



## Implementation of Social Exchange Theory in the Urgency of Compensation and Job Satisfaction in Improving Employee Performance

Mohammad Redy

Faculty of Economics and Business, Universitas Madura, Indonesia

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### **Abstract**

The results of the company's work will depend on the results of the performance of its employees. The company will try to improve the performance of its employees by encouraging its employees to work optimally with one way, namely the provision of compensation. This is in accordance with the theory which says that satisfaction with compensation can affect employee behavior to work more enthusiastically and spur high performance. This research is classified as explanatory research with a quantitative approach. The sample used was 64 respondents with saturated sampling technique. The type of data used is primary data, namely collecting data using a questionnaire. The data analysis used is Multiple Linear Regression with SPSS version 21 tool. The results of this study indicate that compensation is able to have a positive impact on employee performance, with a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.698. Job satisfaction is able to have a positive impact on employee performance, with a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.522. Compensation is able to have a positive impact on job satisfaction, with a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 1.334. and Compensation has a positive effect on employee performance with Job Satisfaction as an intervening variable, with a significance value of 0.000 which means below 0.05 and has a calculated F value of 5486.521 which means above F table is 2.36.

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

### **Introduction**

A company or organization that continues to develop towards a better economic entity and is able to increase the profits it earns is the general goal of various companies or organizations. To achieve this goal, the company seeks to improve and develop the company's performance through the development of human resources. Employees are the company's human resources which are important organs of the company. This relates to the importance of an employee being one element of the company's performance improvement strategy. Improvements will occur with maximum employee management and the development of qualified employee capabilities so that the company is able to achieve its goals. Therefore the management and utilization of human resources must be a concern.

Performance is the result of work that can be achieved by a person or group of people in an organization, in accordance with the authority and responsibility of each each in order to achieve the goals of the organization concerned legally, does not violate the law, and is in accordance with morals and ethics (Rachmawati, 2009). The results of the company's work will depend heavily on the results of the performance of its employees. The company will try to improve the performance of its employees by encouraging employees to work optimally in one way, namely by providing compensation. This is in accordance with the theory put forward by (Nonnekes, J. et al. 2019) that satisfaction with compensation can influence employee behavior to work more enthusiastically and spur high performance.

Compensation is a need that connects subsequent needs so that employees receive them as a substitute for their service contributions to the company or organization. Every employee has a desire to get compensation according to expectations. If these expectations are met by the company, employees will always feel valued and enthusiastic about working so that performance increases. If the compensation given is appropriate then employees will be more satisfied and motivated to achieve organizational goals. If employees view compensation as inadequate, work performance, motivation, and job satisfaction will decrease. Based on the function of compensation as a way of motivating employees, the company or organization as the party providing compensation should pay attention to this issue.

Employee satisfaction is needed to maintain self-confidence and commitment to the company. Basically job satisfaction is an individual thing because each individual has different levels of satisfaction according to the values that apply to him. The more aspects of work that are in accordance with individual wishes, the higher the level of satisfaction felt. This is in accordance with the statement (Loan, L. et al. 2020) that job satisfaction is a general attitude towards one's work that shows the difference between the number of awards that workers receive and the amount they believe they should receive.

(Huang, S. et al. 2019), concluded that compensation had a significant positive effect on job satisfaction, but compensation was found to have a significant negative effect on intention to leave, and job satisfaction was also found to have a significant negative effect on intention to leave. (Judge, T. et al. 2020), concluded that job satisfaction has no significant effect on employee work discipline, work motivation has no significant effect on work discipline, job satisfaction has no significant effect on employee performance, work motivation has a significant effect on performance, and work discipline has a significant effect on employee performance.

However, this is contrary to the research conducted by (Keller, W. et al. 2021) compensation was found to have a significant negative effect on intention to leave and job satisfaction. Subsequent research by (Taheri, R. et al. 2020), concluded that job satisfaction has no significant effect on employee work discipline, work motivation has no significant effect on work discipline, job satisfaction has no significant effect on employee performance. So the authors are interested in conducting motivational influencer research on Golden Plaza in Pamekasan Regency.

From the initial survey conducted by the author, there are several phenomena that occur in the operations of Golden Plaza employees in Pamekasan Regency, one of which is that employee performance has so far been deemed not optimal. This is because there are still employees who leave work during working hours for reasons that cannot be accounted for, employees who wish to resign within a short working time, use or play smartphones during working hours, and unscrupulous employees who are less disciplined in arriving at work. This view is the result of an interview with one of the managers at Golden Plaza, Pamekasan Regency on September 1 2020. This interview is the reason the authors are interested in conducting research related to effect of compensation on employee performance and job satisfaction as the interval variable.

