HUMANIS
(Humanities, Management and Science Proceedings)
Vol. 6 • No. 1 • December 2025
Page (Page) : 193 – 199
ISSN (*online*): 2746 - 4482
ISSN (*print*): 2746 - 2250
Special Issue:
ICMS 2025
Master of Management Postgraduate Program
Jl. Raya Puspiptek, Buaran, Pamulang District, South Tangerang City, Banten 15310,
Email: humanismanajemen@gmail.com
Website. :
http://www.openjournal.unpam.ac.id/index.php/SNH

Analysis Of Compensation And Benefits On Employee Work Motivation

Sevi Esa Yugo [1)]; Beny Oktavianto [2)]; Mulyanah [3)]; Mukrodi [4)]
[1, 2,3] *Universitas Pamulang*
Email : seviesayugo57@gmail.com, beny.okta@gmail.com, mulyaanah.official@gmail.com

Abstract. Ensuring that a company remains sustainable and continues to grow is not an easy task for both capital owners and management as those responsible for operational activities. The proper application of management science does not universally apply to all business sectors due to the interconnectedness of various managerial factors that create complexity. In reality, many companies compete to obtain significant profits but fail to adhere to proper management norms. Employees are no longer viewed as valuable assets essential to the company's sustainability, but rather as passive objects that must tolerate unfavorable corporate policies. Cost-cutting practices often justified by portraying the company's financial condition as unstable are used to force employees to refrain from demanding rights such as compensation and benefits clearly stipulated in employment agreements. In the short term, a company may still achieve substantial profit, but the removal of compensation and benefits which are employees' lawful rights directly reduces employee motivation. High employee turnover and increasing cases of asset loss are indicators of employee discomfort and a form of protest against harmful corporate policies. Fortunately, not all companies operate in this manner. Many continue to respect employee rights regarding compensation and benefits, and some even provide them beyond the regulatory minimums, such as wages above provincial and regional minimum wage standards. These employers recognize that employees are not merely labor providers but key contributors to the company's growth. To address these issues, the authors present a comprehensive scientific analysis. This study employs a normative approach using primary data from literature sources, including statutory regulations, management theories, and expert opinions, supported by secondary data from various printed and digital sources. The study concludes that the provision of compensation and benefits significantly increases employee motivation, which subsequently boosts individual productivity and overall organizational growth.
Keywords: Compensation, Benefits, Work Motivation, Productivity.

INTRODUCTION

The development of a company, pursued by business owners, both as investors and operators, is a multifaceted business rationality. No single aspect, both technical and non-technical, can be claimed as the most important or essential, as they are interconnected and can hinder a company's development. Employees, one of a company's most valuable assets, also have factors that influence not only their individual performance but also the company's overall development. In some companies, highly dedicated employees are valued equally with those with excellent work skills, leading companies to provide various forms of proportional rewards. Management views this not only as a short-term strategy to boost individual morale but also as a long-term strategy that impacts overall employee performance.

However, in reality, this type of reward is not implemented by all companies. Some companies even eliminate compensation and benefits that are workers' rights. These unpaid benefits are then included in the company's profit calculations. This practice is carried out by companies, exploiting workers' ignorance and the absence of labor unions within the company. [1] Company neglect of employee rights actually only harms the company itself, because workers naturally have a sense of "fair reward." They will demand their rights based on their work. While not all workers pursue financial gain and are willing to accept lower wages because they are more comfortable in a work environment without the pressure and demands of the company, employees still expect fairness. [2]

Providing compensation in the form of a decent salary, appropriate working hours, adequate rest periods, and benefits such as health insurance and work accident insurance may be viewed as extraordinary by workers themselves, even though these are workers' rights and the company's obligations. However, providing adequate compensation and benefits will actually encourage workers to perform better. Simply put, the compensation stipulated in labor laws and regulations is fundamentally based on the principle of fairness and equity. The wages or remuneration received by workers represents a fair return for their work. Similarly, the principle of appropriateness is the assessment of the amount of energy and intellectual effort expended, which is considered equivalent to the salary received. Meanwhile, benefits, which were initially viewed as gifts given by companies to employees, are more closely linked to the company's strategy to recruit and retain potential employees. Developments in employment and human resource management have subsequently shifted some benefits away from being company gifts to workers. Benefits in the form of health and safety benefits have become mandatory for companies, using a shared budget payment scheme to the Social Security Agency (BPJS).

