

# 70-Acman-Turnitin

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**Submission date:** 20-Jul-2023 04:32PM (UTC+0500)

**Submission ID:** 2134016727

**File name:** d\_Riadi,\_Ujang\_Wawan\_Sam\_Adinata,\_Adang-ingg-acman-turnitin.docx (28.25K)

**Word count:** 3274

**Character count:** 19975

# <sup>1</sup> The Effect of Compensation and Work Discipline on Employee Performance

## (Study at a telephone company located in Bandung)

### Abstract

The primary objective <sup>3</sup> of this study is to comprehensively examine and assess the impact of Compensation and Work Discipline on Employee Performance in the context of the Covid-19 Pandemic, with a specific focus on a telecommunications company located in Bandung. The research methodology employed in this study is path analysis, which examines the relationship between employee performance and factors such as Compensation and Work Discipline. Path analysis also helps elucidate the interconnectedness among the predetermined variables under investigation.

According to the study's findings, the level of employee compensation at the telephone company in Bandung is transitioning from a low to a moderately good level. Similarly, the work discipline of the employees is also experiencing a shift from a low to a moderately good level.

The impact of compensation and work discipline on employee performance at the telephone company in Bandung is a subject of general interest. The Compensation variable demonstrates a partial influence of 9.4% on Employee Performance, whereas the joint impact of Compensation and Work Discipline on Employee Performance is significant at 62.7%. The findings of the conducted research indicate that these factors substantially impact the performance of employees at the telecommunications company located in Bandung.

Keywords: Compensation, Work Discipline, and Employee Performance.

### Introduction

Since the Covid-19 outbreak in Wuhan in early 2020, a significant disruption has gradually unfolded, extending its impact globally. The significant magnitude of individuals affected within a relatively condensed timeframe, coupled with the apprehension experienced by all involved parties about the Covid-19 pandemic, catalyzes this widespread disruption. The COVID-19 pandemic poses a significant risk to human health and has profoundly impacted the global economy, leading to a downturn. Several nations have started implementing health protocols based on the World Health Organization (WHO) guidelines. These measures include practicing proper hand hygiene, avoiding large gatherings or meetings, maintaining physical distancing, and even implementing city-wide restrictions such as Large-Scale Social Restrictions or lockdowns to limit outdoor activities.

Due to the escalating proliferation of the Coronavirus in Indonesia, the central government and various companies nationwide are facing mounting pressure to implement measures aimed at interrupting the transmission of the virus. One potential solution is implementing a work-from-home system, commonly called Work From Home (WFH). The work-from-home (WFH) scheme is a component of the telecommuting concept, also known as working remotely. It is worth noting that implementing the WFH concept in 2021 is a practice that has been around for companies. Telecommuting has the potential to become a regular practice in our daily lives, potentially becoming integrated into the new order known as the "New Normal."

One of the government's policies to prevent the spread of Covid-19 involves implementing a modified work system. This system, known as flexible working, incorporates the concept of remote work, wherein offices are limited to employing only 25% of their workforce on-site. In comparison, the remaining 75% are encouraged to work from home (WFH).

In light of this circumstance, the government has implemented a work-from-home (WFH) program, utilizing the Zoom Meeting platform for meetings, discussions, and information sharing. The practice of remote work, while allowing individuals to perform their office duties from home, still needs to eliminate certain job tasks that necessitate physical presence, such as verifying the completeness of files and fulfilling service requirements through direct interaction.

One notable benefit of working from home (WFH) is the ability to exercise flexibility in determining work schedules. This arrangement allows individuals to tailor their work hours to suit their needs and preferences. Additionally, WFH can lead to reduced travel expenses, as employees are not required to commute to a physical workplace. Moreover, this mode of work has the potential to decrease absenteeism and tardiness rates, as employees are not constrained by external factors such as traffic or public transportation delays. Lastly, WFH provides the advantage of minimizing direct contact with others, which can be particularly beneficial when social distancing is necessary. In contrast, the adverse effects experienced during remote work include:

- limitations imposed by network internet constraints,
- challenges in differentiating between work-related activities and personal matters,
- diminished opportunities for direct learning and knowledge exchange, and
- a lack of supervision during work hours.

The ongoing modifications in the work order due to the Covid-19 pandemic necessitate workers to adjust their practices to maintain productivity. Although implementing the work-from-home (WFH) system was initially a response to mitigate the transmission of the Covid-19 virus, it is anticipated to become an integral component of the emerging societal paradigm known as the "new normal." Indeed, the COVID-19 pandemic remains ongoing at present.

