

# Determinants of Employee Performance Based on Remuneration

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# Determinants of Employee Performance Based on Remuneration

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**Abstract**— This research aims to obtain empirical evidence of the influence of gender, tenure, class, functional hierarchy and remuneration on lecturer performance. The research population used is all lecturers who did not have additional tasks at Unnes. The samples are obtained using purposive sampling method. The samples obtained are 552 out of the total population of 683 lecturers. The data are analyzed using multiple regression. The independent variables are gender, tenure, class, functional hierarchy and remuneration. And the dependent variable is performance. The test results show that of all the predictor variables, only 3 variables actually affect the employee performance, they are tenure, total remuneration and class. Meanwhile gender, functional hierarchy and class of civil servant structure have no influence on their performance. Whereas the functional hierarchy has a negative coefficient, indicating that it has no influence.

**Index Terms**— Performance, Remuneration, Tenure, Functional Hierarchy, Gender, Class of Civil Servant Structure.

## 1 INTRODUCTION

Remuneration as a form of reward is a concept developed in human resource management. The purpose of developing this remuneration system is basically related to the efforts to motivate individuals to achieve the predetermined performance targets. Semarang State University has implemented this remuneration system since 2014. Its implementation is based on PMK No. 10 / PMK.02 / 2006 concerning guidelines for determining remuneration for officials of the supervisory board and employees of public service agencies.

The purpose of remuneration system is to serve as a stimulus to improve service performance and to fulfill a sense of justice for all Unnes employees. Research related to the relationship between reward and performance has so far been carried out by several researchers. According to Kerr & Slocum (1987) the reward system is centered on two main issues, namely performance and reward. Performance involves defining and evaluating performance and providing feedback for employees. And rewards can be bonuses, salary increases, promotions etc.

## 2 LITERATURE REVIEW

### 2.1 Reward System

Kerr & Slocum (1987) formulate that there are two reward systems, namely a hierarchy- and performance-based reward systems. A hierarchical reward system refers to a formal and structured hierarchical system established by an organization, meaning that those at a higher hierarchy defines and evaluates the performance of employees who are at the structure level below them. Leaders provide definitions and broad scope of performance using the criteria that have been agreed by both the superior and subordinate, thus it is often subjective. Leaders often use qualitative measures as a basis for assessing subordinates. This reward system provides a reference that bonuses are based on corporate performance, thus the achievements evaluated are team achievements, rather than individual achievements.

Performance-based reward system is a different from the hierarchical one. This system is more objective in defining and measuring performance. Therefore, the relationship between reward and performance is directly proportional. A special feature of this system is its accountability for the

results of performance assessment and it can be tracked by the applied reward mechanism. This way, objectivity becomes the priority in performance evaluation. The measurement of performance uses a quantitative basis, therefore one's performance does not depend on the leader's interpretation.

The reward system is one of the factors considered as an instrument of motivation in an effort to improve employee performance. One form of this reward system is remuneration system. Remuneration as referred to in paragraph (1) is an employee benefit which can be in the form of salary, honorarium, permanent allowances, incentives, bonuses for achievements, severance pay, and/or retirement. Meanwhile, according to Unnes Rector Regulation No. 25 of 2015, it is stated that remuneration is the total compensation received by management officials, supervisory boards and PTN PKU employees based on the level of responsibility and demands of professionalism needed. The remuneration system is a compensation system that integrates the provision of employee benefits including salaries, allowances, incentives, bonuses for achievements, severance pay and/or pensions which is taken from pure rupiah and PNB BLU of Unnes.

Zenger (1992) conducts a study to develop a compensation given to workers based on performance. The results show that the level of payment affects the level of performance. However, other studies show a weak relationship between the level of payment and performance. This is despite the payment scheme remains selected by a number of management as one of the triggers to improve performance. The reason that is often raised is that reward system can directly trigger employee aggressiveness to improve their performance, hoping that it will help them improve their welfare. Furthermore, it is stated that the efficiency of the payment contract on performance is affected by how the reward performance costs. Konrad & Pfeffer (1990) conduct a study which involve 5,645 academics in order to determine the strength of productivity. The productivity proxy is measured using the number of publications and salary payments. The results show that lecturer productivity constitutes the effect of salary payments if the institution where the lecturer is based has high level of research quality. Academic climate is the main requirement for the efficiency of the reward system.

