



The Effect of Compensation on Employee Performance Through Work Motivation and Job Satisfaction at Palm Oil Mill, Sei Baruhur

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ABSTRACT

This study aims to examine how compensation influences employee performance, both directly and indirectly, through work motivation and job satisfaction. Using a quantitative method and path analysis, data were gathered from 90 employees at Palm Oil Mill, Sei Baruhur through structured questionnaires. The findings show that compensation has a direct and significant effect on both job satisfaction and employee performance. However, compensation does not significantly affect work motivation, and work motivation itself does not significantly influence performance. In contrast, job satisfaction plays a key role in improving employee performance. The mediation analysis indicates that compensation indirectly impacts performance through job satisfaction, but not through work motivation. These results emphasize the importance of job satisfaction as a mediator in the compensation performance relation. It is recommended compensation practices and built a supportive work environment that enhances employee satisfaction to achieve better performance outcomes.

Keywords: Compensation, Work Motivation, Job Satisfaction, Employee Performance.

INTRODUCTION

Palm oil Mills represent a vital component of the processing industry and contribute significantly to the national economy. In this sector, employee performance serves as a key indicator of a company's success. Amid increasing industrial competition and pressure to boost productivity, the need for optimal human resource management becomes critical. High levels of employee performance not only reflect the achievement of production targets but also demonstrate an



organization's ability to effectively utilize its workforce (Sutanto & Putra, 2021).

One of the primary factors believed to influence performance is compensation. Fair, competitive, and performance based compensation can enhance job satisfaction and foster productive work behavior. However, compensation is not sufficient. Work motivation, as an internal drive, plays a crucial role in determining the level of effort and commitment employees put into their tasks. Even generous compensation may fail to produce optimal performance without adequate motivation (Rini Astuti & Suhendri, 2020). As such, many studies have positioned job satisfaction and motivation as mediating variables in the relationship between compensation and employee performance (Hasibuan, Malayu, 2017).

In Indonesia, issues related to compensation, motivation, and job satisfaction remain persistent challenges in the processing industry. Statistic Indonesia (2023) reported that job satisfaction in this sector reached only 60,3%, with inadequate compensation relative to workload cited as a primary cause (Badan Pusat Statistik, 2023). Additionally, the ministry of manpower (2022) noted a 15% decline in work motivation post COVID-19, largely attributed to dissatisfaction with incentive structures and production pressures (Kementerian Ketenagakerjaan Republik Indonesia, 2022). In North Sumatera, a labor NGO Survey (2022) revealed that 64% of palm oil mill workers were dissatisfied with their compensation system and 64% reported low motivation due to the lack of recognition for their achievements (LSM Tenaga Kerja Sumatera Utara, 2022). A similar situation is observed at Sei Baruhur palm oil mill, located in Labuhanbatu Utara Regency, North Sumatera Province. Internal data from 2024 show a production peak in the third quarter, followed by a significant decline in the fourth quarter. A 10-15% reduction in productivity resulted in lower employee earnings, as no additional compensation was provided. The impact is evident through rising absenteeism, lateness, and low participation in quality improvement programs indicators of declining motivation and job satisfaction, which ultimately affected overall performance (Manajemen SDM, 2024).

This study aims to analyze the effect of compensation on employee performance by considering work motivation and job satisfaction as mediating variables. The study is expected to provide strategic recommendation for strengthening compensation systems and developing human resource management practices that are more adaptive and performance oriented, particularly in the palm oil industry sector.

This hypotheses in this study are as follows:

1. H1: There is a significant direct effect of compensation on employee performance at PKS Sei Baruhur
2. H2: There is a significant effect of compensation on employee work motivation at PKS Sei Baruhur



Baruhur

3. H3: There is a significant effect of compensation on employee job satisfaction at PKS Sei Baruhur.
4. H4: There is a significant effect of work motivation on employee performance at PKS Sei Baruhur.
5. H5: There is a significant effect of job satisfaction on employee performance at PKS Sei Baruhur.
6. H6: Compensation affects employee performance through the mediation of work motivation at PKS Sei Baruhur.
7. H7: Compensation affects employee performance through the mediation of job satisfaction at PKS Sei Baruhur.

