

Analysis of Compensation and Gratitude on Employee Motivation and Performance

Edwin Indra Prasetyo^{1*}, Martaleni², M. Jamal Abdul Nasir³

^{1,2,3} Universitas Gajayana, Jawa Timur, Indonesia

*Email: edwinindraprasetyo@gmail.com

ARTICLE INFO	ABSTRACT
<p>Keywords: Compensation, Gratitude, Motivation, Performance.</p>	<p><i>This study aims to investigate and analyze the impact of several factors on employee performance within the Department of Industry and Trade of Mojokerto Regency, East Java. Specifically, the study examines: 1) the effect of compensation on motivation, 2) the influence of gratitude on motivation, 3) the relationship between compensation and performance, 4) the impact of gratitude on performance, 5) the association between motivation and performance, 6) how compensation affects performance through motivation, and 7) how gratitude influences performance through motivation. The research adopts an explanatory research approach. The population consists of 48 employees with ASN status at the Department of Industry and Trade Mojokerto Regency, all of whom were included in the study using a saturated sampling technique. Data collection involved administering questionnaires directly to respondents. Statistical analysis employed path analysis, preceded by tests for validity, reliability, and assumptions including multicollinearity, heteroscedasticity, and normality. Hypothesis testing utilized a significance level of 5%. The findings indicate that compensation significantly enhances both motivation and performance. Conversely, gratitude does not affect motivation or performance directly. These results underscore the importance of effectively managing compensation strategies to foster employee motivation and enhance organizational performance.</i></p>

INTRODUCTION

One persistent and perplexing problem organizational leaders face is why some employees' performance fluctuates. Maybe he is unable to complete the assigned Work, or because of other factors, he does not have the motivation to work well. Performance shows the quality and quantity of Work that can be achieved by an employee in carrying out tasks according to the responsibilities given to him (Mangkunegara & Hasibuan, 2019). Several important variables have been studied to explain why some employees' performance fluctuates. The research (Supriatna & Ardiyanto, 2019) proves that compensation significantly affects performance. Furthermore, his research (Cortini et al., 2019) proves that gratitude significantly affects performance.

Compensation According to (Simamora, 2018), compensation includes financial rewards and intangible services and benefits received by employees as part of the employment relationship. Compensation is what employees receive in exchange for their contributions to the organization (Maulidiyah et al., 2021). Compensation terminology is often used interchangeably with salary and wage administration; however, compensation terminology is a broader concept. When appropriately managed, compensation helps an organization achieve its goals and acquire, maintain, and retain a productive workforce.

Compensation is any form of employee payment or reward that arises from their Work (Dessler, 2015). Furthermore, gratitude is a form of emotion, attitude, moral value, habit, personality trait, or a person's response or reaction to something or a situation (Emmons & McCullough, 2019)..

His research (Supriatna & Ardiyanto, 2019) proves that compensation significantly affects performance. Meanwhile, (Cortini et al., 2019) The novelty of this research compared to the two researchers mentioned above is that this study adds motivation variables as mediating variables for the effect of compensation and gratitude on

performance with the consideration that motivation reflects something unique to each of us and allows us to obtain valuable results such as improved performance, increased welfare, personal growth, or goals. Motivation is a way to change how we think, feel, and behave to improve employee performance (Souders, 2019). The previous statement is supported by his research (Rizal et al., 2014), proving that motivation has a significant effect on performance,

Based on the explanation above, the purpose of this research is to understand and analyze the influence of compensation and gratitude on motivation and performance, both directly and through motivation as a mediating variable. The benefits of this research include providing insights for organizational leaders on the importance of compensation and gratitude in enhancing employee motivation and performance, and offering strategies to improve overall organizational productivity.

METHOD

This research was conducted at the Department of Industry and Trade of Mojokerto Regency, East Java. This study uses an explanatory type of research. The population of this study is all employees with ASN status at the Mojokerto Regency Industry and Trade Office, which totals 48 people. The sampling technique used was a saturated sample technique, so that the entire population was used as a sample of 48 ASN.