The company is an entity operating within the business sector, involved in the provision of both services and goods. In the context of globalization, companies are increasingly required to confront heightened levels of competition, both within their domestic and foreign markets. In order to effectively navigate this competitive landscape, every organization must possess a pool of capable resources that can enhance the quality within the organization, thereby propelling its business forward. Human resources (HR) represents the sole company asset that exhibits the characteristic of vitality, in contrast to other inanimate assets.

In the current era of globalization, human resources assume a pivotal role in all organizational endeavors. Despite adequate facilities, infrastructure, and ample financial resources, the absence of competent human resources hinders the successful completion of company activities. The management of human resources, which encompasses the driving and directing of an organization, necessitates constant attention, protection, maintenance, and cultivation by the organization. The performance of individual employees significantly impacts the overall success of an organization.

The significance of employees' contribution in influencing organizational success necessitates implementing a strategic approach to facilitate and enhance their performance in effectively managing the company. In order to enhance employee performance and elevate production levels, it is imperative to have proficient employees who are diligent in carrying out their responsibilities. In order to ensure that the outcomes obtained align with the efforts exerted. According to the Manpower Act Number 13 of 2003, all workers are entitled to equal rights and opportunities in terms of job selection, acquisition, or transition and the ability to earn a fair income both domestically and internationally. According to Law Number 13 of 2003 on Manpower, it is stipulated that every worker or laborer is entitled to receive a remuneration that is sufficient to sustain a decent standard of living. In order to achieve an income level that supports a satisfactory standard of living for individuals, as mentioned in paragraph (1), the government implements wage policies aimed at safeguarding the rights and well-being of workers by Article 1, Section 30, and Article 13 of the legislation enacted in 2003. Wages refer to the monetary remuneration workers are entitled to and receive from their employers as compensation for their services, as stipulated and disbursed following a work agreement, contractual arrangement, or legislative provisions. This condition includes provisions for worker allowances and benefits for workers and their families in recognition of the work or services rendered.

Hence, the advancement of a corporation is contingent upon its human capital, with a particular emphasis on performance. Enhancing employee performance can lead to heightened productivity and improved effectiveness in work implementation. Attaining optimal performance poses challenges due to maintaining a heightened state of awareness.

The organization must possess components that are evaluative instruments in assessing employee performance. In the event of a decrease in these components, it is imperative for the organization to proactively engage in the identification and investigation of the factors that may

be contributing to this decline. Performance appraisal can be conducted by comparing employee work results with company work standards. When employees' work outcomes surpass the established benchmarks of the company, it is appropriate to classify the employee's performance as commendable. The organization should undertake a comprehensive investigation to ascertain the quality of an employee's performance.

The primary objective of this study is to examine the relationship between employee performance and the compensation and work discipline policies implemented within the organization. This research aims to comprehensively examine and assess the degree to which remuneration and work discipline impact the performance of employees. Consequently, this study offers suggestions and tactics to the organization to enhance employee performance and establish proficient work discipline and compensation practices. This study aims to make a valuable contribution to the academic community and professionals in human resource management, particularly in enhancing performance, work discipline, and employee compensation.

## **Method**

The research methodology is inherently systematic and empirical in gathering data with a specific objective and intended application. The research methods employed in this study encompassed the descriptive and verificative approaches. Descriptive research seeks to ascertain the significance of independent variables, either singularly or in combination, in isolation from comparisons or associations with other variables. In contrast, the verificative method examines the association between independent and dependent variables, subjecting it to hypothesis analysis for testing.

The data analysis in order to address the research objectives effectively. The procedure encompassed the computation of the frequency and percentage for each response obtained from the disseminated questionnaires. Subsequently, an analysis performs on the acquired results. The Likert scale employs as the measurement scale in this study. Consequently, the variable under consideration was disassembled into a collection of indicators representing its various aspects. Subsequently, the variables above employ the fundamental framework for constructing the instrument items, which comprised a set of interrogative statements.

This study is also confirmatory, aiming to mathematically examine assumptions regarding the relationship between variables outlined in the research question, thereby assessing the validity of the hypothesis. This study examines the impact of compensation and work discipline on employee performance.

The primary objective of this study is to empirically examine the proposed hypotheses and investigate the relationships among variables about the predetermined problem formulation and the anticipated research objectives. In this study, the independent variables under consideration

are Compensation (X1) and Work Discipline (X2), while the dependent variable is Employee Performance (Y).

Data was collected in this study through a questionnaire technique, interviews, and documentary studies. The questionnaire aims to gather primary data regarding employees' perceptions and views on compensation, work discipline, and their relationship to employee performance. The purpose of a documentary study is to gather data that is not easily obtainable through questionnaires or other traditional research methods.