LITERATURE REVIEW

Compensation

Compensation refers to all forms of rewards received by employees in return for their contributions to the company, whether it is money, goods, or other benefits provided either directly or indirectly (Setyo Widodo & Yandi, 2022). Compensation is divided into two types, namely financial and non-financial compensation. Financial compensation includes direct compensation (salary, allowances, incentives) and indirect (welfare facilities), while non financial compensation includes awards, promotions, and a supportive work environment (Manurung et al., 2022).

The objectives of compensation include attracting and retaining quality workers, increasing motivation, ensuring fairness, and ensuring compliance with regulations (Hasibuan et al., 2022). In compensation, there are several theories, including the equity theory which emphasizes the importance of perceptions of fairness towards the compensation received in shaping satisfaction and performance (Sholeh et al., 2024). Meanwhile, the expectancy theory explains that individuals will be motivated to work optimally if they believe that their efforts will result in valuable rewards (Sholeh et al., 2024)

The general indicators of compensation includes wages, and salaries, incentives, and other supporting facilities. Factors that influence the compensation system include labor market conditions, company capabilities, government regulations, productivity, job positions, and employee backgrounds (Hasibuan, Malayu, 2017).



Work Motivation

Work motivation is a psychological drive that influences individuals in determining the direction, intensity, and persistence of behavior to achieve desired goals (Yusuf Iis et al., 2022). Motivation is an important factor in driving optimal performance through internal processes involving needs, perceptions, and personality.

According to Hasibuan in Arbaatun et al. (2023), motivation theory is divided into two theories, namely satisfaction theory and process theory. Satisfaction theory emphasizes that the fulfillment of an individual's basic needs will increase work enthusiasm, while process theory highlights how behavior is initiated, directed, and maintained through the relationship between effort, rewards, and justice (Putri et al., 2023).

Factors that influence work motivation can come from within (intrinsic) or from external environment (extrinsic). Intrinsic motivation arises when work provides a sense of responsibility, autonomy, opportunities for development, and personal satisfaction, while extrinsic motivation is related to external rewards such as salary, praise, and promotion (Jamal Ali & Anwar, 2021).

Motivation theories that are commonly used include Maslow's hierarchy of needs theory and expectancy theory. According to Maslow, human needs are divided into five levels, namely physiological, safety, social, esteem, and self-actualization, which drive work in stages. Meanwhile, expectancy theory explains that a person will be motivated if he believes that his efforts will produce performance, performance will bring rewards, and the rewards are valuable to him (Putri et al., 2023).

Job Satisfaction

Job satisfaction is an important aspect of organizational success because it impacts employee attendance and sustainability (Biaison, 2020). Hasibuan (2017) stated that job satisfaction is a pleasant emotional attitude towards work that impacts loyalty and discipline (Hasibuan, Malayu, 2017). Hoppock in Wyrwa & Kazmierczyk (2020) added that job satisfaction is a combination of psychological conditions and work environment that allow workers to feel satisfied (Wyrwa & Kaźmierczyk, 2020).

According to Herzberg in Atishree et al. (2021), there are two main factors that influence job satisfaction, namely motivator factors (include achievement and responsibility) and hygiene factors (include salary and work relationships). Meanwhile, Vroom's expectancy theory explains that motivation arises from the expectation that effort will result in good performance valued rewards (Bhardwaj et al., 2021).



Herzberg identified factor such as work relationships, security, compensation and leadership as determinants of satisfaction (Bhardwaj et al., 2021). Kreitner & Knicki in Suryati (2021) mentioned that five factors that can determinant job satisfaction are fulfillment of needs, differences between expectations and reality, achievement of values, fairness and genetic component (Suryati, 2021). Noviyanti et al. (2019) added factors such as income, salary fairness, promotion opportunities, job security, supervision, as well as working hours and physical conditions that affect satisfaction and performance potential (Noviyanti et al., 2019).

Employee Performance

Employee performance refers to the outcome of an individual's ability and motivation in fulfilling assigned tasks. To achieve effective performance, employees must possess sufficient skills, a strong drive, and a clear understanding of their responsibilities (Setyo Widodo & Yandi, 2022). Performance reflects how tasks are carried out successfully or not and is influenced by various factors including job satisfaction, leadership interaction, and adaptability within a competitive work environment (Augustine et al., 2016). It is shaped by skills, effort, and contextual conditions, and is often evaluated through accuracy, timeliness, cost efficiency, and contribution to organizational success. Robbins outlines several key performance indicators to measure employee outcomes, such as work quality, quantity of tasks completed, punctuality, resource efficiency, and independence in task execution (Robbins & Judge, 2018).

