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Correlation of Incentive and Reward to Improve Employee Performance and Job Satisfaction at Operating Paper Mill in East Java Indonesia

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Abstract

The purpose of study to know the correlation between incentives and rewards on performance and job satisfaction of employees, in particular of employees at its existing operations at the paper mill in East Java. This is explanatory research, using 100 samples. Data was collected by disseminating a questionnaire. Data analysis tool using path analysis with the statistical software. This indicates that the employee's performance as the intervening variables play a role in strengthening the relationship/influence of incentive and reward of employee job satisfaction. Reward has a greater influence on employee performance than incentive. The results of this research are: (a) a variable incentive and reward directly influence significantly to the performance of employees, (b) a variable incentive and reward directly not significant with respect to job satisfaction of employees, (c) variable incentive and reward indirectly through employee performance influence significantly to job satisfaction of employees

Keywords: Incentive, Reward, Performance, Job Satisfaction.

1. Introduction

The growth of industry in Indonesia has reported by Java Post Newspaper on April 15, 2007. It showed some of the major industries that affect foreign countries, namely the food and beverage industry, textile side, forest products, paper, fertilizers, basic metals, machinery and equipment other goods showed growth that is not the same. Basic metal industry showed good growth, but rather the growth of paper industry continues to experience a decline in growth of 7.6% in 2004 whereas the year 2005 amounted to 2.5%, and in 2006 only 0.4%. Decline in industrial growth that is increasingly sharply with regard to performance produced by the company. In East Java in particular, there are three paper mills which are international-scale PT. Paper Lece in the Probolinggo district, PT Pakerin and PT Tjiwi Kimia paper mill. that paper mills are oriented to the international market. This has resulted in the need to continue to develop human resources as one of the key competencies that owned the company for dealing with the global market. Therefore, the Organization should already make improvements and changes to maintain aspects of their competencies. Rapid change requires that an organization have employees who are able to adapt, work effectively, improving the system constantly, focus to consumers and share the need to get profit.

Human resources in companies having roles and functions those are essential for the achievement of business goals. Human resources here includes the whole human being exists in the Organization, namely those involved in operational activities of the company started from the lowest level to top management. Despite the different level, throughout the human resource elements have the same roles to whether or not the company goals are achieved. Waiver of one part would be to inhibit the achievement of company goals. Objectives to be achieved through the granting of incentives, among others "to appreciate the performance, ensuring justice, maintain employee, obtain quality employees, control costs and comply with regulations" which in General (Sedarmayanti, 2007), the purpose of the compensation management is helping organizations achieve strategic success and ensure the internal and external in a fair manner. One way to support it is giving an incentive for labor that has possessed qualifications in accordance with the set.

Reward or award is an important issue because it is the main thrust of someone being the employee, also had a great influence on the morale and performance of employees. Experience shows that a reward is not adequate or does not comply with the hope of lowering the work achievement/performance, motivation, and job satisfaction of employees or even cause a potential employee out of the company. Generally employees are willing and want to do activities that have significance for him and for organizations that provide increased capability and job satisfaction for the employees. However, each employee has a different level of job satisfaction in accordance with the values or perceptions are adhered to. The more aspects in the work in accordance with the wishes and needs of employees, the higher the level of job satisfaction felt by employees and vice versa.

2. Theoretical

2.1. Incentive

Heidjrachman and Husnan (1992) explain that the granting of incentives are intended to provide the wages or salary are different. So two employees who have the same office can receive different wages due to different work achievement. In addition, the primary purpose of providing incentives to employees is basically to motivate them to work better and can show a good performance. This way is a very effective way to improve the production results of the company.

According to Panggabean (2002) incentive compensation is associate salaries with productivity. Incentive award in the form of money that is given to those who can work beyond a predetermined standard. The main function of the incentive is to give responsibility and encouragement to employees. Incentives to guarantee that employees will direct its

efforts to achieve the objectives of the organization. While the primary purpose of providing incentives is to increase work productivity of individuals and groups.