The data collection technique was carried out through a questionnaire that was given directly to the respondents. Data related to the research variables were analyzed using path analysis. Before the analysis, the data is first tested for validity and reliability, as well as through classical assumption tests that include multicollinearity, heteroscedasticity, and normality tests. To test the hypothesis, a t-test with a significance level (alpha) of 5% is used.

Research Hypothesis

- Hypothesis 1: Compensation has a significant effect on motivation.
- Hypothesis 2: Gratitude has a significant effect on motivation.
- Hypothesis 3: Compensation has a significant effect on performance.
- Hypothesis 4: Gratitude has a significant effect on performance.
- Hypothesis 5: Motivation has a significant effect on performance.
- Hypothesis 6: Motivation mediates the effect of compensation on performance.
- Hypothesis 7: Motivation mediates the effect of gratitude on performance.

RESULTS AND DISCUSSION

Test Results: Validity, Reliability, and Classical Assumptions

Table 1. Summary of Test Results: Validity, Reliability, and Classical Assumptions

Test	Test Equipment	Results	Summary
Validity	Pearson Model Correlation	Sig. value < 5%	Valid
Reliability	Cronbach Alpha	The value is > 0.6	Reliable
Classic assumptions:			
Multicollinearity	VIF	Value < 10	Not violated
Heteroscedasticity	Scatter Plot	Irregular image	Not violated
Normality	Kolmogorov-Smirnov	Sig. value > 5%	Normal

In Table 1 above, the test results—validity, reliability, and classical assumptions—show that nothing is violated, so the use of path analysis as an analytical tool in this study is feasible.

Hypothesis Testing Results

Path analysis is used, and the results of the hypothesis test

Table 2. Summary of Path Analysis Results

Description	p-value (sig value)	Hypothesis Conclusion
H1: X1 => Y (direct effect)	0.001	Retrieved
H2: X2 => Y (direct effect)	2.240	rejected
H3: X1 => Z (direct effect)	0.000	Retrieved
H4: X2 => Z ((direct effect)	0.023	Retrieved
H5: Y => Z (direct effect)	0.011	Retrieved
H6: X1 => Y => Z (indirect effect)	Sobel test <i>p-value</i> 0.0037 < 5%	Retrieved
H7: X2 => Y => Z (indirect effect)	Sobel test <i>p-value</i> 0.263 > 5%	rejected

Source: Primary data processed by researchers in 2023

To determine whether motivation is a mediator, the Sobel test is used. Table 2 above shows the effect of $X1 \Rightarrow Y \Rightarrow Z$ p-value of the Sobel test result is $0.0037 < 5\%$. This indicates that motivation can mediate/enhance the effect of compensation on employee performance. Meanwhile, the indirect effect of $X2 \Rightarrow Y \Rightarrow Z$ p-value of Sobel test results is $0.263 > 5\%$. This indicates that motivation cannot mediate/enhance the effect of gratitude on employee performance.

Compensation Significantly Affects Motivation

This study proves that compensation has a significant effect on motivation. The better the compensation, the better the work motivation. Therefore, it is necessary to carry out an effective employee compensation strategy by referring to Nurshafa (2023) including: 1). Provide incentives and performance bonuses. Providing compensation according to employee performance can encourage employee motivation to work better and achieve predetermined targets. Note that incentives and bonuses must be based on achievements that can be measured objectively, for example, sales and customer satisfaction scores. This needs to be done to avoid subjective assessments that are unfair and non-transparent. Incentives and performance bonuses encourage employees to work more optimally and contribute significantly to organizational success. 2). Create a career development and training program. Career development and training programs are components of compensation strategies that increase employee motivation. By providing opportunities to develop skills and knowledge through training, certification, or continuing education programs, organizations demonstrate a commitment to employee growth. This can help increase employee loyalty and also retain talented employees. Employees who feel valued and have opportunities for career development tend to be more productive and loyal to the organization. 3) Create an employee benefits program. A comprehensive employee benefits program is also an essential component of compensation strategy. Health insurance, retirement benefits, flexible leave, and other welfare benefits are examples of benefits that can improve employee satisfaction and well-being. Employee benefit programs help create a balanced work environment and demonstrate the organization's concern for employees. Employee benefit programs are a type of indirect financial compensation. 4). Provide recognition and appreciation. Recognition of employee contributions is an essential component often overlooked in compensation strategies. Providing rewards, recognition, and employee development opportunities effectively motivates and strengthens employees' attachment to the organization. Employees who feel valued and recognized for their efforts are more motivated to deliver top performance. Recognition and appreciation of employees are included in non-financial compensation.