Based on the background of the problems above, the authors are interested in raising the title "The Influence of Compensation on Employee Performance with Job Satisfaction as an Intervening Variable (Case Study on Golden Plaza Employees in Pamekasan Regency)".

Formulation of the problem:

1. Does compensation have a positive and significant effect on employee performance?
2. Does job satisfaction have a positive and significant effect on employee performance?
3. Does compensation have a positive and significant effect on job satisfaction?
4. Does compensation have a positive and significant effect on employee performance with job satisfaction as an intervening variable?

## ***Theoretical Review and Hypotheses***

### **Effect of Compensation on Employee Performance**

With good compensation in the company will have a positive impact on the company. If employees receive compensation in accordance with what has been done in the company, then employees will tend to do the best for the company. Thus, employees will try to maintain and even improve their performance in the company. However, if employees feel that the compensation provided by the company is not in accordance with the contributions that have been made to the company, then employees will tend to be less than optimal in carrying out their duties and responsibilities for the company. Research conducted by (Arif, M. et al. 2019), also explains that compensation has a positive and significant effect on employee performance. Based on this explanation, this study makes the following hypothesis:

Hypothesis 1: compensation has a significant effect on employee performance

### **The Effect of Compensation on Performance through Job Satisfaction**

In the current era of globalization, compensation is a basic need used by employees to find and hold a job. (Gerhart, B. et al. 2020) stated that employee compensation is any form of payment or reward given to employees and arising from the employment of that employee. In this case, since the beginning it has been the motivation of employees in carrying out all activities within the company. Therefore, compensation is a very important part of the employee evaluation process in deciding whether the employee is satisfied or not in a company. According to (Nonnekes, J. et al. 2019), states that compensation satisfaction is Job Satisfaction with compensation received from companies as remuneration for their work. This is possible, because the compensation will generate motivation in an employee. Furthermore, this motivation will lead to job satisfaction for an employee. Regarding the amount of compensation itself is very variable to be able to lead to job satisfaction. Research conducted by Haque, F. et al. 2020, shows the results that compensation that gives satisfaction at work is compensation that can meet the needs of employees so that it can be seen to what extent the company can appreciate employees. The impact of employee job satisfaction will affect employee performance. The higher the satisfaction received by employees about the compensation provided by the company, the better the employee's performance at work and conversely the lower the satisfaction with compensation, the employee's performance will decrease. Based on this explanation, this study makes the following hypothesis:

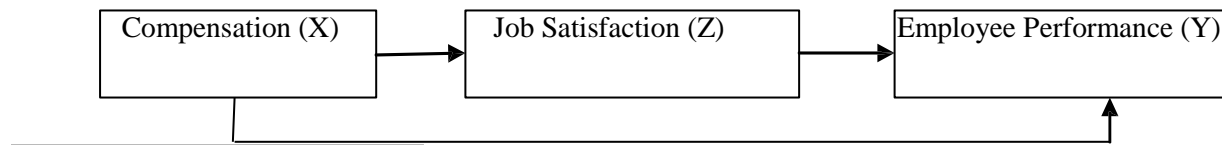
Hypothesis 2: job satisfaction has a significant effect on employee performance

Hypothesis 3: compensation has a significant effect on job satisfaction

Hypothesis 4: compensation has a significant effect on employee performance with job satisfaction as an intervening variable

## Method

### Conceptual Models



Picture 1. Conceptual framework

### Measures

Compensation Variables are measured with 3 indicators adopted from (Lampertico, P. et al. 2020), the first is Material Compensation, measured by 7 items, the second is Social Compensation, measured by 5 items, and the third is Activity Compensation, measured by 2 items. Variable Job Satisfaction is measured by 5 indicators adopted from (Ali, B. et al. 2021), the first is Occupation, measured by 5 items, the second is Salary, measured by 4 items, the third is Promotional Opportunities, measured by 2 items. fourth Supervision, measured by 3 items, and fifth Work Partners, measured by 2 items. Employee Performance Variables are measured by 4 indicators adopted from (Ahmed, M. et al. 2020), the first is Effectiveness and Efficiency, measured by 3 items, the second is Authority and Responsibility, measured by 3 items, the third is Discipline, measured by 2 items, and the fourth is Initiative, measured by 2 items.

### Research Type

This research is classified as explanatory research with an approach quantitative.

