compensation, intervening variables, and their effects on employee performance

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ABSTRACT
This study was conducted to analyze the role or influence of compensation in human resource management (HRM), especially those marked by employee performance. The study, in the form of a literature review, was carried out on 12 articles in which there was compensation and several other variables, which were then descriptively analyzed. Compensation will have a maximum effect on employee performance when applied together with other variables, especially those placed as mediation variables or intervening variables.

Keywords: Compensation, Intervening Variables, Human Resource Management (HRM)

INTRODUCTION
Human resources (HR) are one of the company's resources. In addition to financial and physical resources, HR must be managed properly. Even according to the Draft, Richard L. (2003) in Panggabean (2018), machinery or buildings are not a determining factor for a successful company, but the success of the company depends very much on managing its HR. Still in Panggabean (2018), Dessler (2003) added that in human resource management (HRM), there are some things to avoid. One of them is causing improper and unfair salaries for most employees. Not only on salaries, has this also applies to other forms of compensation.
Compensation is a company's obligation to its employees and is one of the important factors in managing HR that determines the company's ability to achieve its objectives. Compensation is a form of appreciation for the contribution that employees make to the company, with the hope that the employee will continue to contribute to the company through stable performance. Even with higher expectations, performance improvement occurred.

Improved employee performance can indeed occur with compensation. In fact, providing compensation does not necessarily improve employee performance. High salaries do not guarantee an employee’s good performance. It is suspected that there are other variables that also affect employee performance, where the effect will be maximum and more certain if the variable is given simultaneously with compensation.

This study was then carried out by reviewing several articles on employee performance, in which there were compensation and other variables. The purpose of this study is to look at the effect of compensation on employee performance; whether the effect is independent or whether it must be with other variables that are placed as intervening variables. There is hope that this study will help the development of human resource (HR) management studies and will serve as a foundation for the subsequent HR welding study.

LITERATURE REVIEW

The performance of employees or human resources (HR) largely determines the progress or absence of a company (Kirana and Pradipta, 2021). According to Mangkunegara (2013), employee performance is defined as how well they perform in terms of quality and quantity in carrying out their duties in line with their responsibilities. One way to motivate and improve employee performance is to provide compensation.

Compensation is all the company gives to employees in return for contributions or services provided by employees to the company (Simamora, 2014). According to Prasada et al. (2020), the amount of compensation can show the level of recognition, status, and level of fulfillment of the needs of employees and their families. According to Hellriegel and Slocum (1996) in Inggira et al. (2021), needs, desires, interests, values, norms, and the attitudes that each individual adheres to will differ based on the typical
of each individual who is also different. Therefore, the process of achieving each individual's performance can also be different.

In several studies (Ramli, 2018; Setyorini et al., 2018; Murtiningsih, 2019; Husain, 2020; Prasada et al., 2020; Sabtohadi, 2020; Indrawanto, 2021; Kirana & Pradipta, 2021; Sulaeman et al., 2021; Maryani et al., 2022; Nuryunanto et al., 2022; Prayekti & Pangestu, 2022), almost all of them show that compensation exerts an influence on aspects of employee performance, and most (more than 75%) show that, in giving effect, there are other variables that also influence. The variable is between compensation and the intended variable. According to Ngatno (2015), the variables that exist between independent variables and dependent variables are referred to as mediation variables (intervening variables). Apart from being between variables, the effect of the intervening variable occurs indirectly.

METHODS
The method used in this study is by reviewing articles or literature (Literature Review Methods) with descriptive analysis. A literature review is a study that reviews and conducts critical analysis of ideas, knowledge, or findings that exist in the literature with academic objectives (academic-oriented literature), as well as formulating contributions, either in theory or even in the methodology related to a particular theme.

The literature used in this study is in the form of 12 most recent related articles (5 last year), consisting of 11 articles published on the Sinta indexed website (minimum Sinta 4) and 1 article published in international journals (Journal of Contemporary Research and Review). The article collection process is carried out using the keywords "compensation". The selection of articles is done by purposive sampling, where the article selected is an article in which there is a study of employee performance, compensation, and variables other than compensation. In addition, the selected article is also an article derived from the Sinta indexed website (except 1 article originating from international journal). It is intended that the results of the analysis carried out are well received because they originate from the review of articles that have gone through a particular testing process.

