performance. However, people experience things differently and what appeals to one may not appeal to another. Hence, there is a need to ensure the type of rewards that appeal to each employee so as to increase the effort to earn the rewards.

### **Supplementary compensation**

Every employee who works will want a reward for the services they have provided to the company. This compensation is needed by all employees and will have an impact on continuing to improve their performance. According to Bangun (2012), "Financial compensation is a form of compensation paid to employees in the form of money for the services they contribute to the company." Basically, humans work also want to earn money to fulfil their needs. For this reason, an employee begins to appreciate hard work and increasingly shows loyalty to the company and that is why the company rewards employee performance by providing compensation. One way for management to improve work performance, motivate and increase job satisfaction of employees is through compensation (Mathis and Jackson, 2005). Heidjrachman, (2002) "Compensation is a receipt as a reward for the provision of work from the recipient of work for a job or service that has been performed, and serves as a guarantee of a decent life for humanity and begins in the form of money stipulated according to an agreement, regulatory laws and paid on the basis of an employment agreement between the employer and the recipient of work. And direct compensation is a reward for services to employees who receive directly, regularly or periodically because the person concerned has provided assistance/contribution to achieving organisational goals.

### **Job Satisfaction**

Mathis and Jackson (2000) Job satisfaction refers to employee performance measured against standards or criteria set by the company. The definition of job satisfaction or job performance is given a limit as a person's success in carrying out a job. Job satisfaction affects how much employees contribute to the organisation, including the quality of output, quantity of output, duration of output, attendance at work. Robbins & Judge (2011) defines Job Satisfaction as a positive feeling in a job, which is the impact / result of evaluating various aspects of the job. The positive attitude of employees who are satisfied with their work will increase the effectiveness of the organisation in achieving its goals. Hanaysha and Tahir (2016) state that job satisfaction is very important for employee self-actualisation. An employee who does not get satisfaction at work will never reach psychological maturity, and will eventually become frustrated. Job satisfaction can be briefly classified as an estimation or reflection of how workers feel about their jobs (Jiang & Rosenbloom, 2005).

## **Materials & Methods**

### **Data**

This research was conducted by PT Telekomunikasi Indonesia, Tbk Witel Medan which is located at Jalan Prof. HM. Yamin SH No. 13 Medan. The population used in the study were employees at PT Telkom Indonesia, Tbk Witel Medan totalling 70 employees. The sample collection technique used is saturated sample, where all members of the population are used as samples, namely all 70 employees of PT. Telkom Indonesia, Tbk Witel Medan.

**Variable Operational Definitions**

**Performance**

Indicators	Description
Quantity of work	Indicates the amount of work The amount of work that an individual produces as a standardised job requirement
Quality of Work	Requires fulfilling certain requirements to be able to produce work according to the quality demanded in a job.
Punctuality	Indicates each job has different characteristics that must be completed on time because it has dependence on other jobs
Attendance	Indicates a job requires the presence of employees in working according to the specified time
Co-operation Ability	Shows that an employee's performance is judged by his or her ability to co-operate with other co-workers.

**Supplementary compensation**

Indicators	Description
Wages	Monetary remuneration as a consequence of his/her position as an employee for his/her contribution to the company.
Incentives	Direct remuneration paid to an employee because his/her performance exceeds specified standards.
Indirect Compensation	Additional compensation such as insurance, benefits, pension,

**Job Satisfaction**

Indicators	Description
Value Attainment	That satisfaction results from the perception that the job allows for the fulfilment of important individual work values.
Work itself	Includes responsibility, importance, and growth
Needs Fulfilment	That satisfaction is determined by the characteristics of a job enabling an individual to fulfil their needs
Mismatch	That fulfilled expectations represent the difference between what an individual expects from a job, when expectations are greater than what is received an individual will not be satisfied.
Justice	A person will feel satisfied or dissatisfied depending on whether or not he or she perceives the fairness of a situation
Characteristic or Genetic Component	The dispositional or genetic component of job satisfaction is a personal or genetic trait, some co-workers seem satisfied while others always seem dissatisfied

**Data analysis method**

The data analysis technique in this study uses Structural Equational Modelling (SEM) using Smart-PLS 3. SEM (Structural Equation Model) or Structural Equation Model is a statistical analysis for research that requires simultaneous or simultaneous analysis of all variables (Juliandi, 2018).

**Result and Discussion**

Before the data is tested, a reliability test is first carried out by looking at the Cronbach 'alpha value.