This issue has drawn our attention as Master of Management students, and we decided to address it in a scientific paper, drawing on various theoretical and normative perspectives, as well as the opinions of other management experts. Throughout our literature review and management practice, we have found differing perspectives on the provision of rewards, both in the form of compensation and benefits, to employees. In fact, some employee benefits are deliberately omitted and included as company profits. Therefore, we discuss this issue in a scientific paper entitled "Analysis of Compensation and Benefits on Employee Work Motivation."

This discussion also aims to answer several questions formulated by us: How do compensation and benefits impact employee work motivation related to productivity; How do compensation and benefits impact employee work motivation related to company growth.

METHODOLOGY

This research uses a normative and philosophical approach, focusing on the analysis of work motivation. The normative approach involves a literature review of compensation and benefit concepts related to employee work motivation. Secondary data in this study comes from documents and management books collected by the author, which were then analyzed qualitatively to explore the meaning and context behind the data, using content and comparative analysis techniques.

The data collection method used in this study was a document study, which involves collecting written data using an analysis of the research object. The aforementioned analysis utilizes content analysis, a technique for analyzing writing or documents by systematically identifying the characteristics, messages, or intent contained within a piece of writing or document. Limitations of this study include its reliance on secondary data, which may not fully reflect reality, and its inability to provide a comprehensive overview of the issues discussed.

RESULTS AND DISCUSSION

COMPENSATION AND BENEFITS

COMPENSATION

Based on theory and expert opinion, compensation has many etymological meanings. Based on these definitions, it can be concluded that compensation is all income, whether in cash or in-kind, directly or indirectly received by employees in return for services rendered to the company.

The amount of compensation (rewards) is determined and known in advance through an employment agreement, so employees know exactly how much they will receive. [3]

The need for compensation is based on the philosophical idea itself, which should be based on the human resource management (HRM) proposition that the most important source of value is people, in this case, employees. There must be a view within a company that without employees, the company is nothing. Therefore, the process of recruiting qualified workers within a company/organization is crucial because it seeks to recruit a qualified workforce that can work effectively and efficiently. There are two fundamental compensation philosophies: the Deserving Philosophy, which can be seen in many organizations that have traditionally provided benefits to employees annually, and the Deserving Philosophy, which is based on the Deserving Philosophy, which is seen in many organizations that have traditionally provided benefits automatically to employees annually. Performance-Oriented Philosophy, where employees who perform well will receive larger compensation increases; those who perform less satisfactorily receive smaller increases. [4]

In the application of compensation within a company, compensation can be classified into direct compensation and indirect compensation. [5] Although there are different indicators regarding compensation in each company, they can be explained as follows:

a. Direct Compensation [6]

   1) Salary/Wages.

   Wages are the rights of workers received and expressed in monetary form as remuneration from the employer to the worker, determined and paid according to a specific employment agreement, consensus, or statutory regulations (Law on Manpower No. 13 of 2003, Chapter I, Article 1, Paragraph 30).

   2) Incentives (additional).

   Incentives are direct rewards paid to employees for their performance exceeding specified standards. Assuming that money can be used to encourage employees to work harder, productive employees prefer their salaries to be based on their work results. Therefore, the ability to determine appropriate standards is required.

b. Indirect Compensation/Additional Compensation:

   1) Allowances. [7]

   Allowances are any additional benefits offered to workers or employees, such as the use of company vehicles, free lunches, low-interest or interest-free loans, healthcare, vacation assistance, and stock purchase schemes. At high levels, such as senior managers, companies often prefer to provide larger allowances rather than salary increases, as these are subject to low or no taxation.

   2) Facilities. [8]

   Work facilities are everything within the company that employees occupy and enjoy, both directly related to their work and to facilitate its smooth operation. Companies should provide pleasant facilities for employees, such as places of worship and so on. If the company is able to provide these facilities, it can increase employee morale and enjoyment, thereby enhancing their work enthusiasm and passion. Facilities themselves can be defined as convenience and can also refer to tools or physical forms (facilities and infrastructure).

   Both direct and indirect compensation, from the perspective of employee rights and management knowledge, are vital elements of a healthy and sustainable employment relationship. This creates a win-win situation. Workers get proper welfare and protection, while companies get a motivated, loyal and productive workforce.

