

The Strategic Role of Remuneration Systems in Enhancing Employee Job Satisfaction and Productivity

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Abstract

The primary objective of this research is to examine the role of remuneration in enhancing job satisfaction and its subsequent influence on employee productivity within State Own Banking Services. The study employs a causal research design with a quantitative approach. A total of 187 employees were selected as respondents through purposive sampling. Data were gathered using a structured questionnaire and analyzed by employing the Partial Least Squares (PLS) method. The empirical results demonstrate that remuneration exerts a significant and positive impact on both job satisfaction and employee productivity. Furthermore, the analysis reveals that job satisfaction significantly contributes to the improvement of work productivity.

INTRODUCTION

Human resources occupy a pivotal position within organizational structures, as the effectiveness of organizational performance largely depends on the presence of a competitive and professional workforce. Given the strategic importance of employees, organizations expect them to deliver high levels of productivity and professionalism. Work productivity is commonly understood as the efficiency with which an organization transforms inputs into outputs, reflecting both the quality of products and services delivered and the effectiveness of their provision to customers. Consequently, productivity serves as a critical benchmark for assessing the success of a company or individual, as well as a reference point for continuous performance improvement (Sutrisno, 2017).

To achieve sustainable productivity, organizations must ensure that employees receive fair and adequate remuneration. Remuneration is defined as the compensation or reward granted by a company to its employees in recognition of their contributions toward achieving organizational objectives (Moeheriono, 2012). The application of a well-structured remuneration system is vital, as it directly influences organizational performance through its effect on job satisfaction. Proper remuneration policies foster employee satisfaction, which subsequently enhances performance and positively impacts overall productivity. Previous research by Mukhlis et al. (2008) confirmed that remuneration directly influences employee productivity, while Jawad and Iqbal (2018) also found a significant and

positive relationship between remuneration and productivity.

Beyond its direct effect on productivity, remuneration is also recognized as one of the primary determinants of job satisfaction, alongside promotion opportunities, supervision, workplace environment, and job characteristics (Robbins & Judge, 2014). Madura (2001) similarly identifies remuneration as a key factor shaping job satisfaction. According to Sopiah (2008), job satisfaction represents an individual's emotional response to workplace conditions, which may manifest positively as satisfaction or negatively as dissatisfaction. Employees typically assess their level of satisfaction by comparing their expectations with the actual rewards received from their work. Several empirical studies (Mukhlis et al., 2008; Surahman, 2019) consistently highlight the significant role of remuneration in shaping employee job satisfaction.

Employee satisfaction, in turn, has substantial implications for efficiency, effectiveness, and overall productivity. A high degree of satisfaction fosters a conducive work environment, enhances motivation, and encourages employees to perform at their best. Mukhlis et al. (2008) demonstrated that job satisfaction directly affects employee productivity, while subsequent studies (Saprudin & Koeswardhana, 2018) reaffirm that satisfaction significantly enhances productivity in the workplace.

Drawing on the foregoing theoretical and empirical perspectives, this study aims to analyze the interrelationships among remuneration, job satisfaction, and work productivity,

with a particular focus on employees of State Own Banking Services.

LITERATURE REVIEW

Remuneration

Surya (2004) defines remuneration as the compensation received by employees in exchange for their contributions to an organization. Remuneration encompasses both monetary and non-monetary rewards, whether provided routinely or on a non-routine basis, and whether distributed directly or indirectly. Examples of direct benefits include wages, salaries, allowances, bonuses, and regular assistance, while indirect benefits may include healthcare, retirement benefits, and other facilities. Sofyandi (2008) emphasizes that remuneration constitutes an organizational expenditure intended to generate reciprocal employee performance. Similarly, Sastrohadiwiryono (2002) views remuneration as compensation provided in recognition of employees' physical and intellectual contributions toward corporate objectives. Poels (2003) adds that remuneration involves structuring compensation frameworks based on job ranking, resulting in salary structures aligned with organizational goals. Within the framework of bureaucratic reform, remuneration is also often conceptualized as a restructuring of payroll systems.