Ajzen's Theory of Planned Behavior (TPB) is widely used to explain job related actions. This theory asserts that behavior stems from intention, which is shaped by three main elements such as attitudes (positive or negative evaluation of the behavior), subjective norms (social expectation), and perceived behavioral control (confidence in one's ability to perform) (Tamba, 2019).

According to Sedarmayanti in Anita et al, (2024), various internal and external elements impact performance. The include motivation and work discipline, educational levels, job competence, leadership approach, salary, access to health insurance, social security, work environment, available tools and facilities, use of technology and the last one is opportunities for achievement and recognition (Sukmawati anita et al., 2024). Recognizing and addressing these factors helps organizations improve productivity and employee engagement toward achieving strategic objectives.



METHODS

This study using a quantitative analytic design approach using path analysis to investigate both the direct and indirect effects of compensation on employee performance, with work motivation and job satisfaction as mediating variables. A cross sectional design was employed, collecting data at a single point in time using a structured questionnaire to ensure response consistency.

The research was conducted from June to July at Sei Baruhur Palm Oil Mining, a palm oil processing plant located in Labuhan Batu Utara Regency, North Sumatera Province. This location was purposively chosen due to its compensation system and operational structure, which aligned with the variables studied.

Sampling

The target population included 119 employees distributed across five departments: Administration, Human Resources, Processing, Quality Assurance, and Engineering. The sampling technique employed was purposive random sampling, focusing only on employees in Processing, Quality Assurance, and Engineering units with fixed term or permanent contracts.

A total of 99 eligible employees were proportionally selected from the relevant departments to ensure balanced representation.

Data collection

Primary data were collected by distributing questionnaires directly to respondents who met the inclusion criteria. The questionnaire used a five point likert scale (1- strongly disagree to 5 = strongly agree) to capture respondents' perceptions and evaluations regarding the research variables compensation, work motivation, job satisfaction and employee performance.

Before the main data collection, validity and reliability tests were conducted to ensure that the research instrument accurately and consistently measured the intended variables. The trial was conducted on 30 employees from the processing, quality assurance, and engineering departments at PT Perkebunan Nusantara IV- Rubber Processing Mill Bandar betsy II Village, bandar Huluan Sub district, Simalungun Regency, North Sumatera Province.

The collected data were analyzed using SPSS version 20. The analysis included validity, reliability testing, descriptive statistic and path analysis. Path analysis was employed to evaluated the mediating role of work motivation and job satisfaction in the relationship between compensation and employee performance.

RESULTS

This study was conducted at Sei Baruhur Palm Oil Mill, one of the production units in processing oil palm into crude palm oil (CPO) and palm kernel (PK). Located in a strategically



positioned oil palm plantation area, the mill was established to support plantation industry operations by optimizing the production process efficiently and sustainably.

The Characteristics of Research Variable

The respondents in this study consisted of 99 employees working at Sei baruhur Palm Oil Mill. The following table presents the characteristics of respondent in this research.

Table 1. Frequency Distribution Based on Respondents' Characteristics at Sei Baruhur Palm Oil Mill

Respondent Characteristic	Frequency	Percentage %
Education Level		
Elementary School	1	1,0
Junior High School	3	3,0
Senior High School	84	84,8
Diploma	2	2,0
Bachelor's Degree	9	9,1
Length of Service		
< 1 year	1	1,0
> 1 year	98	99,0
Employment Status		
Permanent	79	79,8
Fixed-Term	20	20,2
Total	99	100,0

Based on Table 1, out of a total of 99 respondents at Sei Baruhur Palm Oil Mill, the majority had an education background, with 84 respondents (84,8%) having completed senior high school. In terms of length of service, 98 respondents (99,0%) had been employed more than one year. Regarding employment status, most respondents were employees, totaling 79 respondents (79,8%), while the remaining 20 respondents (20,2%) were employed under fixed-term contracts.