Table 2. Cronbach' alpha

Variables	Cronbach's Alpha
Additional compensation (X1)	0,759
Job satisfaction (Z)	0,789
Performance (Y)	0,708

Based on the table above, it is known that the Cronbach's alpha value of each research variable is > 0.7. So these results show that each research variable has met the requirements of high reliability. Based on the data processing that has been done, the results can be used to answer the hypothesis in this study. Hypothesis testing in this study was carried out by looking at the t-statistic and p-value. The independent variable is declared to have a significant effect on the dependent variable if the t-statistic > 1.96 (Appendix 5) and P-Value < 0.05. The following are the results of data processing in this study using SmartPLS version 3.0:

Table 3. T-Statistics dan P-Values

Hipotesis	Variable	T Statistics ( O/STDEV )	P Values	Coefficient
H1	Additional compensation (X1) -> Performance (Y)	3.552	0.000	0,294
H3	Additional compensation (X1) -> Job satisfaction (Z)	3.691	0.000	0.320
H5	Job satisfaction (Z) -> Performance (Y)	3.439	0.000	0.496
H6	Intervening Job satisfaction (Z) Additional compensation (X1) -> Performance (Y)	3.230	0.000	0,253

Based on the table above, it states that additional compensation on the performance of managers and elements of certain functional positions: Path coefficient = 3.552 > T-Table = 2.036 means that the effect of additional compensation on performance at PT Telkom is positive and significant. The results of the data analysis show that the additional compensation factor of the leader has a positive effect on employee performance. The regression equation also means that the functional relationship between the two variables has a positive linear pattern, because the regression direction coefficient is positive. Additional compensation on job satisfaction: Path coefficient = 3.691 > T-Table = 2.036 means that the effect of additional compensation on job satisfaction is positive and not significant.

From the results of data analysis, it is known that additional compensation has a positive and significant effect on performance. This means that additional compensation is an important factor affecting performance, because by carrying out additional compensation, the process of observing an implementation of all organisational activities to ensure that all tasks are being carried out in accordance with previous planning. PT Telkom should consider adding other forms of compensation, such as incentives, bonuses, performance allowances and others, so that it will be able to improve the quality of work, responsibility, enthusiasm so that it will improve the performance of PT Telkom employees. Furthermore, job satisfaction has a positive and significant effect on performance. This means that the better the application of job satisfaction, it will have an impact on the information system that transforms inputs using processes to produce the outputs needed to support decision making. Information generated by job satisfaction is used to support management activities. The effect of additional compensation on performance mediated by job satisfaction is known that job satisfaction can mediate the effect of additional compensation on performance. This means that the better the application of job satisfaction, it will have an impact on additional compensation so that it can improve the performance needed to support decision making. Information generated by job satisfaction is used to support management activities.

### Conclusions

This study aims to examine the effect of additional compensation and performance benefits on performance mediated by employee job satisfaction at PT Telkom. Based on the analysis and discussion of the research results, the researcher concludes as follows:

- a. The results of testing the first hypothesis show that the additional compensation variable has a positive and significant effect on employee performance at PT Telkom.
- b. The results of testing the third hypothesis show that the additional compensation variable has a positive and significant effect on employee job satisfaction at PT. Telkom.
- c. The results of testing the fifth hypothesis show that the job satisfaction variable has a positive and significant effect on employee performance at PT. Telkom.
- d. The results of the sixth test show that employee job satisfaction mediates the effect of additional compensation on performance at PT Telkom by showing a positive but insignificant effect.

Researchers provide suggestions that may benefit the parties involved in this study. That is, the leadership of PT Telkom should provide additional compensation more strictly to employees, so that work can be completed properly and not cut performance allowances so that all employees feel motivated to pursue their performance. The achievements of every employee who always provide their performance very well should be rewarded, for a sign that the leadership appreciates the performance that has been given to PT Telkom. Acknowledgments. The author limits the problem in this study to "Employee Performance, Compensation, and Job Satisfaction" at PT Telekomunikasi Indonesia, Tbk Witel Medan.

### References

- Adhan, M., Arif, M., & Putri, Y. (2021). Antaseden Motivasi dan Beban Kerja Pegawai Pada Dinas Penanaman Modal dan Pelayanan Perizinan Terpadu Satu Pintu Sumatera Utara. *Proceeding Seminar Nasional Kewirausahaan*, 2(1), 463-474. <http://dx.doi.org/10.30596%2Fsnk.v2i1.8307>
- Aktar, S., Sachu, M. K., & Ali, E. (2012). The impact of rewards on employee performance in commercial banks of Bangladesh: An Empirical Study. *Journal of Business and Management*, 6(2), 9-15.
- Aguinis, H. (2009). *Performance Management*. Upper saddle River: Pearson Prentice Hall.
- Andrew, B. (2019, May 29). *What is bonus?* Retrieved from <https://www.investopedia.com/terms/b/bonus.asp>
- Asghar, A. & Muhammad, N. A. (2012). Impact of financial rewards on employee's motivation and satisfaction in pharmaceutical industry, Pakistan: *Global Journal of Management and Business Research*, 12(17), 45- 50.