The twelve articles are then examined, and a descriptive analysis is carried out in the form of tables and a conceptual framework to make it easier in the process of figuring conclusions. The parameters examined focus primarily on the compensation variable
and other variables used, as well as their impact on employee performance. The analysis is done by looking at how much the effect of the variable has on employee performance and by looking at the similarity of each article to obtain the possibility of optimizing the effect if the variable is carried out simultaneously.

RESULT AND DISCUSSION

The results of an article review (literature review), which includes author data, variables used, and research findings, particularly in terms of the relationship between those variables, are shown in Table 1.

| No. | Author/s               | Variables                                                                                      | Review Results                                                                 | Intervening Variables |
|-----|------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------|
| 1.  | Ramli, 2018            | Compensation, job satisfaction, and employee performance.                                      | All variables have a positive effect.                                          | Job satisfaction     |
| 2.  | Setyorini et al., 2018 | Compensation, leadership, job satisfaction, and employee performance.                          | Compensation and leadership each have a positive effect on job satisfaction, which has a positive effect on employee performance, but only compensation does not directly affect employee performance. | Job satisfaction     |
| 3.  | Murtiningsih, 2019     | Compensation, training & development, organizational culture, job satisfaction, and employee retention. | There are variables that have a positive effect, variables that have no effect, and some that have an indirect effect. | Job satisfaction     |
| 4.  | Husain, 2020           | Compensation and employee discipline.                                                          | Compensation has a significant positive effect on employee discipline.          | -                    |
| 5.  | Prasada et al., 2020   | Compensation, work ethic, and organizational commitments.                                       | Compensation and work ethic have a significant positive effect on organizational commitment. | Work ethic           |
| 6.  | Sabtohadi, 2020        | Compensation, organizational culture, organizational commitments, and employee performance.    | Employee performance is influenced by compensation and work culture and is influenced indirectly by organizational commitments. | Organizational commitments |
| No. | Author/s                  | Variables                                                                 | Review Results                                                                 | Intervening Variables |
|-----|--------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------|
| 7.  | Indrawanto, 2021         | Compensation, leadership, job satisfaction, and employee performance.     | Compensation, leadership, and job satisfaction each have an influence on employee performance but are still below 50% and are not carried out simultaneously. | Job satisfaction      |
| 8.  | Kirana & Pradipta, 2021  | Compensation, leadership, job motivation, and employee performance.       | Compensation, leadership, and job motivation each have a positive effect on employee performance, and their influence becomes significant when all three are doing it together. | Job motivation        |
| 9.  | Sulaeman et al., 2021    | Compensation and employee performance.                                    | Compensation affects employee performance (53.1%).                               | -                     |
| 10. | Maryani et al., 2022     | Compensation, competence, and job satisfaction.                           | Compensation and competence affect job satisfaction, but the influence of competence is not significant. | Job satisfaction      |
| 11. | Nuryunanto et al., 2022  | Compensation, leadership, facilities and work environment, and job satisfaction. | Only leadership affects job satisfaction.                                         | Leadership            |
| 12. | Prayekti & Pangestu, 2022| Compensation, leadership, work environment, and job satisfaction.         | Only leadership has no positive effect on job satisfaction. Leadership has a positive effect on job satisfaction when done together with compensation. | Job satisfaction      |

(Source: Study on 12 articles)

Organizations or companies will succeed if existing human resources (HR) are well managed (Draft, Richard, 2003 in Panggabean, 2018; Kirana & Pradipta, 2021). Good HR management is characterized by HR behavior in the form of good HR performance and can also be characterized by its employee retention rates. HR performance or employee retention are dependent variables because they can be influenced, either directly or indirectly, by the variables that exist in HR management, which in 12 articles of the study source consisted of compensation, leadership, job satisfaction, training and
development, work culture, employee discipline, work ethic, organizational commitment, work motivation, work facilities, and work environment. If the variable exerts a direct influence, then it is called an independent variable, but if the influence exerted occurs indirectly, it is called an intervening variable. In other words, in relationships between several variables, there are variables that can act as mediators that affect the relationship of two or more other variables. The effect of these variables does not directly lead to the independent variables but through the mediation process between dependent variables and independent variables, so that their effects can be more maximal. According to Baron and Kenny (1986), the variables that influence the relationship between independent variables and dependent variables are referred to as intervening variables. The following is an overview of the conceptual framework related to the variables:

**Figure 1. A Conceptual Framework for HR Management Variables.**

(Source: Study on 12 articles)

From Figure 1 above, it can be seen that the group variable D is a dependent variable that is affected by the independent variable (group variable A). As an independent variable, the variables in the variable group A give effect to the dependent variable. In giving this effect, some variables in group A can play a role or function as intervening variables, so that the group of variable A becomes a group of variable B, where some
variables become absent because they switch to intervening variables (variable group C). Variables in group variable C, which can then mediate by interchange, affect the relationship between variables in the variable group B (independent) and variables in the variable group D (dependent).