Validation and reliability tests were initially conducted before utilizing the questionnaire measurement tool. The purpose of the validation test is to ascertain the accuracy of the instrument employed and its ability to measure the intended variables. Consequently, a validation test performs for each item included in the questionnaire.

The present study also employs path analysis, a statistical technique that falls under the applied multiple regression analysis category. In the present analysis, a Path Diagram was employed as a tool to aid in conceptualizing issues and examining intricate hypotheses. This analysis makes it possible to compute the direct and indirect impact of the independent variables on the dependent variable. In this instance, the matter pertains to the relationship between cause and effect. The influences above are evident in the path coefficients, which represent regression coefficients that have been computed.

## **Results and Discussion**

The study indicated that the research instrument yielded favorable results for all items. All items demonstrated a minimum validity requirement of 0.3, suggesting that the research instrument possesses sufficient validity for assessing motivation, work discipline, and employee performance. High validity indicates that the research instrument can accurately assess the intended constructs.

In addition to validity, the instrument's reliability holds significance in research endeavors. The Alpha Cronbach's coefficients for all three research variables exhibited values greater than 0.6, indicating a substantial level of reliability for the measurement instrument. High reliability pertains to the extent to which a research instrument can be deemed dependable and capable of generating consistent measurements. This finding demonstrates the potential for the research instrument to be employed iteratively, yielding reliable and reproducible outcomes.

The research instrument demonstrates favorable validity and reliability outcomes, instilling confidence in its ability to effectively gather precise data and examine the correlation between motivation, work discipline, and employee performance. A valid and reliable instrument instills researchers with a sense of assurance, enabling them to confidently utilize the acquired data when formulating conclusions and offering recommendations.

Table 1. displays the outcomes of the multiple regression analysis.

No.	Variable	Unstandardized Coefficients	t	Sig	Decision
	Constanta	8.531	1.988	0.057	
1.	Compensation	0.174	1.107	0.278	Significant
2.	Work Discipline	0.704	4.660	0.000	Significant
R	0.792 <sup>a</sup>				
R Square	0.627	Error	0.373		

The findings in Table 1 illustrate the outcomes of the Path Analysis computations, which contribute to comprehending the interconnections among the variables examined in the research. The table illustrates the statistical significance of two variables, Compensation (X1) and Work Discipline (X2). The statistical analysis reveals that the significance value for Compensation (X1) is 0.278, indicating that it is not statistically significant. On the other hand, the significance value for Work Discipline (X2) is 0.000, below the threshold of 0.005, suggesting that it is statistically significant.

Based on the provided information, it can be inferred that both variables X1 and X2 significantly influence the variable Y. Additionally, by referring to Table 4.67, one can illustrate the impact of each variable on Employee Performance (Y). The variable denoted as Compensation (X1) exhibits a path coefficient ( $py_x$ ) of 0.162, whereas the variable representing Work Discipline (X2) demonstrates a path coefficient ( $py_{X2}$ ) of 0.682.

*Path Analysis* is a statistical method commonly employed in development and multiple linear regression. This methodology facilitates the examination of the impact represented by the Path Coefficients on each Path Diagram within the causal association involving Variables X1 and X2 and Variable Y.

Furthermore, it is worth noting that a coefficient of determination, also known as the square multiple correlation, serves as a metric for quantifying the extent to which independent variables contribute to the observed variations in the dependent variable. Based on the findings, it has been established that the variables of Compensation (X1) and Work Discipline (X2) collectively account for 62.7% of the variance in Employee Performance (Y). The remaining portion, specifically 37.3%, represents the proportion of other variables impacting employee performance that have yet to be specifically analyzed in this study. The impact of additional variables on the dependent variable Y ( $\epsilon$ ) can be assessed by examining the coefficient value of the residual variable or variables that are not included in the explanatory variables X1 and X2.

The value of the epsilon variable ( $\epsilon$ ) can be determined by applying the formula  $\epsilon = 1 - 0.627$ , resulting in a value of 0.373. Within this particular context, the data acquired through path analysis has the potential to yield a more profound comprehension of the interconnections among the variables under investigation. The findings presented herein can provide a foundation

for decision-making and formulating strategies for employee performance within compensation and work discipline.