2.2. Reward

Reward is the convenience of the service. In the context of the management company, the reward is given to the company services and convenience to the employee, the employee's work for the company. Things that can affect the reward among others: Office of weights, the achievement of targets, the competence of the holder of the Office and its work. According to Nugroho (2006) reward is the reward, gift, reward or rewards that aims to make someone become more enterprising her efforts to correct or improve the performance that has been achieved. According to Ivancevich *et al.*, (2011) Awards reward can be intrinsic rewards (rewards intrinsic) that is a tribute arranged by myself (personal/private) by employees, include: settlement (completion), achievement (achievement), autonomy (autonomy), and personal growth (growth).

2.3. Employee Performance

The performance is a term in general use for some or all of the actions of an organization in a period with reference to a number of standards such as the cost of the past or projected on the basis of efficiency, accountability or a management accountability. The performance itself refers to the levels of achievement of tasks that make up a work of employees, reflecting the extent of the employee's performance meets the requirements of a job. Simamora (2004) States that the performance or achievements work (performance) is interpreted as an expression of the capability based on knowledge, attitudes, skills and motivation in producing something. According to Dharma (2003), which became a benchmark of the performance of the employee is a quantity of work, quality of work, and timeliness.

2.4. Job Satisfaction

Robbins (2001) suggest that Job satisfaction is a general attitude towards the work of a person, the difference between the amount the worker receives a reward and the amount that they believe should be accepted. Because a belief over workers who are happy to be more productive when compared to the unfulfilled. According to Mathis and Jackson (2002) job satisfaction is a positive emotional state of evaluating a person's work experience. Job dissatisfaction arose when these expectations are not met. Job satisfaction is made up of many dimensions. In general the observed phase is job satisfaction in the work itself, salary, recognition, the relationship between supervisors and labor, and a chance to advance. Job satisfaction is a measure of the sustainable human development process in an organization. Therefore, no one can hope the Manager is able to make all the employees are happy in their work, job satisfaction needs to still get the attention. By satisfying a variety of desires, whims and needs of employees will be able to determine their attitudes and behaviors in the work. Job satisfaction according to Robbins (2001) is defined as a general attitude towards the work of a person, the difference between the amount the worker receives a reward and the amount that they believe should be accepted. Because a belief over workers who are happy to be more productive when compared to the unfulfilled. Job satisfaction is a person's attitude towards his work, an attitude that stems from their perception about his work, based on: job satisfaction job satisfaction against co-workers, superiors/leadership, opportunities to advance, job, and salary/incentive (Gibson *et al.*, 2006).

3. Methods

The research hypothesis in the study were ; a) Allegedly incentives and rewards affect the performance of the employee, b) allegedly incentives and rewards affect the job satisfaction of employees, and c) Anticipated performance impact on employee job satisfaction. The type of research used in this study is explanatory research, where in this research will be analyzed causal relationships among variables through hypothesis testing that have been set previously.

The population in this research is all employees on the operational part of the paper industry in East Java, who worked at the paper company 3 PT Tjiwi Kimia, PT. Leces, and PT Pakerin. Sample research taken as many as 100 samples of 34 employees of PT Tjiwi Kimia, 33 employees of PT. Leces, and 33 employees of PT. Pakerin. The sampling technique used is accidental sampling namely determination of samples based on coincidence, i.e., anyone who by chance meets with investigators can be used as a sample, if it is seen that people who are found suitable as a source of data (Sugiyono, 2013).

Data analysis techniques using path analysis (path analysis) with the statistical program. Analysis path model is used to analyze the patterns of relationships between variables with the aim to find out directly or indirectly influence the independent variables (exogenous) to the variable (endogenous). In this study the free variables (exogenous) consists of the variables (X1) and incentive reward (X2), while the dependent variable (endogenous) (Y1) is a performance and job satisfaction of employees (Y2)

4. Results and Discussion

4.1. Descriptive Variable Analysis Results

Descriptive research variables analysis results shown in Table 1 below:

Table 1: Descriptive Variable Analysis Results

Variable	mean value	Description
Incentives (X1)	3.6525	Satisfied / very satisfied
Reward (X2)	3.7025	Satisfied / very satisfied
Employee performance (Y1)	3.9068	Satisfied / very satisfied
Job satisfaction (Y2)	4.0760	Satisfied / very satisfied

Table 1 shows that the response or assessment of the operational part of the employees at the paper mill in East Java to a variable incentive is received, the perceived reward, the resulting performance, as well as the perceived job satisfaction can be summed up as a whole is good or higher.