BENEFIT

Based on its linguistic meaning, the Big Indonesian Dictionary (KBBI) notes that benefit means advantage, profit, or gain. Therefore, a person can receive benefits as a result of the work they have done in return. The form of benefits is not limited to material things but can take the following forms: [9]

a. Direct financial benefits are compensation in the form of basic pay (wages or salary) or the results a person receives from performing work. These results are in the form of money.
b. Indirect financial benefits are compensation or results from a person's work activities that are not in the form of money. These results can include health insurance, life insurance, pension funds, and so on.
c. Non-financial benefits are the rewards or results a person receives when they have completed their work, in the form of pleasure, a sense of accomplishment, and so on.

Benefits themselves are actually part of compensation, namely indirect or additional compensation. And referring to the form, benefits can be mandatory for some and non-mandatory for others. Employers will be subject to sanctions if they fail to provide mandatory employee benefits. This is because mandatory benefits are also workers' rights regulated by law, including minimum wages, social security, holiday allowances (THR), leave entitlements, and severance pay. This differs from voluntary benefits provided by employers as part of a strategy, such as bonuses, vehicle allowances, housing allowances, communication allowances, and others.

From a management perspective, strategic consideration of benefit programs is crucial so that companies also benefit from such benefits as: [10]

a. More effective employee recruitment
b. Increased employee morale
c. Reduced employee turnover and absenteeism
d. Reduced burnout
e. Reduced union influence
f. Improved public relations
g. Satisfaction of employee needs
h. Minimizing overtime costs
i. Reducing the likelihood of government intervention

The view that providing employee benefits is detrimental to employers because it costs them more is a short-term view that is not entirely accurate from the perspective of strategic management and business sustainability. Although companies directly incur additional costs for salaries, insurance, bonuses, and other benefits, these expenses are more accurately considered strategic investments rather than mere losses or expenses.

In modern management science, spending on employee welfare is an investment that generates a return on investment (ROI). Return on Investment (ROI) is a financial performance metric used to evaluate the efficiency of an investment or compare the efficiency of several different investments.

There is a close reciprocal relationship between Return on Investment (ROI) and employee motivation. Simply put, company investments that increase employee motivation will generate a higher ROI. This demonstrates that spending on employees is not a loss, but rather an investment that generates financial benefits for the company.

THE RELATIONSHIP OF COMPENSATION AND BENEFITS TO EMPLOYEE PERFORMANCE.

Compensation has a direct relationship with employee motivation and performance. Motivation theories such as Theory X and Y by McGregor and McClelland's Need Theory indicate that effective compensation can motivate employees to improve productivity and performance. Fair and competitive compensation creates a satisfying work environment, which in turn encourages employees to work harder and be more committed to organizational goals. On the other hand, a poor compensation structure can lead to employee dissatisfaction, lower morale, and increased turnover rates. Therefore, designing a balanced and stimulating compensation system is key to driving high employee performance.

Compensation plays an important role in influencing employee performance and motivation in the workplace. Classical motivation theories, such as Theory X and Y by Douglas McGregor and the Need Theory by David McClelland, emphasize the importance of compensation as a driving factor for employee performance. According to these theories, employees who feel valued and compensated fairly are more likely to be motivated to improve their productivity and the quality of their work. Effective compensation is not just about the amount of money paid to employees but also about recognition and appreciation for their efforts and achievements. This can include various forms of rewards such as bonuses, salary increases, promotions, and other recognitions.

On the other hand, a less effective compensation structure can negatively impact employee morale and job satisfaction. If employees feel that they are not compensated in accordance with their contributions or performance, this can lead to job dissatisfaction, decrease motivation, and ultimately increase employee turnover rates. Fair and competitive compensation not only includes salaries that align with industry standards but also considers factors such as skill level, experience, job responsibilities, and individual contributions to organizational goals. Therefore, companies must strive to develop a transparent and fair compensation system that supports healthy employee management policies and enhances their loyalty and commitment to the organization. A holistic approach to designing a compensation system, which considers the needs and expectations of employees as well as organizational goals, is key to building a motivated and high-performing team.