Based on the calculated path coefficients, it is possible to determine the magnitude of the impact of the hypothesized variable. Therefore, the influence relationship between Compensation (X1) and Work Discipline (X2) on Employee Performance (Y) can be represented as follows:

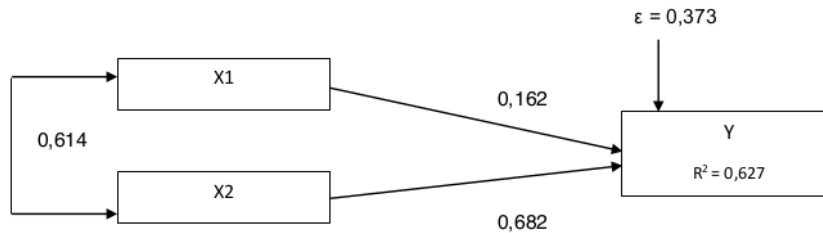


Figure 1. displays the path analysis

Upon examination of the diagram above, we derive the subsequent mathematical expression:

$$Y = 0.162 X1 + 0.682 X2 + 0.373$$

The researchers conducted research and data processing to determine the influence of Compensation (X1) and Work Discipline (X2) on Employee Performance (Y) collectively. As a result, a determination coefficient obtain. The cumulative impact of these two variables can be computed using the obtained coefficient of determination. The research findings indicate that Compensation (X1) has a significant impact of 9.4%, whereas Work Discipline (X2) demonstrates a substantial influence of 53.3%. The combination of these two variables yields a cumulative influence of 62.7%.

The findings of this study indicate that both Compensation (X1) and Work Discipline (X2) have a significant impact on Employee Performance (Y). In the present analysis, it is imperative to acknowledge that the impact of these two variables encompasses merely 62.7% of the overall influence on Employee Performance. This finding suggests that additional variables not examined in the present study contribute to a 37.3% impact on employee performance.

Subsequently, to ascertain the degree to which unexamined variables or additional factors contribute to the impact on employee performance, the epsilon variable coefficient ( $\epsilon$ ) value can be utilized to gather relevant information. The coefficient for the epsilon variable ( $\epsilon$ ) can be determined through the equation  $\epsilon = 1 - 0.627$ , yielding a numerical value of 0.373. Hence, it can be inferred that unexamined variables or factors in this study exert a significant impact of 37.3% on the performance of employees.



The findings of this study indicate that Compensation (X1) and Work Discipline (X2) exert a substantial impact on Employee Performance (Y). The combined impact of these two variables can be significant within the framework of enhancing employee performance. Nevertheless, it is crucial to acknowledge additional variables not examined in this study, which also impact employee performance. Identifying and comprehending these factors can aid in formulating more comprehensive and efficacious strategies aimed at enhancing employee performance.

In summary, the findings of this study indicate that the variables of Compensation (X1) and Work Discipline (X2) collectively account for 62.7% of the variance in Employee Performance (Y). This influence can be classified as significant; however, it is important to acknowledge that additional unexplored factors may contribute to a 37.3% impact on employee performance. The findings of this study offer a more comprehensive comprehension of the variables that impact employee performance within the compensation and work discipline framework. Moreover, they underscore the significance of considering additional factors influencing employee performance.

This study is in line with the research conducted by Kempa (2017), which found a notable correlation between compensation, work discipline, and employee performance. The role of discipline in employee performance is of considerable importance, as it enables employees to effectively carry out their work responsibilities, thereby leading to favorable performance outcomes. In order to attain this objective, companies must furnish equitable and accurate remuneration, as this will facilitate their progress toward their desired outcomes.

## Conclusion

The study's findings suggest a significant relationship between the Compensation variable and employee performance. Adequate compensation, encompassing equitable salaries and appropriate incentives, can enhance employee motivation and job satisfaction, positively influencing their overall performance.

The findings of the study also demonstrate that Work Discipline has a substantial influence on employee performance. Cultivating a strong work ethic characterized by punctuality, strict adherence to rules, and a sense of responsibility in fulfilling job duties can significantly improve employee efficiency and productivity, thereby exerting a profound impact on their overall performance.

This study provides evidence that the combined effect of Compensation and Work Discipline has a substantial impact on employee performance and their influences. In the present context, managing both variables effectively can yield a more substantial positive impact on employee performance.

This study reveals noteworthy effects of Compensation and Work Discipline on employee performance. However, it is important to acknowledge that there may be additional factors beyond the scope of this research that could also influence employee performance. Hence, it is imperative to conduct additional research to ascertain these factors mentioned above and

acquire a more holistic comprehension of their influence on employee performance within telephone companies situated in Bandung.

The findings of this study have important managerial implications for telecommunications companies operating in the city of Bandung. In order to enhance employee performance, companies must allocate significant focus toward the domains of Compensation and Work Discipline. Implementing an equitable and appealing remuneration framework, coupled with the consistent enforcement of workplace discipline, can effectively bolster employee motivation, satisfaction, and productivity.

## **References**

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