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The Effect of Salary on Employee's Performance: A Study in Central Java

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Abstract
This study aims to analyze how salaries in Central Java affect workers' productivity. Salary is the independent variable in this analysis. Employee performance is the dependent variable. The study's sample consists of Central Java employees. Convenience sampling, a non-probability sampling method, was employed in this investigation. Data collection required the use of questionnaires. Fifty-eight workers in Central Java received questionnaires via email. This study's statistical method is simple linear regression. The t-test is the hypothesis test employed. The findings of this study demonstrate that salaries have a beneficial effect on worker performance.
Keywords: Salary; Employees' performance.

1. INTRODUCTION

Resources and companies are the two things that support and relate to each other. Thus, mutually beneficial cooperation between one another is required. The relationship between resources and companies is that human resources can be the main capital to support the company's success if appropriately managed. The management begins when the companies have not until they are hired workers (Ni'am et al., 2018). Human resource is one of the main factors that companies must consider in achieving a goal. In this case, the company is required to be able to manage and utilize resources in a planned manner. The management in the companies aims to achieve high employee performance and improve the whole company's performance (Darmasaputra & Sudibya, 2019). Human sources are the most critical factor in achieving company goals. The availability of capital, supporting machines, and other components will be useless if not supported by effective and efficient sources of humans. Therefore, the effectiveness of other components heavily relies on the quality of human sources that companies have (Maulana & Haerudin, 2017). Every company has objectives that must be accomplished, and employee performance impacts how well these objectives are accomplished. Numerous businesses have established various programs to increase employee performance and meet organizational objectives. The business has implemented various programs, like B. By motivating workers, providing training and additional education, paying fair compensation, fostering a positive work environment, and providing appropriate remuneration (Herlina, 2020). With this process, employees in the company can do their job very well and as carefully as possible because the workers have been provided with various supplies. To accomplish excellent work is the right of employees, and the company must support an employee's contribution in order to achieve predetermined goals (Herlina, 2020).

Salary is given to the employees so they can work at their best and improve the company's performance. Therefore, to motivate employees, companies need to pay attention carefully to employee salaries (Husni, 2020). If the companies ignore the salary, various problems will appear. In addition, the worst threat is that workers who have excellent performance for the company have the potential to move to other companies

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because the companies do not guarantee the workers' welfare. If the company gives a competitive salary and guarantees the employee welfare that is well planned and well received by the employee, they are considered factors that can motivate workers to improve employee performance (Husni, 2020). Every hard work the employee gives requires reasonable compensation for a good salary. This is due to people working to meet their needs. Therefore, the company must pay attention to the salary provision. The performance of employees will undoubtedly be impacted by their pay (Endarwita & Herlina, 2019).

Employee performance is defined as to what extent an employee contributes to the company, including output quantity, output quality, duration, attendance at work, and cooperative attitude (Darmasaputra & Sudibya, 2019). Another definition of employee performance is the output individuals can achieve from completing the workload based on their ability, experience, seriousness, and opportunities (Sugiarto et al., 2020). "Employee performance is the description level of achievement in an activity program or policies in accomplishing goals, strategies, vision, and mission of an organization that are implemented through companies strategic plannings" (Ratnasari & Mahmud, 2020).

Central Java is the province with the lowest minimum salary in Indonesia with the average salary of Rp. 1,812,935. By paying attention to the amount of salary given to employees, the company can provide motivation for employees as well as indirectly improve the performance of company workers. Prof. Dr. Lijan Poltak Sinambela in a book entitled "human resource management to build solid work to improve performance" argues that if compensation is managed properly it will help the organization to achieve its goals and acquire, maintain, and keep employees well (Sinambela, 2016). On the other hand, if the compensation is far from the employees' expectations, it is likely that they will choose to leave the organization. Thus it will be detrimental to the organization because it will require re-recruitment. The implications of dissatisfaction in payments will reduce employee performance, increase complaints, lead to various negative physical and psychological actions, such as being undisciplined, bullying and even resigning from the companies (Sinambela, 2016). The in the production division of PT Uniplastindo Interbuana Pandaan is a study by Ratnasari and Mahmud that shows how the independent variables of salary and incentive simultaneously affect employee performance in the production division of PT Uniplastindo Interbuana Pandaan. Employees will undoubtedly be impacted by their pay (Ratnasari & Mahmud, 2020).