Job Satisfaction

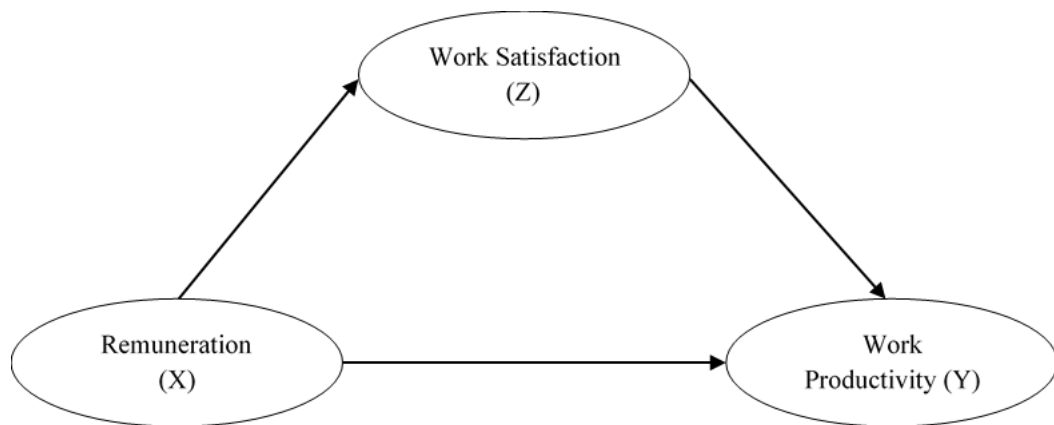
Robbins and Judge (2014) conceptualize job satisfaction as a positive affective response derived from the evaluation of one's job characteristics. Sutrisno (2017) affirms that individuals with high job satisfaction demonstrate positive

attitudes toward their work. Kreitner and Kinicki (2014) define job satisfaction as an affective or emotional reaction to various facets of one's occupation. Sinambela (2012) describes it as an employee's sense of support or discontent concerning their role. Rivai (2014) further suggests that job satisfaction reflects employees' evaluative judgments of their workplace experiences, encompassing both positive and negative emotional responses.

Mathis and Jackson (2006) define job satisfaction as a positive emotional state resulting from the appraisal of one's work experience, while Wagner and Hollenbeck (2009) identify it as the pleasurable fulfillment of job expectations. In line with this, Wilson (2012) posits that job satisfaction shapes whether employees perceive their work as enjoyable or otherwise.

Work Productivity

Siagian (2015) characterizes productivity as the capacity to maximize the utilization of available resources and infrastructure to generate optimal, or ideally maximum, output. Tohardi, as cited in Sutrisno (2017), frames productivity as a mental orientation characterized by continuous improvement and the conviction that current performance can always be surpassed in the future. Sutrisno (2017) underscores productivity as a metric of efficiency, expressed as the ratio between inputs and outputs, while Hasibuan (2010) simplifies it as an arithmetic comparison between total output and the resources consumed during production.



HYPOTHESES

Based on the theoretical foundation and prior empirical studies, the hypotheses formulated in this research are as follows:

H1: Remuneration has a significant and positive effect on Job Satisfaction at State Own Banking Services.

H2: Remuneration has a significant and positive effect on Work Productivity at State Own Banking Services.

H3: Job Satisfaction has a significant and positive effect on Work Productivity at State Own Banking Services.

RESEARCH METHODS

Type of Research

This study employs a quantitative research design with causal-explanatory characteristics. Quantitative data analysis is applied to test the hypothesized relationships among variables, using a structured questionnaire as the primary data collection instrument. The study is classified as causal research since it examines causal linkages between independent and dependent variables. According to Sugiyono (2016), causal

research seeks to determine cause-and-effect relationships, where independent variables are assumed to influence dependent variables. The overall research design serves as a systematic plan for determining the resources and data required to address the stated research objectives.

Population and Sample

The population of this research consists of all employees of State Own Banking Services, totaling 351 individuals. As defined by Sugiyono (2016), the population represents the entire group of subjects possessing characteristics determined by the researcher for the purpose of generalization.

The sample is a subset of the population selected to represent its characteristics. In this study, purposive sampling was employed to select respondents based on predetermined criteria such as tenure, employment status, and involvement in operational or managerial activities. This sampling method ensures that the data collected are both relevant and reliable.

The number of samples was determined using the Slovin formula (Sekaran, 2016), with a margin of error set at 5%:

Thus, the final sample comprised 187 respondents, representing employees of State Own Banking Services.

Operational Definition of Variables

Operational definitions are required to translate theoretical constructs into measurable variables. The variables of this study are defined as follows:

Remuneration (X)

Remuneration refers to compensation provided to employees in recognition of their contributions, encompassing financial and non-financial aspects, and influenced by factors such as motivation, discipline, and regulatory frameworks. The measurement of this construct is based on Teja (2017) with the following dimensions and indicators:

- a. Reward Dimension: salary, incentives, and bonuses.
- b. Benefit Dimension: provision of leave, medical allowances, credit facilities, recreation, and educational scholarships.
- c. Recognition Dimension: special promotions and career advancement opportunities.