Table 2. Frequency Distribution Based on the variables of Compensation, Motivation, Job Satisfaction and Performance Worker at Sei Baruhur Palm Oil Mill

Variable	Frequency	Percentage %
Compensation		
Inadequate	10	10,1
Adequate	89	89,9
Motivation		



Low	18	18,2
High	81	81,8
Job Satisfaction		
Low	18	18,2
High	81	81,8
Performance		
Poor	19	19,2
Good	80	80,8
Total	99	100,0

Based on Table 2, most respondents perceived their compensation as adequate with 89 respondents (89,9%). In terms of working motivation, 81 respondents (81,8%) reported having high motivation. Similarly, 81 respondents (81,8%) indicates high levels of job satisfaction. Regarding performance, 80 respondents (80,8%) were categorized as having good performance, while only 19 respondents (19,2%) showed poor performance.

Validity and Reliability Test

Before proceeding to the path analysis, several prerequisite tests must be conducted it ensure the data meet the assumptions required for the type of statistical analysis. The first stage in path analysis involves conducting a validity test to determine whether the questionnaire items are capable of accurately measuring the research variable. In this study, the validity test was performing using the corrected item – total correlation technique, which correlates each item with the total score of its respective variable. An item is considered valid if the correlation coefficient is greater than the critical value of *r-table*, which is calculated based on the number of respondents ($N = 99$) and a significance level of 5%. The results of the validity test for the compensation variable show that all questionnaire items have corrected item-total correlation values ranging from 0,421 to 0,817 and the critical *r-table* value obtained was 0,361. That’s indicated all items are considered valid.

The next step in the analysis process was to conducted a reliability test. This test aims to determine the cinsistency and dependability of the research instrument when used repeatedly under similar conditions. In this study, reliability was assessed using Cronbach’s Alpha, where a value greater than 0.70 indicates that the instrument is considered reliable. The results of the reliability test are presented below.

Table 3. Reliability Test

Variable	Cronbach Alpha	R Table	Description
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Compensation (X)	0,924	0,361	Reliable
Motivation (Z ₁)	0,921	0,361	Reliable
Job Satisfaction (Z ₂)	0,936	0,361	Reliable
Employee Performance (Y)	0,900	0,361	Reliable

Based on the reliability test results, all variables in this study have cronbach's alpha values above 0,70, exceeding the r table value of 0,361. This indicates that the instruments used are reliable.

Normality Test

The next step before conducting path analysis is to perform a normality test. The normality test was conducted using the Kolmogorov-Smirnov method with the Monte Carlo Significance (2-tailed) approach). The Monte Carlo was chosen because it provides a more accurate probability estimate for limited sample sizes and reduces the potential bias that may arise from the asymptotic approach. The result showed that all variables had Monte Carlo Sig. values greater than 0,05, indicating that the data are normally distributed.

Table 4. Normality Test

Variable	Kolmogorov – Smirnov	Asymp. Sig. (2-tailed)	Monte Carlo Sig.
Compensation (X) → Employee Performance (Y)	0,127	0,000	0,071
Compensation (X) → Motivation (Z ₁)	0,117	0,002	0,118
Compensation (X) → Job Satisfaction (Z ₂)	0,099	0,018	0,264
Motivation (Z ₁) → Employee Performance (Y)	0,112	0,004	0,153
Job Satisfaction (Z ₂) → Employee Performance (Y)	0,125	0,002	0,089

Multicollinearity Test

The next step after confirming data normality is to conduct a multicollinearity test. This test aims to determine whether there is a strong linear relationship between the independent variables that could affect the stability of the regression or path analysis results.