This study was influenced by the considerations mentioned earlier. The formulations of the problem are 1) How does salary affect employees'performance in Central Java? 2) How much influence does salary have on employees' performance in Central Java? The purposes of this study are 1) to determine the effect of salary on employees'performance in Central Java 2) to measure how much influence salary has on employee performance in Central Java.

2. LITERATURE REVIEW

2.1 Employee Performance

Performance is the result of an employee's work within a certain period (Ertanto et al., 2018). The increase in employee performance will impact company progress so that the company can survive in tight competition in an unstable business environment (Darmasaputra & Sudibya, 2019). Employee performance can be interpreted as a person's success in completing work for a particular time (Sugiarto et al., 2020). Employee performance can be measured by nine indicators described as follows:

1) Quantity of work results; respondents' perceptions of completing work with a total sense of responsibility in achieving optimal results
2) Quality of work; respondents' perceptions of completion of work under quality standards set by the company.

3) Efficiency in carrying out work; respondent's perception of completion of work following the specified time target.
4) Work discipline is the respondent's perception of timely attendance according to the specified schedule at the workplace.
5) Initiative is the respondent's perception of completing work by taking the initiative without waiting for orders from the leader.
6) Accuracy is the respondent's perception of accuracy in completing work.
7) Leadership is the respondent's perception of obeying orders from superiors.
8) Honesty is the respondent's perception of honesty in doing work.
9) Creativity is the respondent's perception of providing innovative ideas for work in the office

2.2 Salary

Salary and incentives are the ways to foster an enthusiasm that encourages individuals to act and work hard to achieve optimal results (Maulana & Haerudin, 2017). Salary is sometimes referred to as wage, but there is a slight difference between the two. Salary is the amount of money received, which is given at a particular and fixed time, for example, at the beginning of every month. An employee will receive a sum of money called salary, while wages are the amount of money he receives that is not always the same or certain, and the time is not always fixed. Thus it is clear that the exact difference between salary and wages is a guarantee of timeliness and certainty of the amount of money he receives (Ertanto et al., 2018). Salary becomes essential for those who work in a company to meet their needs (Arrazi, 2019). Salary is given to the employees as the result of their work for the companies (Husni, 2020). This study was influenced by the aforementioned considerations. In general, salary is a gift or reward for remuneration done to the company or place of work and as motivation in carrying out an activity in the future (Kurnia, 2022). A book entitled Human Resource Management states, "Salary is defined as the remuneration received by employees in the form of money as a consequence of their status as employees that contribute to achieving company goals" (Ratnasari & Mahmud, 2020). The roles of salary can be seen from two sides (Nurhidayah, 2018).

1. Employer View

   Salary is the primary factor that influences production expenses and factors in figuring out the cost of goods, which can affect whether or not a firm will still be around in the future. Overpaying employees raises the cost of goods for the corporation. However, if the pay is too low, it will be challenging for the business to find employees.
2. Employee View

   A person's salary is the money they get and use to support themselves. Salary is a motivator to succeed, but it is not the only factor that encourages workers to improve performance. Therefore, employees' performance and corporate loyalty are impacted by the size of the compensation awarded.

The company's payroll cycle consists of a network of procedures as follows (Ertanto et al., 2018).

1. Procedure for recording attendance and working time

   The same case also happens to Central Java to be paid attention carefully to salary payments to employees. The performance of employees This process strives to document worker attendance and working hours, which are the foundation for determining pay.
2. Procedure for making a list of salaries and wages

   In this procedure, the payroll and wage register function creates a list of employee salaries and wages.