Gratitude Has No Significant Effect on Motivation

This study proves that gratitude has no significant effect on motivation. Therefore, gratitude needs to be increased to significantly affect work motivation by referring to (Saputra, 2022) as follows: 1). Sharing with others. Assisting others who are in need will help increase gratitude within oneself. We will understand that there are many people out there who live in deprivation. So, we have no reason to continue lamenting our fate and demanding unlimited wealth. In addition, sharing will lead us to live and always get closer to God Almighty. 2). Eliminate a picky attitude. The picky attitude is the willingness to be grateful if all targets and goals in life have been fully achieved. This is inappropriate because we must always be grateful, even though our process has obstacles. 3) Stop complaining. Humans are fond of complaining, especially when dealing with complicated problems. Complaining will not solve the problem; it will only add new problems. By stopping complaining and getting up from adversity, we will always be grateful and find happiness. 4). Worship. Worshiping according to each religion and belief is a form of gratitude for all the blessings we have received in this world. Therefore, do not be lazy to worship, so God always grants all our needs and avoids negative behavior that can harm you or others.

Compensation has a Significant Effect on Performance.

This study proves that compensation has a significant effect on performance. The better the compensation, the better the performance. Therefore, compensation needs to be improved so that performance also increases, concerning (Symonds, 2024) as follows: 1). Setting the budget allocation. The first step is determining how much the compensation budget is and how it will be allocated. In other words, how much of the budget will be allocated to salaries, and how much will be set aside for benefits and other incentives? This will help control labor costs, healthcare, and other benefit costs. Be as realistic as possible with HR and operational budgets. Identify how much can be spent on specific employees and stick to it. Make sure you account for all costs, including taxes, payroll costs, existing benefits, compensation, and bonuses should also consider any performance or merit increases that

will be offered as part of the annual review process. 2). Researching compensation strategy market data. The next step is market research. This means investigating trends in terms of compensation and benefits. What does salary benchmarking look like for each role in the organization? What compensation packages do competitors offer? This will help establish what to offer to stay competitive to attract the best talent to the business. 3). Determine the salary value of the compensation strategy. After conducting the research, it is necessary to determine the compensation framework. This means determining salary levels based on job position and duties. For example, a lower salary level might cover entry-level roles, salary level two for technician roles, salary level three for managers, and salary level four for executives. This framework will help determine how much to pay each level according to job requirements and experience (skill- or competency-based pay). This is one of the foundations of a competitive compensation strategy. It is also good to conduct a salary equity analysis to ensure all employees at each level are paid fairly and thoroughly. In other words, it offers the same salary to all employees performing the same tasks, regardless of gender, race, or other defining characteristics. 4). Verify compliance requirements. While it is generally accessible to determine the compensation strategy, several legal obligations must be complied with. Ensure that all legal requirements are met when defining a strategic compensation system, and clearly outline all payments and deductions on pay stubs. 5). Design the benefits package. Determining salary levels is one part of the compensation system. However, it is also necessary to consider what additional benefits will be offered to employees. Benefits can be a huge incentive that often reinforces a potential new hire's decision to join the organization or accept an offer from one of the competitors. The goal is to be competitive while sticking to a budget allocation. This means not going overboard or offering benefits that, realistically, cannot be earned in the long run. It should also consider which incentives are more appealing to the demographics of the workforce. For example, would employees value health insurance, retirement incentives, or tuition reimbursement more, what about flexible working hours, access to on-site services, or subsidized transportation allowances, and how many benefits can realistically be offered for each salary level?