Table 5. Multicollinearity Test

Variable	Collinearity Statistics	
	Tolerance	VIF
Compensation (X) → Employee Performance (Y)	1,000	1,000
Compensation (X) → Motivation (Z ₁)	1,000	1,000
Compensation (X) → Job Satisfaction (Z ₂)	1,000	1,000
Motivation (Z ₁) → Employee Performance (Y)	-	1,000



Job Satisfaction (Z2) → Employee Performance (Y)	1,000	1,000
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Based on the results, all variables have a Tolerance value of 1,000 and a VIF value of 1,000, indicating that multicollinearity is not present in the model. These values meet the standard criteria which is Tolerance > 0,10 and VIF < 10. Therefore, the model is free from multicollinearity issues and is suitable for further analysis using path analysis.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Variable	Sig.
Compensation (X) → Employee Performance (Y)	0,336
Compensation (X) → Motivation (Z1)	0,323
Compensation (X) → Job Satisfaction (Z2)	0,325
Motivation (Z1) → Employee Performance (Y)	0,244
Job Satisfaction (Z2) → Employee Performance (Y)	0,305

Heteroscedasticity testing was conducted using the Glejser test by regressing the absolute value of the residuals on each independent variable. The results showed that all significance values were above 0,05, indicating that there is no heteroscedasticity in the regression model. Therefore, it can be concluded that the variance of the residuals is constant (homoscedastic), and the regression model meets the classical assumption for further analysis.

Result of Causality Test

Table 7. The Effect of Compensation on Employee Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	24,610	5,194		4,738	0,000
Compensation	0,334	0,095	0,338	3,537	0,001

Dependent Variable: Employee Performance

Regression equation:

$$Y = a + bX$$

$$Y = 24,610 + 0,334 X$$

Based on table 7, the regression result showed that the regression coefficient (B) for the compensation variable is 0,334, with a significance value (Sig.) of 0,001. The calculated t-value is 3,537, which is greater than critical t-table value, and the significance value is less than the critical t-table value, and the significance value is less than 0,05. Therefore, it can be concluded



that compensation has a significant effect on employee performance. Thus, the alternative hypothesis (H1) is accepted. This means that the better the compensation received by employees, the higher the performance they showed.

Table 8. The Effect of Compensation on Motivation

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	47,906	6,324		7,576	0,000
Compensation (X)	0,073	0,115	0,064	0,631	0,530

a. Dependent Variable: Work Motivation

Regression equation:

$$Z_1 = a + bX_1$$

$$Z_1 = 47,906 + 0,073 X_1$$

Based on table 8. The regression results show the regression coefficient (B) for the compensation variable is 0,073, with a significance value (Sig.) is 0,530 (>0,05). The t-value of 0,631 indicates that the compensation variable does not have a significant effect on motivation. Therefore, it can be concluded that H2 was rejected and Ho is accepted. This means that compensation does not have a significant influence on employee work motivation.

Table 9. The Effect of Compensation on Job Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	28,859	5,801		4,975	0,000
Compensation	0,426	0,106	0,379	4,037	0,000

a. Dependent Variable: Job Satisfaction

Regression equation:

$$Z_2 = a + bX_1$$

$$Z_2 = 28,859 + 0,426 X_1$$

Based on table 9, the results show that the regression coefficient (B) for the compensation variable is 0,426, with a significance value (Sig.) is 0,000 (<0,05). The t-value of 4,037 indicates that the compensation variable has a statistically significant effect on job satisfaction. Therefore,



it can be concluded that H3 is accepted. This means that the more appropriate the compensation provided by the company, the higher the employee job satisfaction at Sei Baruhur Palm Oil Mill.

Table 10. The Effect of Work Motivation on Employee Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	45,814	4,680		9,789	0,000
Motivation	-0,061	0,088	-0,069	-0,686	0,494

a. Dependent Variable: Employee Performance

Regression equation:

Y = a + bZ₁

Y = -0,061 Z₁+ e

Based on table 10. The regression results show that the regression coefficient (B) for the motivation variable is -0,061, with a significance value (Sig.) is 0,494 (>0,05). The t-value of -0,069, which is not statistically significant, indicates that work motivation does not have a significant effect on employee performance. Therefore, it can be concluded that H4 was rejected and Ho is accepted. This means that the level of work motivation does not directly influence employee performance at Sei Baruhur Palm Oil Mill.

Table 11. The Effect of Job Satisfaction on Employee Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	29,577	4,546		6,507	0,000
Job Satisfaction	0,252	0,086	0,287	2,948	0,004

a. Dependent Variable: Employee Performance

Based on table 11, the regression results show that the regression coefficient (B) for the job satisfaction variable is 0,252, with a significance value (Sig.) Of 0,0004 (<0,05). The T value of 1,948 indicated that job satisfaction has a significant effect on employee performance. Therefore, it can be conclude that H5 is accepted. It means that the higher the employees job satisfaction, the better performance the demonstrate at Sei Baruhur Palm Oil Mill.