3. Procedure for payment of salaries and wages
   The salary and wage financing procedure involves a debt recorder function and a salary and wage payment function.
4. Relevant distribution procedures
   The technique for distributing salary and wage costs divides labor costs across the departments that benefit from labor benefits.

Payroll needs to get attention from the organization to guarantee that an organization can meet various predetermined requirements. The salary variable is measured by the following indicators (Arrazi, 2019) :

1. Internal justice
   In relatively the same critical factors, employees who carry out similar tasks get the same reward. This is what is called "internal justice".
2. External justice
   Employees in one organization receive the same rewards as those in other organizations involved in similar activities in the same work area, which is called "external justice".
3. Decent standard of living
   Salaries received by employees are at a reasonable amount and level.
4. Able to meet needs
   Salary received by employees is a fundamental personal need.
5. Generating a sense of enthusiasm for work
   The salary received can provide a boost for every employee.
6. Welfare
   Old age guarantees that will be given to employees or welfare can also be given in the form of insurance or health insurance.

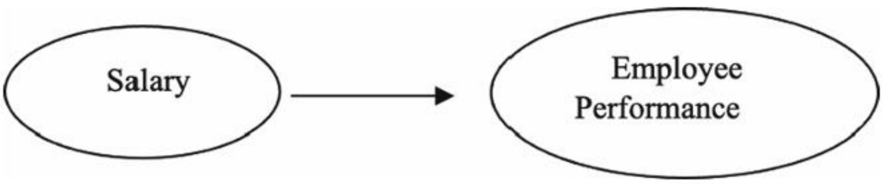

Fig 1. Theoretical Framework

3. METHODS

3.1 Hypothesis Development

This study employed a quantitative, descriptive correlation approach as its methodology. This approach was taken since the study examined the connection between pay and worker performance. Research that aims to describe a current symptom or event is known as descriptive research (Adha & Wandi, 2019). The established hypotheses were put to the test using this research strategy. The positivist philosophy serves as the foundation for the quantitative research approach. In order to test the hypotheses, the sampling procedure is typically calculated using specific sample approaches that are appropriate for collecting quantitative or statistical data from a given population or sample (Adha & Wandi, 2019).

According to the explanation given above, the framework depicted in the image below can be used to explore the relationship between pay and employee performance (Fig. 1).

The independent variable (job satisfaction) (X) and the dependent variable (employee performance) (Y) were used in this study, and the proposed hypothesis was.

H0: Salary does not positively affect employees' performance in Central Java.
H1: Salary has a significant positive effect on employees' performance in Central Java.

3.2 Sample and Data Collection

The population is a set of elements that become the object of research, and the population element is the unit of analysis (Ertanto et al., 2018). The population comprises all the components that make up the events, objects, or individuals that are the focus of inquiry and have similar features. Consequently, the population is thought of as the realm of inquiry [8]. The population in this study were workers in Central Java. The formula used to determine the number of samples was the formula proposed by (Hatta & Rumahorbo, 2021) as follows:

$N \geq 50 + 8m$

Note:

N = number of sample

m=total of variable

Based on the formula of Tabhanick dan Fidell, the sample size of this study was:

$N \geq 50 + 8m$

$N \geq 50 + 8(1)$

$N \geq 58$

Table 1. Likert Scale Measurement

Answer Criteria		Score
Strongly Agree	SA	5
Agree	A	4
Neutral	N	3
Disagree	D	2
Strongly Disagree	SD	1

According to the Tabhanick and Fidell formula used in the computation above, 58 individuals made up the samples. The researcher used 58 samples in this investigation. Specifically, convenience sampling, a non-probability sample strategy, was used in this investigation. The responders were chosen based on time and location availability.

3.3 Measurements

The descriptive correlation method, which uses a quantitative approach, was utilized in this study to describe the link between pay and employee performance. Research that aims to characterize a current symptom, incident, or event is known as descriptive research (Adha & Wandi, 2019). The developed hypothesis was put to the test using this research strategy. The positivist methodology, known as the quantitative research method, was used to analyze a specific population or sample. In order to test preset hypotheses, the sampling procedure is typically carried out by calculating certain sample techniques that are appropriate for collecting quantitative/statistical data (Adha & Wandi, 2019).