ANALYSIS OF THE IMPACT OF COMPENSATION AND BENEFITS ON EMPLOYEE WORK MOTIVATION

IMPACT ON PRODUCTIVITY

Work productivity, which is a measure of individual performance in a work environment, is related to productivity even though these two concepts have different measurement concepts where the factors that then influence the work productivity of workers are measured from:

a. Motivation and job satisfaction
b. Skills and training
c. Working environment conditions (ergonomics, facilities)
d. Effective management and leadership

Both compensation and benefits are one of the main pillars that are very effective in motivating employees in the workplace. When managed well, attractive compensation and benefits packages can significantly impact employee satisfaction, loyalty, and motivation personally. Where the increase in employee motivation in pursuing various work achievements will naturally lead workers to find ways to work productively.

Thus, the higher the work motivation of employees, the more likely it is to make the level of productivity increase rapidly. Motivated employees will invest more energy, time, and effort into their tasks. They do not just do their jobs out of obligation, but because they want to achieve good results. This extra dedication directly enhances their work output.

High motivation helps employees maintain focus on their work goals. They tend to be less easily distracted, resulting in faster task completion and with a lower error rate. This focus is a key component of efficiency and productivity.

In addition, motivated employees tend to care more about the quality of their work results. They have the drive to do the job right the first time, which reduces the need for rework and improves overall quality standards not only by using available work methods, but employees will think creatively to find various innovations as solutions to various work problems.

IMPACT ON COMPANY GROWTH

Employee motivation is a form of willingness to work hard to achieve organizational goals while considering efforts to meet several needs, as well as efforts to improve and shape the knowledge, attitudes, and behaviors of employees so that they voluntarily strive to work cooperatively with other employees to enhance their performance. Employees will be motivated to work when the rewards distributed contain fairness.

Since the 1920s, motivation indicators are no longer measured by the size of compensation and compensation systems, as these systems do not guarantee employees will stay in the company. Expectations, beliefs, and attention policies can become additional incentives for employees to be psychologically bound to their workplace. Employee work motivation will be high when supported by the surrounding environment, which can encourage them to explore their potential. This indicates that motivation needs to be reinforced to be more stable and focused on work goals. Companies need to strive to ensure that employee motivation is focused on the performance outlined by the company.

Rewards are an important technique to maintain high employee motivation so that they can complete their tasks. In compensation, the company sets the desired performance standards. The replacement for the performance contributions made by employees is the compensation they receive, both cash and non-cash compensation. The provision of compensation to employees must be fair and appropriate to enhance performance, motivate employees, and provide job satisfaction. Employees will be motivated to perform their jobs better when there is fairness in the management system through the compensation or reward system.

It shows that companies should realize that a fair compensation system will motivate employees because employees will feel that the benefits provided by the company can be distributed fairly and appropriately. In various studies, it has been found that employee performance is influenced by employee motivation, especially extrinsic motivation such as compensation packages, good leadership styles, and job enrichment. This indicates that intrinsic rewards (job autonomy, work environment) motivate employees, thereby affecting their effectiveness and efficiency, while extrinsic rewards (salary, promotions, bonuses, financial incentives) motivate employees to retain their jobs and influence their performance.

Employee work motivation has a very significant and direct impact on the overall growth of the company. Motivated employees are the driving force behind innovation, efficiency, and competitive advantage. Companies with motivated and happy employees tend to have a positive and dynamic work culture, which can make the company a "magnet" for the best talent in the job market. This reduces the costs and time required for the recruitment process.

CONCLUSION AND SUGGESTION

CONCLUSION

Work motivation is not just a matter of "happy employees." It is a strategic investment that underlies almost all company growth metrics, ranging from daily productivity to long-term innovation and overall financial performance. Companies that neglect their employees' work motivation tend to stagnate and are vulnerable to competition.

Both in terms of worker rights and management science, the impact of providing compensation and employee benefits is that the provision of direct and indirect benefits is a vital element of a healthy and sustainable work relationship. This creates a win-win solution; workers gain decent welfare and protection, while companies gain a motivated, loyal, and productive workforce.

SUGGESTIONS

By implementing compensation and benefits, companies can transform spending on employee welfare from "additional costs" into a strategic investment that will yield more motivated, productive, and loyal employees, which will ultimately enhance the company's competitiveness and growth.

By adopting this approach, companies can shift their perspective from "compensation as a cost burden" to "compensation as a growth driver." Smart investments in employee motivation and welfare will result in a more productive, loyal, and innovative workforce, which will ultimately accelerate sustainable company growth.

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