Table 2: Validity of the Test Results

Variables	Indicator	Pearson Correlation	Sig.	Description
Incentives (X1)	Bonus (X1.1)	0.439	0.000	Valid
	Guarantee of the old days (X1.2)	0.654	0.000	Valid
	Health benefits (X1.3)	0.645	0.000	Valid
	Alimony the feasts (X 1.4)	0.368	0.000	Valid
Reward (X2)	Settlement (X2.1)	0.528	0.000	Valid
	Achievements (X2.2)	0.590	0.000	Valid
	Autonomy (X2.3)	0.705	0.000	Valid
	Personal growth (X2.4)	0.485	0.000	Valid
Employee performance (Y1)	Quantity results (Y1.1)	0.519	0.000	Valid
	The quality of the results (Y1.2)	0.567	0.000	Valid
	Timeliness (Y1.3)	0.527	0.000	Valid
Job satisfaction (Y2)	Co-workers (Y2.1)	0.490	0.000	Valid
	Superiors/leadership (Y2.2)	0.604	0.000	Valid
	An opportunity for advanced (Y2.3)	0.531	0.000	Valid
	The work itself (Y2.4)	0.674	0.000	Valid
	Salary (Y2.5)	0.561	0.000	Valid

Table 2 shows that all the indicators or items which are used for measuring research variables i.e. incentive, reward, performance, and employee job satisfaction is valid because the value of its validity under the significance of 0.05 and is able to do further analysis.

Table 3: Reliabilities Test Results

Variable	Alpha Cronbach's	Description
Incentives (X1)	0.659	Reliable
Reward (X2)	0.707	Reliable
Employee performance (Y1)	0.615	Reliable
Job satisfaction (Y2)	0.716	Reliable

Cronbach's Alpha value on all variables is greater than 0.600 as shown in Table 3, so it can be inferred that all the variables are reliability and can be used for further analysis.

4.2. Results of Path Analysis

To know the relationship of causality between the variables in this study used path analysis (path analysis). Based on the results of path analysis with statistical program retrieved results as shown in table 4.

Table 4: Results of Path Analysis

X1 and X2 → Y1					
Variable	Beta	T	Sig.	R	R ²
Incentive (X1)	0.408	3.222	0.002	0.311	0.097
Reward (X2)	0.381	3.472	0.001	0.332	0.110
Constanta		1.003			
R		0.751			
R square		0.564			
F Change		62.633			
Sig.		0.000			
DW		1.822			
X1, X2, and Y1 → Y2					
Variable	Beta	T	Sig.	R	R ²
Incentive (X1)	0.174	1.577	0.118	0.159	0.025
Reward (X2)	-0.076	-0.785	0.435	-0.080	0.006
Employee performance(Y1)	0.693	8.229	0.000	0.643	0.413
Constanta		1,013			
R		0.811			
R square		0.658			
F Change		61.450			
Sig.		0.000			
DW		1.909			

Table 4 shows that the incentive (X1) and reward (X2) a significant impact on the performance of employees. This is evidenced from the results of the analysis of the obtained value of significance (Sig) to incentive and reward under 0.05. In addition the value of sig. for *F* count of 0.000 under value 0.05 ($\alpha = 0.05$). It means the incentive and reward significant effect against the simultaneous performance of employees. Based on the value of t, sig, and the value of R² is shown in Table 4 show that reward has a greater influence on employee performance than incentive.

The value of the contribution the influence of incentive and reward employee performance in improving together – the same time (simultaneous) amounted to 56.4%. The value of the correlation between incentives and reward employee performance against of 0.751 means that the strength of the relationship between free variables i.e. incentive and reward employee performance is strong. The value of the coefficient of the regression line is the second free variables also showed a positive value means that the better or the higher valuation of variable employee incentives and reward then it will directly affect employee performance improvement.

It also showed that the Union put forward a hypothesis proved true. These results are empirically supported research results Mazura and Rosmida (2012) and Kuswanto (2012). The Research results concludes that the incentive effect of performance of government employees (PNS) on the staffing Agency County a positive and significant effect of Dumai City, with its contribution of 32.46%. While the research results Kuswanto (2012) conclude that collectively leadership, communication, motivation and reward positive and significant effect on the performance of the employees of the Educational Agency of Tulungagung District.

