

## THE EFFECT OF COMPENSATION AND WORK EXPERIENCE ON EMPLOYEE PRODUCTIVITY AT CV LUTFI BANGUN PERSAD

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### ABSTRACT

*Inconsistent effects of compensation and work experience on employee performance, coupled with ongoing productivity challenges at CV. Lutfi Bangun Persada, raise critical questions about the drivers of workforce efficiency. This study aims to examine the following influences, (1) compensation and work experience on work productivity, (2) compensation on work productivity, (3) work experience on work productivity. The population in this study were all employees working at CV. Lutfi Bangun Persada, totaling 39 employees. Based on the characteristics of the problem studied, this study uses a causal quantitative research design. Data collection techniques in this study were document recording and questionnaires. The data analysis technique used was multiple linear regression analysis techniques. In this study, a Likert scale was used. By using this scale, researchers can measure the attitudes, opinions, and perceptions of respondents. The results of the study showed that compensation and work experience influenced work productivity, compensation influenced work experience, compensation influenced work productivity, and work experience influenced work productivity.*

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### KEYWORDS

*work experience, compensation, employee work productivity*



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## INTRODUCTION

In the era of globalization, many companies face problems that result in failure or inability to achieve goals. Human resource management is essential because employees are the engine that moves the company forward. Given that with human resources, a company can be a source of strength in achieving its goals, effective human resource management is essential for commercial success. Human resources are important and must be managed properly to improve the effectiveness of the organization. According to Hamali (2018), human resources are one of the resources contained in the organization, including all people who carry out activities. According to Kasmir, human resources are the driving force of all company activities. Human resource support must also be seen from the number and quality of human resources owned. The amount owned must be proportional to the existing workload so that there is no shortage or excess of human resources. Similarly, the quality of human resources must meet the qualifications that have been required by Kasmir (2019). Human resources in the company, or commonly called company employees, are an important part of the company. An employee is a worker under the command of another person and receives compensation and guarantees (Hasibuan, 2006).

According to Ardianti (2018), compensation is a form of achievement provided by the company in the form of money as well as products and services, so that employees will feel respected in the workplace. This condition will encourage workers to provide remuneration in the form of compliance with work rules and accountability for company achievements. Compensation can be interpreted as salary income earned by employees in the form of money, real or non-real materials, in the context of contributing achievement to the organization (Nafiah, 2019). In addition to compensation, increasing employee work productivity is also

inseparable from the work experience possessed by the company's employees. Robbins (2008) states that: "Work experience is the level of mastery of one's knowledge and skills at work that seems to be a basis for good thinking about employee performance." Experience also has an impact on every decision taken, ensuring the right decision is made. This indicates that the longer the employee's working period, the better the productivity of the desired performance.

Work productivity is the output of goods or services seen in terms of the quality and quantity of goods or services, based on time and standards set by the company. Productivity is a comparison between the results achieved with the participation of *labor union* at the time; *labor participation* here is the use of resources efficiently and effectively (Sutrisno, 2017). Productivity is an important factor in determining the success of a company. If the work productivity of employees consistently increases over time, then the company will achieve the goals that have been set. Factors that can affect work productivity include income levels. Compensation is also an important factor in employee and organizational motivation. Providing good compensation can increase employee work productivity.

CV. Lutfi Bangun Persada is a company engaged in construction services. Employee productivity is very important for companies as a measure of success in running a project. The higher the productivity of employees, the higher the company's profits. High employee productivity can be affected by employee compensation and experience.

Based on research, Martinuz (2017) states that work experience variables do not affect employee performance because employees have mastered their jobs well enough so that work experience does not have too much impact on employee performance. An experienced person is a ready-to-use prospective employee. The wider a person's work experience, the more skilled they are at doing the job, and the more perfect their mindset and attitude are to achieve the goals that have been set. This is also supported by the results of research conducted by Napitupulu and Nasution (2016), which state that there is a positive and significant influence of work experience on employee performance. Meanwhile, the results of research from Purnawati et al. (2019) state that work experience has a positive effect on performance.

Based on these theoretical and empirical studies, the researcher is interested in conducting research in this company because theories show that employee performance is influenced by compensation and work experience. This means that when there is a performance problem in this company, there is a high possibility of it being influenced by insufficient compensation and limited work experience. However, to find out the exact cause of these problems, research must be carried out. This background shows that the inconsistency of the influence of compensation and work experience on employee performance and the problems related to employee performance that occur at PT. Indo Bali Negara have caused the researcher to be interested in conducting a study with the title "The Effect of Compensation and Work Experience on Employee Work Productivity at CV. Lutfi Bangun Persada."

In simple terms, compensation is the reward that employees receive for their work. The compensation system must be appropriate to the organizational context and company regulations in order to create fairness. Payment and compensation should be based on an assessment of the employee's work. The compensation system should have consistent policies both for individual employees and in the context of other policies.

Employees must also be in line with the company's organizational development strategy and business strategy. Programs or incentives to improve performance should demonstrate a

clear relationship between performance and compensation. Companies should use skills as the basis for calculating compensation and explain to employees that compensation is calculated based on their skills and ability to complete tasks (Denis Chenevert, 2011). Based on previous research, the following hypotheses can be formulated: H1: There is an effect of compensation on employee work productivity in CV. Lutfi Bangun Persada.