Hypothesis H6 was tested to determine whether work motivation mediates the effect of compensation on employee performance. The analysis results showed that the path from compensation to work motivation (p=0,530) and the path from work motivation to employee performance (p=0,494) were both not significant (p > 0,05). It means, there is no indirect effect



and work motivation does not act as a mediator. Therefore, H6 was rejected, and the Sobel test was not conducted.

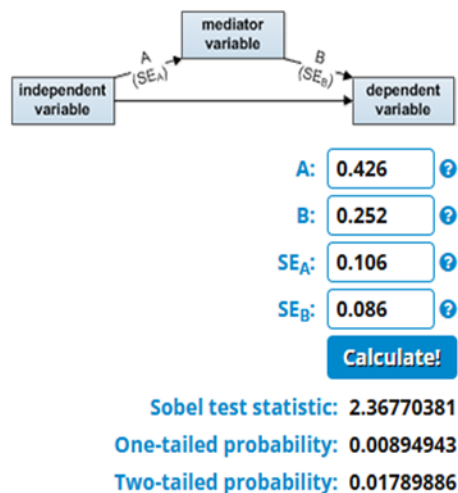


Figure 1. Sobel Analysis H7

Source: Research Findings, 2025 (Processed Data)

Based on the Figure 1. Compensation has a significant effect on job satisfaction with a coefficient of 0.426 and a significance value of 0.000. Furthermore, job satisfaction also significantly affects employee performance with a coefficient of 0.252 and a significance value of 0.004. Based on these two coefficients, the indirect effect is calculated as follows:

$$PZ_2X * PZ_2Y = 0,426 \times 0,252 = 0,107$$

The Sobel test produced a Z-score of 2.37, which is greater than the critical Z-value (± 1.96) at a 5% significance level, with a p-value of 0.017 (< 0.05). This indicates that job satisfaction significantly mediates the effect of compensation on employee performance. Therefore, it can be concluded that compensation not only has a direct impact but also indirectly influences employee performance through increased job satisfaction.

DISCUSSION

The Influence of Compensation on Employee Performance

Compensation is an important aspect within a company, especially for employees, as it reflects recognition of their contributions. In Palm Oil Mill at Sei Baruhur, compensation is provided not only in the form of salaries but also includes allowances, bonuses, incentives, and other benefits such as housing, healthcare services, and annual leave. When compensation is perceived as fair



and adequate, employees tend to demonstrate increased enthusiasm, responsibility, and motivation, which positively impact their performance.

The research findings indicate that compensation has a significant effect on employee performance, with a significance value of 0,001 and a regression coefficient of 0,334. This means that the better employees perceive the compensation they receive, the higher the level of performance they demonstrate. This research finding is in line with the study conducted by Linda et al, on employees at PT BRI (Persero) Tbk., Abunjani Sipin Branch, Jambi, Which showed a positive and significant effect of compensation on employee performance, with a coefficient of 0,221 (A et al., 2025). Another study conducted by Opan Arifudin on employees at PT. Global (PT. GM) stated that the compensation provided by the company was categorized as good, as indicated by the respondents' average score of 3.89. This finding is supported by an analysis showing that compensation has a significant effect on employee performance (Arifudin, 2019).

The Influence of Compensation on Work Motivation

Based on the results of this study, the effect of compensation on work motivation was found to be not significant (with a significance value of $0.530 > 0.05$). This indicates that although most respondents considered the compensation they received to be adequate, it did not directly influence their level of motivation at work. These findings suggest that employee motivation in Palm Oil Mill Sei Baruhur is not solely dependent on financial rewards or provided facilities, but is more influenced by other factors such as the work environment, relationships with supervisors and colleagues and satisfaction in accomplishing tasks. This result differs from the study conducted by Linda et al. on employees at PT BRI (Persero) Tbk., Abunjani Sipin Branch, Jambi Province, which showed that compensation had a significant influence on motivation with a coefficient of 0.847 (A et al., 2025). Another study conducted by Ananda et al. on employees of the Regional Secretariat of Balangan Regency showed that compensation had a highly significant effect on employee work motivation, with an influence of 37% (Kamila et al., 2024). A study by Esha and Jumjuma on employees of CV Satu Atap Communication in Medan revealed that salary, allowances, incentives, and facilities contributed 62.6% to work motivation (Lumbanraja & Jumjuma, 2024).