Based on the results of path analysis in Table 4, could be explained that incentives (X1) and reward (X2) effect is not significantly to job satisfaction of employees. This is evidenced from the results of the analysis of the obtained value of significant (Sig) to incentive and reward above 0.05. It means the incentive and reward directly not significant effect with respect to job satisfaction of employees part operational at the paper mill in East Java. It means getting better or the higher valuation of employee incentives and reward does not automatically or directly increase employee job satisfaction. This shows that the second hypothesis put forward is not proven to be true. These results are empirically does not endorse or reject the results of the research results of Rahman (2103) but supports research results Oemar (2007). Research results Rahman (2013) concluded that the granting of incentives have a positive and significant influence on job satisfaction of employees.

The research results of Oemar (2007) concludes that the variable has no effect significant positive reward with respect to job satisfaction. This is due to many variables job satisfaction expected by employees other than reward/reward of work received, although this reward themselves considered important by employees that have an important impact on the behavior and performance of employees.

Incentive and directly reward does not affect significantly to job satisfaction because if an employee feels working better or worse than any other employee incentives and reward and gained fewer than expected then that the employee is going to be negative toward her work so that maximum performance is not demonstrated. But if the employee is able to cope with negative feelings and remain his finest performance shows it will have an impact on the satisfaction of his work. Therefore the incentive and reward cannot directly affect the employees ' job satisfaction.

Incentive and reward have no effect on employee job satisfaction directly this is related to the performance of employees, where incentives and reward will be perceived or accepted by employees if their performance is also good or high, if their performance is not good or less then the perceived reward incentives and also low.

The results of this research also shows that employee performance influence significantly to job satisfaction of employees. This is evidenced from the results of the analysis of the obtained value of significance (Sigs.) to the variable performance of under 0.05. That means the performance of employees directly influence significantly to job satisfaction of employees part operational at the paper mill in East Java. That means the better or more high-performance employees will directly have an impact on the improvement of employee's job satisfaction. This suggests that the third hypothesis put forward proved his righteousness. These results are in line with the opinion of the Vecchio (1995) and Gibson *et al.* (2006). Vecchio (1995) that followed the view that performance indirectly lead to job satisfaction.

Gibson *et al.* (2006) argues that there is a trade-off between performance and job satisfaction. On the one hand, job satisfaction leads to increased performance so that workers who are satisfied to be more productive. On the other hand, it can also happen due to job satisfaction of any performance or achievements work so that more productive workers will get satisfaction.

The results of this research empirically supported research results Bagozzi (1980) which States that the employee's performance affects job satisfaction, but not vice versa. Likewise the research results Judge *et al.* (2001), which shows the influence of employee performance by taking action against employee job satisfaction.

Employee performance variables also acts as a variable between (intervening) connecting the incentive and reward with the job satisfaction of employees. And the results of this study indicate that the role of employee performance as intervening variable is very important, because it makes the effect of incentive and reward of employee job satisfaction from being insignificant effect significant effect. Employee performance serves to strengthen the relationship/influence of variable incentive and reward of employee job satisfaction.

5. Conclusion

Based on the research results obtained then it can be inferred variable incentive and reward directly influence significantly to the performance of the employee incentive and reward, the variable directly not significant effect with respect to job satisfaction, employee incentives and reward variable indirectly through employee performance influence significantly to job satisfaction of employees. This indicates that the employee's performance as the intervening variables play a role in strengthening the relationship/influence of incentive and reward with respect to job satisfaction. Reward has a greater impact on performance than incentive employees, the better the perceived reward employees will have an impact on the improvement of performance and job satisfaction of employees.

Reward has a greater influence on employee performance than incentive, so it is recommended to management company (PT Tjiwi Kimia, PT Leces, and PT. Pakerin) to pay more attention to policy work related reward employees that covers the completion, achievement, autonomy and personal growth, such as giving more credence to the employees to work with full authority, with the power of their own, and appreciate every effort the work done by the employees and appreciate the achievements obtained by the employees.

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