### Sample

The sample used was 64 Golden Plaza Di employees Pamekasan Regency with saturated sampling technique. This research includes Explanatory Research (Walliman, N. (2021).

### Data Type

The type of data used is primary data, namely collecting data using a questionnaire.

### Data Analysis

Data analysis used is Multiple Linear Regression Analysis and test Sobel with SPSS tool version 21.

## Results and Discussion

### Result

#### Hypothesis Testing

#### Effect of Compensation Variable (X) on Employee Performance (Y)

Based on table 1, the Compensation Variable has a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.689 on employee performance. It can be concluded that the Compensation Variable has a positive and significant relationship to Employee Performance.

Table 1. Results of Regression Analysis of Compensation Variables on Employee Performance

Model	Standartdized Coefficients Beta	t-test	Sig.	Information
X	0.698	80.754	0,000	Significant
Std.error	0,009			

Dependent Variable :Y

Source: Data processed by researchers: 2021

### The Effect of Job Satisfaction Variable (Z) on Employee Performance (Y)

Table 2. Results of Regression Analysis of Job Satisfaction Variables on Employee Performance

Model	Standartdized Coefficients Beta	t-test	Sig.	Information
Z	0.522	98.754	0,000	Significant
Std.error	0.005			

Dependent Variable :Y

Source: Data processed by researchers: 2021

Based on table 2, the Job Satisfaction Variable has a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.522 on Employee Performance. It can be concluded that the Job Satisfaction Variable has a positive and significant relationship to employee performance.

### Effect of Compensation Variable (X) on Job Satisfaction Variable (Z)

Based on table 3, the Compensation Variable has a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 1,334 on Job Satisfaction. It can be concluded that the Compensation Variable has a positive and significant relationship to Job Satisfaction.

Table 3. Results of Regression Analysis of Compensation Variables on Job Satisfaction

Model	Standartdized Coefficients Beta	t-test	Sig.	Information
X	1,334	86,528	0,000	Significant
Std.error	0.015			

Dependent Variable : Z

Source: Data processed by researchers: 2023

### Effect of Compensation Variable (X) on Employee Performance (Y) with Job Satisfaction Variable (Z) As Intervening Variable.

Table 4. Results of Regression Analysis of Compensation Variables and Job Satisfaction Variables Employee performance

Model	F-test	Sig.	Information
X and Z	5486521	0.000	Significant

Dependent Variable: Y

Source: Data processed by researchers: 2021

Based on table 4. Compensation Variables and Job Satisfaction Variables have a significance value of 0.000 for Employee Performance, which means below 0.05 and has a calculated F value of 5486,521 which means above the F table which is 2.36. It can be concluded that the Compensation Variable and Job Satisfaction Variable simultaneously (together) affect Employee Performance.

#### Direct and Indirect Influence

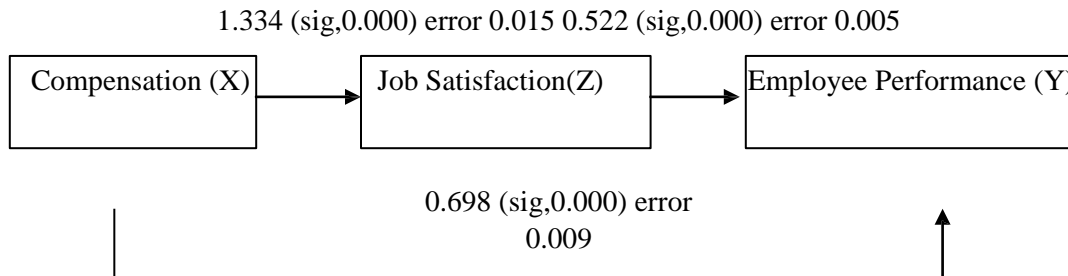


Figure 2. Paths of Influence

The results of path analysis using SPSS show that there is a direct effect of the compensation variable on employee performance, namely 0.698. And for the magnitude of the total effect  $1,334 + 0,522 = 1,856$ .

#### Mediation Test (Sobel)

This mediation test was conducted to determine the level of the intervening variable in this study. Following are the results of the mediation test (sobel test).

$$z = \frac{ab}{\sqrt{(b^2SE^2a) + (a^2SE^2b)}}$$

Based on the results of the Sobel calculation above, it can be seen that the Sobel test statistic is 62,256 which means it is greater than 1.96. It can be concluded that the variable Job Satisfaction becomes an intervening variable between Compensation Variables on employee performance.