This is also supported by responses to the questionnaire items related to work motivation, which included both intrinsic and extrinsic aspects. Many respondents stated that they felt motivated because their work aligned with their interests, they took pride in their achievements, and they had good relationships with coworkers and supervisors. Meanwhile, although the questionnaire items on compensation covered elements that are typically expected to support motivation such



as incentive systems, bonuses, and workplace facilities, these items indicated that compensation was not the main driver of motivation.

The Influence of Compensation on Job Satisfaction

Job satisfaction is a positive emotional state resulting from the evaluation of one's job and the conditions that support it. The findings of this study indicate that compensation has a significant effect on employee job satisfaction at Sei Baruhur Palm Oil Mill. Based on the regression analysis, the significance value obtained was 0.000 ($p < 0.05$), indicating a strong relationship between the compensation received and the level of job satisfaction experienced by employees. This means that the more appropriate and adequate the compensation provided by the company, the higher the level of employee job satisfaction.

In line with this results, a study conducted by Sapta and Yenny on employees at PT. Kencana Arta Raya Denpasar showed a path coefficient of 0.4675, indicating that compensation has a direct and stronger positive effect on job satisfaction. This means that the higher the compensation, the higher the level of job satisfaction (Widyawati & Verawati, 2018). Another study by Teguh et al. on employees at PT PLN (Persero) East Java Distribution, Malang Area, also found a significant effect of compensation on job satisfaction, with a β coefficient of 0.232, a t-value of 2.230, and a probability value of 0.029 at an alpha level of 0.05 ($0.029 < 0.05$) (Retnoningsih et al., 2017).

This is also reflected in the questionnaire results, which show that most employees are satisfied with their salary, the provision of bonuses and incentives based on performance, and other facilities such as housing, vehicles, healthcare services, and family allowances. Additionally, respondents noted that supporting facilities such as rest areas, safe and clean working conditions, and consistent leave policies contribute to a comfortable work environment.

The Influence of Work Motivation on Employee Performance

Work motivation refers to the internal and external drives that push an individual to act and achieve specific goals in their job. In a corporate setting, high employee motivation is often associated with improved performance in terms of quality, quantity, timeliness, and responsibility.

Based on the results of this study, work motivation does not have a significant effect on employee performance at Sei Baruhur Palm Oil Mining. The regression analysis yielded a significance value of 0,494 ($p\text{-value} > 0,05$), indicating that there is no statistically significant direct relationship between work motivation and employee performance. This finding aligns with



the study by Elshanty, which showed that work motivation had a positive and significant effect on employee performance at PT. Nikkatsu Electric Works Bandung, with an influence of 30.7%, where the t -value (7.080) $>$ t -table (1.981), and the significance value was $0.000 < 0.05$ (Setyawati, 2024). Furthermore, a study by Alvarez et al. on employees at PT. PLN (Persero), East Java Distribution, Malang Service and Network Area, also showed that work motivation had a significant effect on employee performance (Sandhria et al., 2016).

Based on the questionnaire responses in this study, the majority of employees demonstrated a high level of work motivation, both from intrinsic aspects such as pride in achievement, a sense of responsibility, and satisfaction in completing tasks, as well as from extrinsic aspects such as good relationships with supervisors and coworkers, a comfortable work environment, and a sense of safety in the workplace. However, this high motivation does not necessarily translate directly into improved performance in terms of punctuality, productivity, or meeting work standards.

The Influence of Job Satisfaction on Employee Performance

Job satisfaction is a positive emotional condition experienced by employees as a result of evaluating various aspects of their work. In this context, job satisfaction is measured through several dimensions, including the work itself, salary, working conditions, interpersonal relationships, and demographics. Some of the statements in the questionnaire reflect satisfaction with job challenges, fairness in rewards and promotions, comfort in the work environment, and social relationships with coworkers.