Job Satisfaction (Z)

Job satisfaction is defined as a positive affective or emotional state resulting from the evaluation of one's work experience. Measurement is based on Luthans (2014), which identifies five dimensions:

- a. The work itself
- b. Supervision
- c. Coworkers
- d. Pay
- e. Opportunities for promotion

Work Productivity (Y)

Work productivity is conceptualized as an employee's capacity to generate output efficiently and effectively. Measurement indicators are adapted from Sutrisno (2017), namely:

- a. Ability
- b. Achievement improvement
- c. Work spirit
- d. Self-development
- e. Quality of work
- f. Efficiency

Data Collection Techniques

The data were collected using a survey method with a structured questionnaire distributed to respondents. The questionnaire was designed using a Likert scale, where responses ranged from 1 (strongly disagree) to 5 (strongly agree). The variables were operationalized into sub-variables and further translated into measurable components to ensure construct validity and reliability. According to Sugiyono (2016), questionnaires are among the most efficient techniques for collecting data from large populations.

Data Analysis Techniques

The analysis was conducted using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach. PLS-SEM was chosen due to its suitability for predictive and exploratory studies with relatively small sample sizes and complex models involving multiple constructs. The data were processed using SmartPLS software.

The analytical procedure involved:

Outer Model Analysis (measurement model): to assess the validity and reliability of indicators.

Inner Model Analysis (structural model): to evaluate the relationships among latent variables and test the hypotheses. Bootstrapping: to assess the significance of path coefficients.

According to Ghazali (2012), PLS is well-suited for reflective and formative measurement models, as is the case in this research, which includes both reflective and formative constructs.

ANALYSIS AND DISCUSSION

Outer Model (Measurement Model)

The outer model is employed to evaluate the validity and reliability of the measurement instruments. This involves three key assessments: convergent validity, discriminant validity, and construct reliability.

Convergent Validity

Convergent validity was examined through the factor loadings of indicators on their respective constructs and the Average Variance Extracted (AVE). The results indicate that all factor loadings exceeded the recommended threshold of 0.7, signifying that each indicator adequately reflects its latent construct. Furthermore, AVE values for

remuneration, job satisfaction, and work productivity were greater than 0.5, thereby confirming the presence of convergent validity.

Discriminant Validity

Discriminant validity was assessed using the Fornell-Larcker criterion, whereby the square root of the AVE for each construct was greater than its correlation with other constructs. The results confirm that each construct is empirically distinct and that the indicators measure only their intended constructs. This is consistent with the requirements outlined by Hair et al. (2014).

Reliability

Reliability was evaluated through Cronbach's Alpha and Composite Reliability (CR). The results reveal that Cronbach's Alpha values for remuneration, job satisfaction, and work productivity were all above 0.8, while CR values exceeded 0.9, demonstrating strong internal consistency of the measurement instruments.

Collectively, these results confirm that the outer model meets all requirements for validity and reliability, thereby ensuring that the subsequent structural model analysis is based on robust measurement foundations.