Murty & Hudiwinarsih's (2012) research once again analyzes the relationship between salaries and employee performance and find that salary does not affect employee performance. Amalia & Utami (2018) test the relationship between performance and reward, and the results show that the higher the employee performance appraisal, the greater the reward will be, and the reward in the current period will affect motivation to obtain higher performance in the future period. Yin & Chen (2013) argue that in the context of performance-contingent theory, normative financial reward performance depends on financial rewards. The higher the reward one receives, the higher the performance they achieve. Yin & Chen's (2013) experiment results show that when workers work on two tasks of the same type in a sequence, there is a change in performance that shows improvement. This means that when the reward becomes one of the triggers for performance, the repetition of the same assignment will make the reward system effective. Therefore, when studying the relationship between reward and performance, it must accommodate the time lag between the two variables. The rewards paid are based on results or output obtained from past performance appraisal periods. Employee achievement is based on a predetermined target and will be assessed based on the target achievement at the end of the period.

Remuneration as a form of extrinsic motivation for individuals is expected to trigger performance improvement. Remuneration given in Semarang State University is paid in two terms, namely on monthly and semesterly basis. When the lecturer receives remuneration, the lecturer will have more motivation to carry out the *tri dharma* duties of higher education, therefore their individual performance will increase. This increase will be the basis for determining work targets in the future, thus the reward will be directly proportional to performance. Remuneration is also a recognition associated with work performance so as to encourage employees to improve the quality and strengths of their works

## 2.2 Gender

Personal characteristics are thought to have an influence on the achievement of individual performance. Gender as one of these characteristics is often a debatable issue in the discussion of performance achievement. An interesting phenomenon from the view of gender skepticism is the inability of women to place themselves as working partners in an organization. However, the characteristics of teaching profession are thought to have a climate that can resist this view of women's inability to achieve performance.

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## 2.3 Tenure

Tenure is the length of time a person works in the same profession for a particular institution. The longer someone works in the same field, the more likely they will have mastery over the execution of their duties. Hence, those employees with a relatively long working period tend to have higher performance compared to those who have a shorter working period.

## 2.4 Class of civil servant structure

According to Permenpan and RB No. 17 of 2013 JO No. 46 of 2013 a lecturer has provisions for their class and position levels. The class in the ranks of public university lecturers consists of classes III and IV. Meanwhile, the position level consists of expert assistants, lecturers, head lecturers and professors. Each level has certain requirements and levels according to the rank structure. Normatively, the higher the class and position of a lecturer, the higher the *education tri dharma* (three educational pillars) they will have to implement than those with lower class and position. This way, lecturers who have higher classes and positions will also have higher performance. The same applies to grade. Grade is defined in Unnes remuneration system as an indicator of whether there is promotion or otherwise. The higher the grade obtained by a lecturer, the higher the normative performance would be.

## 3 RESEARCH METHOD

The population used in this study are all lecturers who do not have additional assignments at Semarang State University. The samples are taken using a purposive sampling method for 2 remuneration payment periods, with the following criteria:

1. Lecturers do not experience any change as lecturers including receiving additional assignments during the observation period.
2. Lecturers do not carry out any learning duty during the observation period
3. Lecturers have active civil servant status

In 2017, the number of lecturers who do not have additional duties is 683. Upon selection, the final number of lecturers from whom the data are ready to be processed is 552.

The dependent variables in this research is the total performance which is the sum of the minimum, standard, and excellent performances obtained by each lecturer. Meanwhile, the independent variables consist of gender which is proxied to be male and female; tenure in years of service; Class of civil servant structure consisting of 2 types, i.e. Classes III and IV; functional hierarchy consisting of teaching staff, expert assistants, lecturers, head lecturers and professors; Grade, i.e. the position of category based on productivity and ranging from 0 to 17, and remuneration which is the sum of monthly and incentive and remunerations. The hypotheses are tested using multiple regression, since it is considered capable of answering problems in this research.

The models made in the study are as follows:

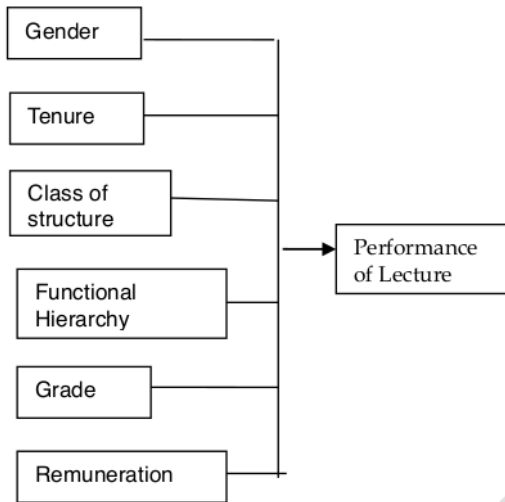


Figure 1. Research model

Based on this explanation, the following hypotheses are arranged:

- H1 : Gender has an influence on the performance of lecturers at Semarang State University.
- H2 : Tenure has a positive influence on the performance of lecturers at the Semarang State University
- H3 :Class of civil servant structure has a positive influence on the performance of lecturers at Semarang State University.
- H4 :Functional hierarchy has a positive influence on the performance of lecturers at Semarang State University
- H5 :Grade has a positive influence on the performance of lecturers at Semarang State University
- H6 :Receipt of remuneration has a positive influence on the performance of lecturers at Semarang State University.