- Aslam, A. (2015). Impact of compensation and reward system on the performance of an organisation: An empirical study on banking sector of Pakistan. *European Journal of Business and Social Sciences*, 4(8), 319-325.
- Arifin, M. (2017). Pengaruh Kompensasi dan Kepuasan Kerja Terhadap Kinerja. *Jurnal EduTech*, 3(2), 87-98. <https://dx.doi.org/10.30596%2Feducatech.v3i2.1255>
- Andriany, D. (2019). Pengaruh Kompensasi dan Lingkungan Kerja Terhadap Tujuan Kerja Karyawan Pada PT. Repex Perdana Internasional (Lisensi Federal Express) Medan. *Proceeding Seminar Nasional Kewirausahaan*, 1, 392-398.
- Astuti, R., & Suhendri, S. (2019). Pengaruh Kompensasi dan Motivasi terhadap Kinerja Karyawan pada PT. Tunas Jaya Utama. *Jurnal Manajemen Bisnis Eka Prasetya (MBEP)*, 5(2), 1-10.
- Azhar, M. E., Nurdin, D. U., & Siswadi, Y. (2020). Pengaruh Disiplin Kerja dan Kompensasi Terhadap Kepuasan Kerja Karyawan. *Jurnal Humaniora: Jurnal Ilmu Sosial, Ekonomi dan Hukum*, 4(1), 46-60. <https://doi.org/https://doi.org/10.30601/humaniora.v4i1.422>
- Bartol, K. M., & Srivastava, A. (2006). Encouraging knowledge sharing; The role of organisational rewards systems. *Journal of Leadership and Organisational Studies*, 1(9), 64-76.
- Beardwell, J., & Claydon, T. (2010). *Human Resource Management: A Contemporary Approach*. Englewood Cliff: Prentice Hall.
- Handoko, B. (2014). Determinan Kepuasan Kerja Karyawan pada PT. X Medan. *Jurnal Manajemen dan Bisnis*, 14(01), 77-85.
- Handoko, D. S., & Rambe, M. F. (2018). Pengaruh Pengembangan Karir dan Kompensasi terhadap Komitmen Organisasi Melalui Kepuasan Kerja. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 1(1), 31-45. <https://doi.org/https://doi.org/10.30596/maneggio.v1i1.2238>
- Harahap, D. S., & Khair, H. (2019). Pengaruh Kepemimpinan dan Kompensasi terhadap Kepuasan Kerja Melalui Motivasi Kerja. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 2(1), 69-88. <https://doi.org/10.30596/maneggio.v2i1.3404>
- Harahap, S., F. & Tirtayasa, S. (2020). Pengaruh Motivasi, Disiplin, Dan Kepuasan Kerja Terhadap Kinerja Karyawan Di PT. Angkasa Pura II (Persero) Kantor Cabang Kualanam. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 3(1), 120-135.
- Hakim, A. (2006). Analisis Pengaruh Motivasi, Komitmen Organisasi Dan Iklim Organisasi Terhadap Kinerja Pegawai Pada Dinas Perhubungan Dan Telekomunikasi Provinsi Jawa Tengah. *Jurnal Ilmu Manajemen*. 2(2), 165-180.
- Jufrizen, J. (2016). Efek Mediasi Kepuasan Kerja pada Pengaruh Kompensasi terhadap Kinerja Karyawan. *Jurnal Ilmiah Manajemen dan Bisnis*, 17(01), 34-52. <http://dx.doi.org/10.30596%2Fjimb.v17i1.1209>
- Jufrizen, J. (2015). Pengaruh Kompensasi Dan Pengembangan Karir Terhadap Komitmen Organisasi Dengan Tujuan Kerja Sebagai Variabel Intervening Pada PT. Perkebunan Nusantara III (Persero). *Jurnal Ilmiah Manajemen Dan Bisnis*, 15(1), 37-47.
- Khair, H. (2019). Pengaruh Kepemimpinan dan kompensasi terhadap kepuasan kerja melalui motivasi kerja. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 2(1), 69-88.
- Noor, J. (2013), *Penelitian Ilmu Manajemen*, Edisi 1, Jakarta : Prenada Media Group.
- Prayogi, M. A., Koto, M., & Aif. M. (2019). Kepuasan kerja sebagai variabel intervening pada pengaruh work-life balance dan stres kerja terhadap turnover intention. *Jurnal Ilmiah Manajemen dan Bisnis*, 20(1), 39-5.
- Rasyid, M. A., & Tanjung, H. (2020). Pengaruh Kompensasi, Lingkungan Kerja dan Motivasi Terhadap Kepuasan Kerja Guru pada SMA Swasta Perkumpulan Amal Bakti 4 Sampali Medan. *Jurnal Ilmiah Magister Manajemen*, 3(1), 60-74.
- Siagian, T. S., & Khair, H., (2018). Pengaruh Gaya Kepemimpinan Dan Lingkungan Kerja Terhadap Kinerja Karyawan Dengan Kepuasan Kerja Sebagai Variabel Intervening. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 1(1), 59-70. <https://doi.org/10.30596/maneggio.v1i1.2241>
- Sembiring, M., Jufrizen, J., & Tanjung, H. (2021). Efek Mediasi Kepuasan Kerja pada Pengaruh Motivasi Dan Kemampuan Kerja Terhadap Kinerja Pegawai. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 4(1), 130-143. <https://doi.org/10.30596/maneggio.v4i1.6775>