ANALYSIS AND DISCUSSION

Outer Model

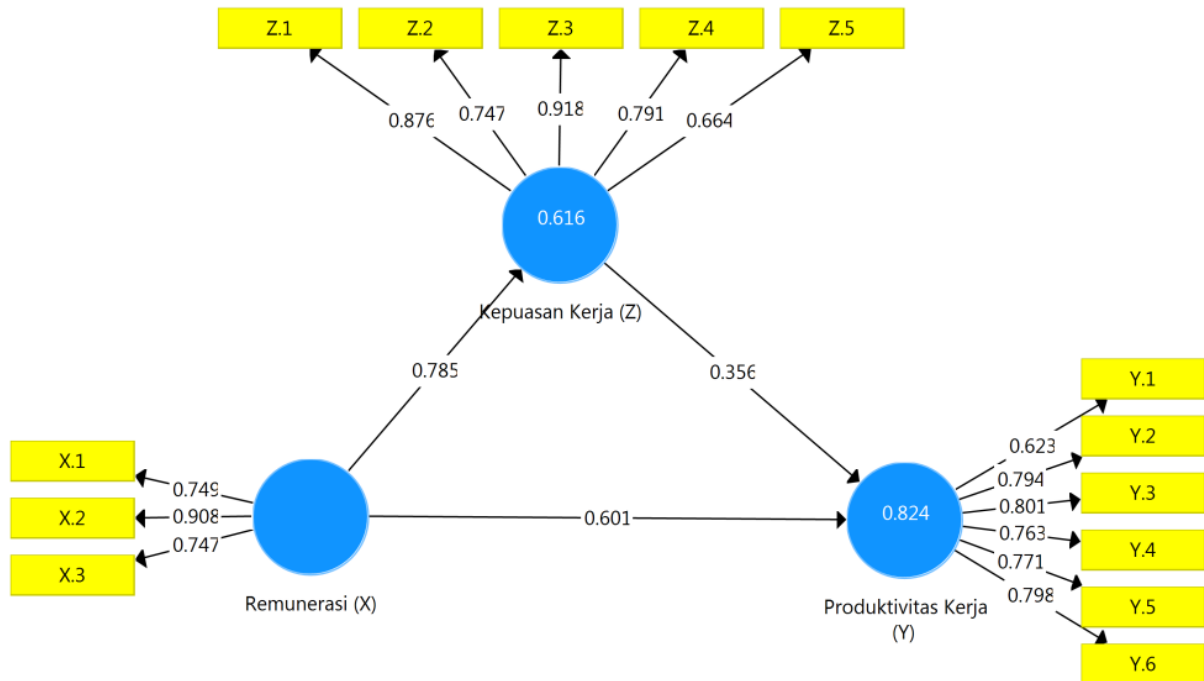


Figure 2. Structural Model of Partial Least Squares

Based on the above figure 2, then acquired by structural equation as follows :

$$Z = 0.785 X$$

$$Y = 0.601 X + 0.356 Z$$

R-Square

In assessing the model with PLS, we start by looking at the R-Square for each dependent latent variable. Changes in the R-Square value can be used to assess the effect of certain independent latent variables on the dependent latent variable whether it

has a substantive effect. For the endogenous latent variables in the structural model which has R2 of 0.75 indicates that the model is "strong", R2 is 0.50 indicating that the model is "moderate", R2 is 0.25 indicating that the model is "weak" (Ghozali, 2014). The PLS output is as explained below:

Table 1. R-Square value

Variables	R Square
Remuneration (X)	-
Work Satisfaction (Z)	0.616
Work Productivity (Y)	0.824

Based on Table 1, the Remuneration variable that affects the Job Satisfaction variable in the structural model has a R2 value of 0.616 which indicates that the model is moderate. While the Remuneration and Job Satisfaction variables that affect the Work Productivity variable in the structural model have a R2 value of 0.824 which indicates that the model is strong.

Q-Square

In the PLS model, the assessment of goodness of fit is known from the value of Q2. The value of Q2 has the same meaning as the coefficient of determination (R-Square) in regression analysis, where the higher the R-Square, the model can be said to be more fit with the data. The suitability

of the structural model can be seen from Q2, as follows:

$$\begin{aligned}
 Q2 &= 1 - [(1 - R1) (1 - R2)] \\
 &= 1 - [(1 - 0.616) (1 - 0.824)] \\
 &= 1 - [(0.384) (0.176)] \\
 &= 1 - [0.068] \\
 &= 0.932
 \end{aligned}$$

The Q2 result achieved is 0.932, meaning that the Q2 value is above 0.932 which provides evidence that the model is "strong". This shows that the model of 93.2% is of interest to the formation of exogenous to endogenous latent.

Hypothesis testing

The next stage, doing Bootstrapping and the following results were obtained

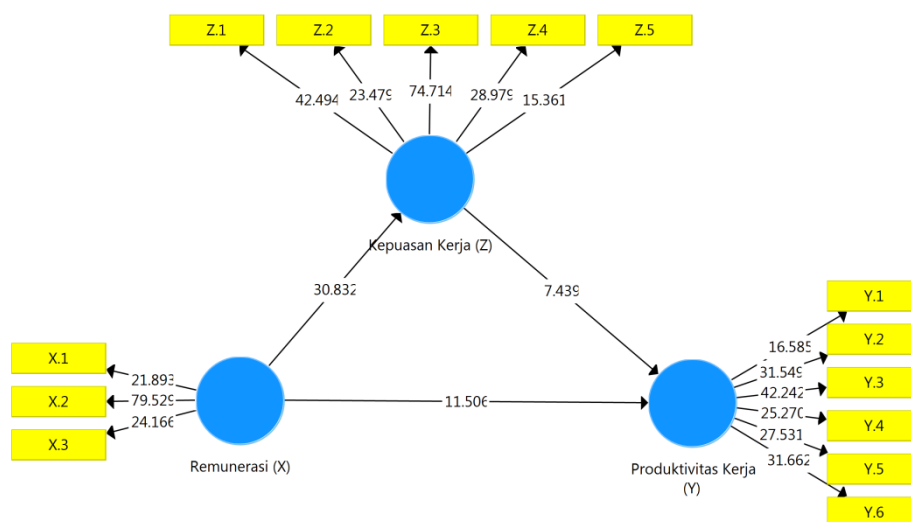


Figure 3. Bootstrapping

To answer the research hypothesis, see the t-statistic in Table 3 below:

Table 3. Relationship Among Constructs

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Remuneration (X) → Work Satisfaction (Z)	0.785	0.787	0.025	30.832	0.000
Remuneration (X) → Work Satisfaction (Y)	0.601	0.602	0.052	11.506	0.000
Work Satisfaction (Z) → Work Productivity (Y)	0.356	0.355	0.048	7.439	0.000

Based on Table 3 above regarding hypothesis testing, it can be explained that:

- a. Effect of Remuneration on Job Satisfaction

Remuneration has a significant effect on Job Satisfaction, because the T-statistic value is 30,832, which means it is greater than 1.96. Thus, the hypothesis H1 which reads "Remuneration has a significant and positive effect on Job Satisfaction at State Own Banking Services" can be stated as accepted.

- b. Effect of Remuneration on Work Productivity

Remuneration has a significant effect on Work Productivity, because the T-statistic value is 11,506, which means it is greater than 1.96. Thus, the H2 hypothesis which reads "Remuneration has a significant and positive effect on Work Productivity

at State Own Banking Services", can be stated as accepted.

- c. Effect of Job Satisfaction on Work Productivity

Job Satisfaction has a significant effect on Work Productivity, because the T-statistic value is 7,439 which means it is greater than 1.96. Thus, the hypothesis H3 which reads "Job Satisfaction has a significant and positive effect on Work Productivity at State Own Banking Services", can be stated as accepted.

DISCUSSION

Effect of Remuneration on Job Satisfaction

Based on the research results, it is found that Remuneration has an effect on Job Satisfaction, because the T statistical value is 30,832, which means it is greater than 1.96, this means that the hypothesis that says "Remuneration has a significant and positive effect on

Job Satisfaction at State Own Banking Services. ", stated can be accepted.

From the results of hypothesis testing, it is proven that remuneration has a significant effect on job satisfaction. This means that job satisfaction can be affected by remuneration. The direction of the influence that occurs is positive, which is obtained from the original sample value of 0.785. So that each time there is an increase in remuneration, it will also increase employee job satisfaction at work.

Suharman (2018) suggest this remuneration is able to increase one's job satisfaction, if someone has ideal remuneration then it can increase job satisfaction. Furthermore, Suharman (2018) proves in his research that there is a positive relationship between remuneration and job satisfaction.

Effect of Remuneration on Work Productivity

Based on the research results, it is found that Remuneration has an effect on Work Productivity, because the T statistical value is 11,506, which means it is greater than 1.96, this means that the hypothesis that says "Remuneration has a significant and positive effect on Work Productivity at State Own Banking Services. ", stated can be accepted.

In testing the hypothesis that has been done, the outcomes show that remuneration has a significant and positive effect on work productivity. The positive influence referred to in this case is the presence of a unidirectional influence so that it means that the higher the remuneration given to employees, the more work productivity of employees in the company will

increase. So that for State Own Banking Services which wants to increase employee productivity, it is important to pay attention to the level of remuneration for each employee.

This study result are in line with the findings of Jawad and Iqbal (2018) which confirmed in their research that there is a significant influence between the effect of remuneration on work productivity.

Effect of Job Satisfaction on Work Productivity

Based on the research results, it is found that Job Satisfaction has an effect on Work Productivity because the T statistical value is 7,439, which means greater than 1.96, this means that the hypothesis that says "Job Satisfaction has a significant and positive effect on Work Productivity at State Own Banking Services", stated can be accepted.

Based on the results of hypothesis testing that has been done, it is proven that job satisfaction has a significant effect on work productivity with a positive direction of influence. This positive effect is evidenced by the original sample value of 0.356. This means that the higher the feeling of satisfaction for employees, the more they will be able to increase employee productivity at work.

The fallouts in this study are in line with Mukhlis et al. (2018) findings which support that Job Satisfaction has a direct effect on Employee Work Productivity. These results also sustain the findings of Saprudin and Koeswardhana (2018) which prove that job satisfaction has a significant effect on work productivity.

CONCLUSION

1. Remuneration has a significant and positive effect on Job Satisfaction at State Own Banking Services.

2. Remuneration has a significant and positive effect on Work Productivity at State Own Banking Services.

3. Job Satisfaction has a significant and positive effect on Work Productivity at State Own Banking Services.

SUGGESTION

1. Expectantly State Own Banking Services anticipate it and will optimize the provision of supportive remuneration to employees so that it will increase employee satisfaction.

2. Expectantly for further research that wants to examine the same topic to add other variables that are thought to affect work productivity.

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