Gratitude Has a Significant Effect on Performance.

This study proves that gratitude has a significant effect on performance. The higher the gratitude, the higher the performance. Therefore, the existence of gratitude needs to be improved so that the performance is even higher by referring to the following recommendations (Mosunic, 2023) as follows: 1). Remember the bad. To be grateful for your current situation, it helps if you remember the difficult times you have experienced. When you remember how difficult life used to be and how far you have come, you set a clear contrast in your mind, and this contrast is fertile ground for gratitude. 2). Share your gratitude with others. Research has found that expressing gratitude can strengthen relationships. So, the next time your partner, friend, or family member does something you appreciate, be sure to let them know. 3). Use visual reminders. Since the two main obstacles to gratitude are forgetfulness and lack of awareness, visual reminders can serve as cues to trigger grateful thoughts. Often, the best visual reminders are other people. 4). Vow to practice gratitude. Research shows that making a vow to perform a behavior increases the likelihood of the action being carried out. Therefore, write your gratitude vow, a simple sentence like "I vow to count my blessings every day," and post it somewhere where you will be reminded of it daily. 5). Think outside the box. Suppose you want to take advantage of opportunities to flex your gratitude muscle. In that case, you must creatively look for new situations and circumstances that can make you grateful. Please share creative ways you have found to help you practice gratitude.

Motivation Has a Significant Effect on Performance.

This study proves that motivation has a significant effect on performance. The higher the motivation, the higher the performance. Therefore, motivation needs to be increased to increase performance by referring to (Ruangmenyala, 2024) as follows: 1). Create space to grow. As an organization that wants to create a good office ecosystem, how to increase employee motivation can be done by providing space for them to grow. The trick is, that organizations can provide various trainings, both from internal and external. Not only is it helpful in improving employee skills, but if they are increasingly mastering their abilities at Work, this also positively impacts the organization. 2). Build a good working environment. One of the factors of employee comfort at Work is the supportive environment around them. Building a positive and comfortable environment can increase work motivation for employees. You can create a work environment that feels familiar to employees, such as providing lounge or game facilities to take a break. In addition, you also need to ensure that the office environment has air circulation and a lighting system that will provide comfort to each employee at Work. 3). Routinely hold employee gatherings. After every day struggling with the work routine, there is nothing wrong with you; once in a while you hold an employee gathering to refresh yourself and the employees. Not only is it valuable as a healing time for them, but this activity can also be a place for employees to get to know each other. Thus, when the relationship

gets closer between employees, it makes teamwork in the organization run smoothly. 4). Give appreciation to employees. In addition to employee gathering, the following way to increase employee motivation is to give appreciation for their performance. Moreover, when employees show growing work results or have achieved specific targets for the organization, this form of appreciation is proof that the organization appreciates the performance of each of its employees; it can be in the form of salary bonuses, shopping vouchers, or allowing them to take a vacation. 6). Work according to interests. One way to increase your work motivation that needs to be done from the start is to choose a job according to your interests and expertise. Do Work according to your interests and expertise. You will not see tasks from the organization as a burden. 6). allow employees to have an opinion. The following way to increase employee motivation is for a supervisor to provide opportunities for employees to participate in positive decision-making. Involving them in the decision-making process can provide a greater sense of ownership of the organization, thus increasing employee motivation to achieve the desired results.