#### 4 RESEARCH RESULTS AND DISCUSSION

Semarang State University paysthe remuneration for all of their education staff and lecturers.Unnes has 1593 academic staff and lecturers in 2017.The number of lecturers with additional assignments in that year is 262, and those without additional assignments is 683.Their academic staff amount to 648. As its samples, this study takes lecturers without additional assignments, because the grade or level for the lecturer with additional assignments have different composition from that of those lecturer without additional assignments.

Lecturer classifications without additional assignments based on gender are presented in the following table:

Table1  
Gender Distribution

Gender	Class of structure		Amount
	III	IV	
Male	183	142	325
Female	134	93	227
Total	317	235	552

Source: Proceed Data 2018

From table 1,it can be observed that the number of female lecturers without additional assignments in Unnes is less than male lecturers.This difference in the number of male and female lecturers shows that the stereotype that having a male lecturer is far more profitable for an institution is still there.This view is inseparable from the inherent assumptions in the society that female workers have limitations in carrying out multiple tasks.Some institutions tend to avoid conflicts of interest that arise as a result of the dual role of women.

The data related to the distribution of functional positions can be used as an initial indication of the achievement of academic performance from a lecturer.Table 2 presents the distribution of functional positions for lecturers without additional assignments at Unnes.

Table 2  
Functional Hierarchy Distribution

		Functional Hierarchy				
		Educative staff	Instructor	Assistant Professor	Associate Professor	Professor
	Male	18	62	98	128	19
	Female	10	38	82	89	8
Total		28	100	180	217	27

Source: Proceed Data 2018

The functional positions held by lecturers without additional assignments are mostly associate professor.A total of 217 lecturers without additional assignments assume that position.Meanwhile, the number of lecturers who have assistant professor functional positions is 180.This is because some lecturers without additional assignments are still taking the assignment to study at a percentage of 36% with their functional positions being assistant professor and associate professor.

Grade is an instrument built to support the remuneration system.This grade is determined based on lecturer's achievements of job decription at university.The following table shows the distribution of grades.

Table 3  
Grade of Remuneration Distribution

	Grade				Amount
	8	9	10	11	
Male	83	97	127	18	325
Female	48	83	87	9	227
Total	131	180	214	27	552

Source: Proceed Data 2018

The grade for lecturers without additional assignments ranges from 8 to 11. Of the total samples, 9 female lecturers are in grade 11. This figure constituted 50% of the number of male lecturers in grade 11. This indicates that the achievement of performance assessment components proxied through grade for women who work as lecturers without additional assignments at Unnes is very balanced, given the number of male lecturers greater than their female counterparts.

The regression analysis is done after the data quality test is finished. The results of this regression analysis on the samples indicate that simultaneously the five variables affect the performance points obtained by those lecturers without additional assignments

Table 4  
Result of Regressi Simultan

Model	Sum of Squares	df	Mean Square	F	Sig.
1					
Regression	42591,23	6	7098,5	48,12	0,00
Residual	80394,24	545	147,51		
Total	122985,5	551			

a. Predictors: (Constant), Remuneration, Gender, Tenure, Grade, Class of structure, Functional Hierarchy

b. Dependent Variable: Performance

Source: Proceed Data 2018

Table 4 presents the significance values of the simultaneous effects of gender, tenure, class, position and grade variables on performance. The probability value is 0.005. It can then be concluded that gender, tenure, class, position and total remuneration simultaneously influence the performance of those lecturers without additional assignments at Semarang State University

The partial effect of each independent variable is presented in table 5, below

Table 5  
Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	6,59	7,65		0,861	0,390
	Gender	0,08	1,05	0,0029	0,083	0,934
	Tenure	0,14	0,07	0,1097	1,968	0,050
	Class of structure	-3,07	1,83	-0,1	-1,675	0,094
	Functional Hierarchy	-5,43	1,23	-0,351	-4,4192	0,00
	Grade	3,84	0,93	0,2242	4,132	0,00
	Remuneration	1,77E-06	1E-07	0,6519	16,053	0,00

a. Dependent Variable: Performance

Source: Proceed Data 2018

On the basis of regression analysis, the following equation is obtained:

$$\text{Performance} = 6.592 + 0.003 \text{ gender} + 0.11 \text{ tenure} - 0.102 \text{ class} - 0.351 \text{ functional hierarchy} + 0.024 \text{ grade} + 0.652 \text{ remuneration.}$$