Researchers used questionnaires to obtain data about thoughts, feelings, attitudes, beliefs, values, and perceptions. Regarding social issues, the respondents' personalities and behaviors were examined. To evaluate respondents' responses, the Likert Scale was employed (Table 1).

This study raised the issue of the effect of salary on employee performance in Central Java. Fifty-eight respondents working in Central Java province were selected as samples. The respondents who filled out the questionnaire were identified based on gender, age, education, and length of service. This identification was made to find out the general characteristics of the respondents.

4. RESULTS AND DISCUSSION

4.1 Results

Some investigation was done on the impact of pay on worker performance in Central Java. The initial investigation was to find the regression coefficient value of variable x toward variable y. The Table 2 illustrates this:

Table 2. The Impact of Salary Value as a Regression Coefficient on Employee Performance

		Salary	Employee Performance
Salary	Pearson Correlation	1	.308*
	Sig. (2-tailed)		.019
	N	58	58
Employee Performance	Pearson Correlation	.308*	1
	Sig. (2-tailed)	.019	
	N	58	58

Source : SPSS

Table 3. The result of the coefficient determination test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F
1	.297a	.088	.072	11.657	.088	5.403	1	56	.024

a. Predictors: (Constant), SALARY

Source : SPSS

According to the table, the correlation between employee performance and salary was 0.308, with a significance level of 0.019. This shows a greater value than 0,05. Therefore, the value was positively and significantly related. This shows that employee performance increased if salaries were given to employees effectively. The correlation value of 0.308 indicated a low level of correlation.

In order to ascertain the degree of the association between employee performance and salary in Central Java. The contribution of variable X to variable Y was calculated using the coefficient of determination. In other words, the degree to which salary has an impact on employee performance was determined by this investigation. The Table 3 shows the coefficient of determination's value.

From the test results above, the contribution of incentives to performance was 8.8% while the remaining 91.2% was influenced by other factors not found in this study. The low probability of incentives was due to the salary.

4.2 Hypothesis Testing

The third analysis was conducted to determine whether the six dimensions of salary affect employee performance. In this study, the main hypothesis being tested was H1: Salary has a significant positive effect on employee performance. The significance value obtained was 0.024 < 0.05 meaning that H1 was accepted and could be widely applied outside the focus of the study (Table 4).

Table 4. ANOVA Effect of Salary on Employees' Performance in Central Java

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	734.124	1	734.124	5.403	.024b
	Residual	7609.531	56	135.884		
	Total	8343.655	57			

Source : SPSS

The findings of this study are consistent with those of earlier studies that found that salaries significantly improve employee performance, with a significance value of 0.018 0.05 (Ratnasari & Mahmud, 2020). However, the influence of salary on employee performance is shown to have a significance of 0.024 0.05 in this study, which is higher than in earlier studies.

4.3 Discussion

The Effect of Salary and Incentives on the Performance of Employees of the Production Division of PT is the research title by Ratnasari and Mahmud. According to Uniplastindo Interbuana Pandaan, incentives and independent variable salaries impact how well PT's production division employees perform, with a 0.05 significant value of 0.018. This study, in contrast to earlier investigations, displays a higher level of significance, 0.024 0.05.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

After analyzing the theory and research results, the researcher concluded that "Salary (X) affects employee performance (Y) with a significant effect of 8.8%. The researcher succeeded also succeeded in answering the research problem formulation as follows:
1. Salary (X) impacts employees' performance (Y).
2. 8.8% of employee performance is influenced by salary.

5.2 Suggestions

Based on the research results, it is suggested that companies pay attention to salary management to maintain and improve employee performance. Although salary has a relatively small influence, fair and proper compensation can enhance motivation and job satisfaction. Future studies are recommended to include other factors such as work environment, motivation, and leadership to obtain a more comprehensive understanding of what affects employee performance.

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