Motivation Can Mediate the Effect of Compensation on Performance

This study proves that motivation can increase the effect of compensation on performance. Therefore, motivation needs to be increased so that the effect of compensation on performance is further increased by referring to (GreatNusa, 2023) as follows: 1). Provide training and career development. Providing employees with training and career development opportunities is one of the most effective ways to increase work motivation. By providing training and career development, employees will feel more valued and have the opportunity to improve their skills and knowledge in their Work. 2). Providing positive feedback. Providing positive feedback to employees can increase their work motivation. Positive feedback can give employees confidence and make them feel more valued and recognized for their contributions to the company. 3). Provide a comfortable working environment. Providing a comfortable and organized work environment is one way to increase employee motivation. A good working environment can help employees feel comfortable and calm while working it can increase their productivity and work motivation. 4). Give awards. Rewarding employees who work hard and achieve targets can increase their work motivation. The awards can be in the form of bonuses, certificates of appreciation, or other gifts that can increase employee motivation and show that the company cares about them. 5). Provide flexible work opportunities. Providing flexible work opportunities such as working from home or setting a more flexible work schedule can also increase employee motivation. Employees with a more flexible work schedule are more motivated and productive in achieving organizational goals. In addition, this can also encourage employees to have better time management.

Motivation Is Not Able to Mediate the Effect of Gratitude on Performance

This study proves that motivation cannot increase gratitude's effect on performance. Therefore, motivation needs to be increased so that the effect of gratitude on performance increases by referring to (Dwinda, 2023) as follows: 1). Recognize employees' hard work and achievements. A culture of appreciating employee contributions will create a positive work climate, making everyone perform at their best. Recognition is the easiest but most effective reward. Give them praise, mention their names in front of the organization's leaders, and congratulate them on their performance. You can also reward employees with performance-based bonuses, incentives, gifts, or anything else valuable to them. Employees who are valued will be more motivated than those who are not. 2). Listen to complaints and feedback. It would help if you were a good discussion partner and listener to your team members. Your employees may have fresh ideas or complaints they want to share with you or the company. Taking the time to listen to them lets you know their problems or difficulties at Work and makes them feel valued and considered part of the team. This can help them to be more energized at Work. 3). Ask what they want. Do not hesitate to ask your employees what they want or need, work-related and future. You will probably get various answers about what is important to them. However, you can draw a common thread: benefits, time off, or extra bonuses. 4). Provide growth opportunities. Your employees do not just need a paycheck in exchange for Work. They also need a place to grow and develop their careers. For this reason, you should create an environment that provides open career paths, transparent and performance-based promotions, and skills and competency training. Giving them hope and opportunities for advancement indirectly makes them more eager to achieve and align their goals with the organization's goals.

CONCLUSION

The results of this study conclude that first, compensation significantly affects motivation, meaning that the better the compensation, the better the motivation. Second, gratitude does not affect motivation, meaning that the existence of gratitude, whether it is good or bad, does not have an impact on motivation. Third, compensation

significantly affects performance, meaning that the better the compensation, the better the performance. Fourth, gratitude has a significant influence on performance, which means that the better the gratitude, the better the performance. Fifth, motivation significantly affects performance, which means that the better the motivation, the better the performance. Sixth, motivation can increase the influence of compensation on performance, meaning that the higher the motivation, the greater the influence of compensation on performance. Seventh, motivation cannot increase the influence of gratitude on performance, meaning that the existence of motivation cannot increase the influence of gratitude on performance.

Based on the findings of this study, it is recommended that the Mojokerto Regency Industry and Trade Office do several things. To increase compensation, it is necessary to take several steps such as providing incentives and performance bonuses, creating career development and training programs, creating employee benefits programs, providing recognition and appreciation, establishing budget allocations, researching market compensation strategy data, determining the salary value of compensation strategies, verifying compliance requirements, and designing benefits packages. To increase gratitude, actions such as sharing with others, eliminating pickiness, stopping complaining, worshipping, remembering bad things, sharing gratitude with others, using visual reminders, promising to practice gratitude, and thinking outside the box are necessary. To increase motivation, steps are needed such as creating space for growth, building a good work environment, regularly holding employee meetings, giving appreciation to employees, working according to interests, and providing opportunities for employees to have an opinion.

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