From Figure 1, it can also be seen that an analysis of the effect or impact of variables on other variables can be done within the group of variables itself or between groups of variables, directly or by going through mediating variables (intervening variables) first, depending on the extent of the study objectives to be achieved. All of these analytical methods are in the 12 articles that are the source of the study.

Husein et al. (2020) examine the effect of compensation on work discipline, where the two variables are in the same group of variables, so that although it can be proven that employee work discipline is significantly influenced by compensation, it has not been able to assess overall employee performance. In contrast to Sulaeman et al. (2021), who conducted the study directly looking at the effect of compensation on employee performance, it is obtained that compensation has a significant influence on employee performance, but almost 47% of the effect is caused by other than compensation, meaning that employee performance has opportunities to be more optimal if compensation treatment is also carried out by other treatments as intervening variables. These additional variables must be created as intervening variables because if the variables are carried out separately, the effect or impact can be very weak, as in Indrawanto (2021), which examines the effect of several variables (compensation, leadership, and job satisfaction) directly on employee performance. As a result, each variable exerts an influence on employee performance, but the influence exerted is still very weak (each less than 50%). This can be different if one variable, for example, job satisfaction, is used as an intervening variable (Ramli, 2018; Setyorini et al., 2018; Murtiningsing, 2019; Prayekti & Pangestu, 2022). Besides job satisfaction, other variables that can be used as intervening variables to have a more optimal effect or impact are work ethic (Prasada et al., 2020), work motivation (Kirana & Pradipta, 2021), and organizational commitment (Sabtohadi, 2020). For example, on work motivation, the Kirana & Pradipta study (2021) shows that compensation, leadership, and work motivation all have a beneficial impact on employee performance, and their influence becomes significant when all three are carried out together.
In addition, there are also studies whose studies only come to the influence on job satisfaction, which is seen from the compensation and competency variables (Maryani et al., 2022), which both affect job satisfaction and will be more optimal if the two variables are not separated. The same thing was done by Nuryunanto et al. (2022), but independent variables are used in the form of compensation, leadership, and facilities and work environment, where only leadership provides job satisfaction, while others, including compensation, have no effect. Although it is stated that the absence of the effect of facilities and the work environment, and compensation is due to the existence of COVID-19, in giving effect to job satisfaction, compensation must not be separated from competence (Maryani et al., 2022), so that if it is done, it could be different.

So, out of 12 article studies, besides compensation does not have a significant influence, more than half, whether realized or not, there are intervening variables that mediate the effect of compensation and other variables on employee performance. The most widely used intervening variable is job satisfaction (Ramli, 2018; Setyorini et al., 2018; Murtiningsing, 2019; Prayeki & Pangestu, 2022). Simply put, before influencing employee performance, compensation must also (or first) influence employee job satisfaction so that its effect on performance can be maximized. In other words, before compensation can improve employee performance, the compensation given must be able to increase employee satisfaction first. This also applies to the use of other intervening variables.

CONCLUSION, MANAGERIAL IMPLICATIONS, LIMITATION AND FUTURE RESEARCH

Not all compensation provided causes noticeable changes in employee behavior. In giving effect, there are always other factors or variables besides compensation, which also influence the variable being studied, which can be the dominant compensatory effect or vice versa. In order to have compensation with maximum effect, in other words, so that compensation can have the maximum impact as expected, compensation must be given along with other variables as certifiers in the form of intermediaries (mediators) who can mediate between compensation and the intended variable. This intermediary is referred to as the intervening variables.

Human resource management (HRM) through compensation must also pay attention to intervening variables, such as employee job satisfaction and employee work motivation,
so that the compensation provided is truly effective in improving employee performance or performance as a sign that the employee or human resource (HR) is well managed.

This study was only carried out on 12 articles by taking compensation as a core theme followed by intervening variables by trying to see the linkages. The number of articles studied was limited to only 12 articles, with restrictions that were only the latest articles (5 last year), which became a limitation to being able to conduct analysis and provide conclusions that could truly represent. Therefore, for the next study, the articles used can be in greater numbers, with a wider number of years of publication, adjusted to the theme under review.

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