Based on the research findings, there is a significant influence of job satisfaction on employee performance. The obtained significance value is $0.004 (< 0.05)$, indicating that job satisfaction has a direct and positive relationship with performance improvement. The regression coefficient of 0.252 also suggests that each increase in job satisfaction proportionally enhances employee performance. This finding is consistent with the research conducted by Gary on employees at One Way Production, which showed an influence of job satisfaction on employee performance with a t -count value of 4.962, higher than the t -table value of 1.985, and a significance value of $0.000 (< 0.05)$ (Changgriawan, 2022). In contrast to the present findings, research conducted by Septia on employees at PT. Agro Rawas Ulu in South Sumatra revealed no significant relationship between job satisfaction and employee performance, with a p -value of $0.085 (> 0.05)$ (Istiqamah, 2022).

Employee performance in this study is assessed through indicators such as the quality of work output, quantity of completed tasks, timeliness in completing assignments, and teamwork. Employees who feel satisfied tend to be more responsible, arrive on time, and complete tasks,



according to targets. Satisfaction with a conducive work environment, positive social relationship, and recognition of individual contributions has proven to be key drivers in enhancing productivity and performance at the Sei Baruhur Palm Oil Mill.

The Effect of Compensation on Employee Performance Through Work Motivation

In a corporate context, compensation is often regarded as one of the key drivers of motivation, which in turn impacts performance. However, based on the results of this study, this relationship was not fully evident at the Sei Baruhur Palm Oil Mill.

Statistically, the path from compensation to work motivation was not significant ($p = 0.530$), nor was the path from work motivation to employee performance ($p = 0.494$). This indicates that even though employees felt they had received fair compensation such as salaries, incentives, and benefits including leave and healthcare services. The compensation was not strong enough to increase work motivation that would subsequently improve performance. These findings contradict the research conducted by Linda et al., which showed a positive effect of compensation on performance through work motivation, with a coefficient of 0.365 (A et al., 2025).

The questionnaire results also revealed that the majority of respondents gave positive assessments on compensation indicators, such as salary aligned with workload and performance based incentives. However, when examining work motivation particularly intrinsic motivation indicators such as “feeling proud of work achievements” or “feeling satisfied when completing tasks well”, the responses varied. This suggests that compensation is not a sufficient primary driver to increase motivation that could significantly enhance performance.

The Effect of Compensation on Employee Performance Through Job Satisfaction

Job satisfaction is one of the key variables that can serve as a bridge between compensation and employee performance. The findings of this study indicate a significant indirect effect of compensation on performance through job satisfaction. Based on the Sobel test, the result showed a Z value of 2.37 and a p-value of 0.017, which means that the indirect effect is statistically significant at the 95% confidence level ($\alpha = 0.05$). These findings are consistent with the study conducted by Nadiyah on employees at CV. Puspa Jembrana Bali, which showed a direct effect of compensation on employee performance of 0.222, a direct effect of job satisfaction on performance of 0.565, and an indirect effect of compensation on performance through job satisfaction of 0.342 (Afriani, 2021).



According to the "Equity Theory" of job satisfaction, employees feel satisfied or dissatisfied depending on whether they perceive fairness (equity) in their situation. From the questionnaire results, the majority of respondents believed they received fair compensation. When employees feel satisfied with what they receive from the company, they tend to be more motivated to work better, maintain quality and punctuality in completing tasks, and demonstrate a strong sense of responsibility toward their duties.

CONCLUSION

The study concludes that compensation has a significant positive impact on employee performance, both directly and indirectly through job satisfaction. Fair and appropriate compensation increase job satisfaction, which in turn enhances performance. However, compensation does not significantly influence work motivation and work motivation itself does not significantly affect employee performance in this research. Thus, job satisfaction serves as a more effective mediating variable than motivation in the relationship between compensation and performance. These findings highlight the importance of fostering employee satisfaction to improve productivity at the Sei baruhur Palm Oil Mill.

LIMITATION

This study is limited to workers in the main production line (management, technical, and quality assessment units) at the Sei Baruhur palm Oil Mill. The scope of variables is restricted to specific types of compensation, intrinsic and extrinsic motivation, and selected dimensions of job satisfaction. Employee performance is measured only in terms of timeliness, work quality, and output quantity. Therefore, the findings cannot be generalized to all types of workers or other units beyond the context of this study.

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