In the equation above, it can be seen that the biggest contribution to the performance formation is the total remuneration received by the lecturer in the past period. The higher level of reward received in the past, the further the current performance would improve. Meanwhile, the grade shows that the higher the grade that a person has obtained in the past, the directly proportionally greater the performance they are currently getting. The  $R^2$  of this model shows a value of 0.339 which means that the variation in performance can be explained by 33.9% of the variation in gender, tenure, class, functional hierarchy, grade and remuneration. This result provides a reference for the policy makers that the determinant factors of performance are the amount of remuneration received and the grade level of employees. This matches Herzberg's theory of motivation which suggests that there are two types of factors that encourage a person to try to achieve satisfaction, namely extrinsic factors and intrinsic factors. One of intrinsic factors is the reward that employees receive. Remuneration as a form of reward concept is proven to have a significant influence on and contribution to employee performance.

In brief, the results of testing the hypotheses proposed in the study are presented in table 6

Table 6  
Summary of hypothesis testing

No	Hypothesis	Rejected / Accepted
1	There is a gender influence on the performance of lecturers at Semarang State University.	Rejected
2	There is a positive influence between tenure on the performance of lecturers in the Semarang State University	Accepted
3	There is a positive influence between class of structure PNS on the performance of lecturers in Semarang State University	Rejected
4	There is a positive influence between functional hierarchy of lecturers in Semarang State University	Rejected
5	There is a positive influence between grades on the performance of lecturers in Semarang State University	Accepted
6	There is a positive influence between the acceptance of remuneration on the performance of lecturers in Semarang State University	Accepted

Based on the data processed, it is found that the probability value of influence of gender on lecturer performance is 0.390. This shows that gender has no influence on performance. Therefore, H1 is rejected. This shows that the performance reached by the lecturer does not depend on gender. This means that the view which says that women are inferior to men in terms of their performance is unacceptable, despite the lower number of female lecturers than that of male lecturers. Therefore, this conclusion implies that the policy of normative performance appraisal between women and men shall refer to the same rules. The assignment of workload and work target setting should also apply the equality principle.

The effect of tenure on the performance of lecturers with no additional assignments has proven to have a significant influence. The 0.050 probability value means that working period variable has an influence on the performance of lecturers. This means that H2 which states that tenure has an influence on the performance of lecturers at Semarang State University is accepted. This result matches the mechanism of determining performance points at Semarang State University, i.e. the working period contributes to employee performance achievements. This result also indicates that there is a need to see whether there is a working group that has the most dominant influence on performance. Judging from descriptive statistics, the average value of the working period is 19 years. However, from the fairly large standard deviations, it is revealed that the working period of the samples shows a very large range and a high working period variation.

The class for lecturers who are civil servants refers to PERMENPANRB No. 17/2013 JO No.46 of 2013 and consists of 4 classes. The results of analysis of the effect of class variable on the performance of lecturers without additional assignments indicate a probability of 0.094. These result indicates that there is no significant influence of lecturers' class on the performance of lecturers in Semarang State

University. Thus, hypothesis 3 which states that class has a positive influence on the performance of Unnes lecturers is rejected. As for functional positions, the results of regression tests show a probability value of 0.000. However, the coefficient value shows a negative direction. Hence, hypothesis four (H4) is rejected. These result indicates that a lecturer who has different functional hierarchy does not show different performance.

The analysis of influence of grade level on lecturer performance at Semarang State University provides a probability value of 0.000. This figure shows that H5 which says grade has a positive influence on the performance of lecturers at Unnes cannot be rejected. Therefore, grade can be used as one predictor to describe the performance of lecturers. The higher the grade of a lecturer, the higher the performance they would achieve.

The regression analysis on the influence of remuneration receipt on the performance of lecturers at Unnes shows a probability value of 0.000. Since its probability value is below 0.005, H6 which states that remuneration receipt has a positive influence on the performance of lecturers at Unnes cannot be rejected. This means that the higher the remuneration received in the past period, the higher the performance of the points received by the relevant lecturer.

## 5 CONCLUSION

The results showed that tenure, employee grade and receipt remuneration had an influence on the performance of the lecturer. While gender, class of civil and functional hierarchy do not have an effect on performance.

This study provides direction for the policy makers that the provision of remuneration for lecturers without additional assignments has a significant impact on performance achievement. Another consideration that can be used as a booster factor for the performance of those lecturers without additional assignments is the employee grade level. Meanwhile the normative work period is proven to be directly proportional to the performance achieved

For future research the use of remuneration as one of the boosters in achieving employee performance needs to be re-examined by including moderating variables. For example supervisor supervision, organizational culture. The development of a remuneration model as a booster can also be tested on various types of jobs, so that the right model of remuneration is obtained in each type of work.

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