#### Discussion

##### Employee Compensation and Performance

The effect of compensation on employee performance has a significant value 0.000 which means below 0.05 and has a positive coefficient value of 0.698. It can be concluded that compensation has a

positive and significant relationship to employee performance. The results of this study show how important compensation is for employee performance. This is evidenced by the results of research data which proves that compensation has a positive and significant effect on employee performance. In line with the results of research by (Degasperi, E. et al. 2022) namely compensation both financial and non-financial has a significant influence on job satisfaction. Furthermore, employee job satisfaction will have a positive impact on employee performance. Compensation is all income in the form of money, direct or indirect goods received by employees as compensation for services provided to the company (Gorbunov, E. et al. 2020). Meanwhile according to (González-Betancor, S. et al. 2021), basically compensation can be divided into two aspects, namely direct and indirect compensation direct. Direct compensation is compensation that is directly related to the results of the work of the employee concerned. As for indirect compensation, the meaning is that compensation is not associated with the work of the employee concerned. Employees demand a salary that is sufficient for themselves and their families to survive amidst the high prices of basic necessities and rising inflation. But on the other hand, companies also want efficiency in recruiting and paying their workers. This contradiction often creates friction between workers and companies. Therefore, the provision of fair and proportional wages is very crucial in the life of the company in order to create a mutually beneficial relationship and a win win solution between employees and the company.

### **Job Satisfaction and Employee Performance**

The influence of Job Satisfaction on employee performance has a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.522. It can be concluded that job satisfaction has a positive and significant relationship to employee performance. The results of this study show how important Job Satisfaction is for employee performance. This is evidenced by the results of research data which proves Job Satisfaction has a positive and significant effect on employee performance. In line with the results of research by (Nonnekes, J. et al. 20219), financial compensation variables affect employee job satisfaction, non-financial compensation affects employee job satisfaction, financial compensation affects employee performance, non-financial compensation affects employee performance, employee job satisfaction affects employee performance.

### **Compensation and Job Satisfaction**

The effect of compensation on job satisfaction has a significant value 0.000 which means below 0.05 and has a positive coefficient value of 1,334. It can be concluded that compensation has a positive relationship and significant effect on Job Satisfaction. The results of this study show how the importance of Compensation for Job Satisfaction. This is evidenced by the results of research data which proves that compensation has a positive and significant effect on employee performance. In line with the results of research by (Vance, J. et al. 2020). The results of this study concluded that compensation had a significant positive effect on job satisfaction, but compensation was found to have a significant negative effect on intention to leave, and job satisfaction was also found to have a significant negative effect on intention to leave.

### **Compensation, Job Satisfaction and Employee Performance**

The effect of compensation and job satisfaction on employee performance has a significance value of 0.000 which means below 0.05 and has a calculated F value of 5486,521 which means above the F table, which is 2.36. It can be concluded that compensation and job satisfaction simultaneously (together) affect performance. The results of this study indicate that compensation has a positive effect on employee performance through the variable Job Satisfaction. Compensation makes it possible to have a positive impact on Job Satisfaction for employees and then be able to provide increased performance for employees. In line with the research that has been conducted by (Asbari, M. et al. 2021) that employee performance is influenced by job satisfaction variables. Compensation variable. and also work motivation

variables that can act as variables moderating the relationship between job satisfaction and employee performance.

## **Conclusion**

### **Compensation Affects Employee Performance**

Compensation is able to have a positive impact on employee performance, the better the compensation is done, the better the employee's performance, so that later employees can also provide good performance for the company. This is evidenced by a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.698.

### **Job satisfaction Affects Employee Performance**

Job satisfaction is able to have a positive impact on employee performance, the better Job Satisfaction is achieved, the better employee performance will be, so that later employees can also provide good performance for the company. This is evidenced by a significance value of 0.000 which means below 0.05 and has a positive coefficient value of 0.522.

### **Compensation Has an Effect on and Job Satisfaction**

That is, the higher the compensation given to employees, the higher the job satisfaction. This is evidenced by the significance value 0.000 which means below 0.05 and has a positive coefficient value of 1,334. Compensation has a positive effect on employee performance with Job Satisfaction as an intervening variable. That is, Job Satisfaction can be a good mediating variable between Compensation for employee performance.

This is evidenced by the significance value 0.000 which means below 0.05 and has a calculated F value of 5486,521 which means above the F table which is 2.36.

## **Suggestion**

As for suggestions for further researchers, namely: Researchers who do research in certain areas, must be able to communicate in the local language, so that it will make it easier for researchers to provide explanations for filling out the questionnaire.

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