Work experience is one of the factors that underlies employees in carrying out their duties. An employee who has more work experience will certainly understand better what to do when facing a difficulty. With experience, employees have high-quality human resources in improving their work skills, both in the speed of work and in the quality of results. According to Nitisemito (2002), work experience is an ability possessed by employees in carrying out the tasks assigned to them.

According to Sutrisno (2009), work experience is a basis or reference for an employee to be able to put themselves in the right conditions, dare to take risks, be able to face challenges responsibly, and be able to communicate well with various parties to maintain productivity, performance, and produce competent individuals in their fields. Based on previous research, the following hypotheses can be formulated: H2: There is an influence of work experience on employee work productivity in CV. Lutfi Bangun Persada.

Saydam (2008) stated that compensation is a form of retribution for the company's services for the sacrifice of time, energy, and thought that employees have given to the company. Companies are not allowed to provide wages that are not in accordance with the guidelines set by the government, which must be in accordance with the requirements listed in the *Regional Minimum Wage (UMR)*. Payroll must pay attention to government regulations, such as provisions on *UMR*. If the wages received by employees are lower than the *UMR*, then employees are less than optimal in empowering themselves to work.

In addition to compensation, improving employee performance is also inseparable from the work experience possessed by the company's employees. Robbins (2008) states that: "Work experience is the mastery of knowledge and skills that are the basis for employee performance." Experience also provides assurance that every decision taken is the right decision. This indicates that the longer the employee's working period, the better the quality of performance will be. Based on previous research, the following hypotheses can be formulated: H3: There is an effect of compensation and work experience on employee work productivity in CV. Lutfi Bangun Persada.

## METHOD

This study was conducted to determine the influence of compensation and work experience on employee work productivity at CV. Lutfi Bangun Persada. In this study, the two independent variables are compensation (X1) and work experience (X2), while work productivity is the dependent variable (Y).

Based on the characteristics of the problem studied, this research uses a causal quantitative research design. Causal research design is useful for measuring the relationship between variables where one variable affects another (Sugiyono, 2021). The associative research design that is causal involves several stages, consisting of (1) formulating problems, (2) studying theories, (3) formulating hypotheses, (4) collecting data, (5) processing data, and (6) drawing conclusions.

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The subjects in this study are employees of CV. Lutfi Bangun Persada, while the objects of this study are compensation, work experience, and employee work productivity. The population used in this study consists of all employees at CV. Lutfi Bangun Persada, totaling 39 employees. The type of data needed in this study is primary data, obtained from questionnaires distributed to the employees of CV. Lutfi Bangun Persada.

The method used to collect data in this study is a questionnaire. According to Sugiyono (2015), a questionnaire is a measurement method by presenting respondents with statements and asking them to provide answers consisting of five choices, where each answer has a different value. In this study, the Likert scale was used. Using this scale, researchers can measure respondents' attitudes, opinions, and perceptions. Before the questionnaire is used for data collection in the field, it is first tested for reliability and validity. This test aims to ensure that the questionnaire produces valid and accurate data.

## RESULTS AND DISCUSSION

Multiple linear analysis models were used to determine the influence of compensation and work experience on the work productivity of CV employees. Lutfi Bangun Persada simultaneously or partially. This study uses a multiple linear regression analysis model with the help of a computer application program (SPSS) 22.0 for Windows.

**Table 1. Multiple Regression Analysis Results**

<b>Parameter</b>	<b>Coefficient</b>	<b>P-Value</b>	<b>Alpha</b>
$R_{y_{x_1, x_2}}$	0,840	0,000	0,005
$R^2_{y_{x_1, x_2}}$	0,705	-	-
$P_{y_{x_1}}$	0,656	0,000	0,005
$P^2_{y_{x_1}}$	0,430	-	-
$P_{y_{x_2}}$	0,592	0,000	0,005
$P^2_{y_{x_2}}$	0,350	-	-
$\varepsilon$	0,295	-	-

The first hypothesis is to test the partial effect of compensation on productivity. Based on the multiple linear regression test that has been carried out, the result is obtained where the compensation variable has a  $t_{cal}$  value of 5.218 with a value of sig.  $t$  0.000 is smaller than alpha which is 0.05 which means  $H_0$  is rejected. These results show that there is a partially significant effect of compensation on employee work productivity.

Furthermore, the second hypothesis is to test the partial influence of work experience on productivity. Based on the multiple linear regression test that has been carried out, results were obtained that showed that the work experience variable had a calculated value of 4.404 with a sig value.  $t$  0.000 is smaller than alpha which is 0.05 which means  $H_0$  is rejected. These results show that there is a partial significant influence of work experience on employee work productivity.

The latter research hypothesis aims to test the simultaneous influence of compensation and work experience on productivity. Based on the multiple linear regression test that has been carried out, the result is obtained where the  $F_{cal}$  value is 43.066 with a value of sig.  $F$  0.000 is smaller than alpha which is 0.05 which means  $H_0$  is rejected. These results show that there is

a simultaneous significant influence of compensation and work experience on employee work productivity. The contribution of compensation and work experience to productivity is 70.5%.

Based on the results of the calculation that has been carried out using SPSS version 22 to test the determination coefficient of the questionnaire data that has been processed is 0.705, the value of Adjusted R Square (R2) is 0.705, the value is quite 1 (one) which means that the variables of compensation and work experience provide only some of the information needed to predict the variables of purchasing decisions or it can be interpreted that compensation and work experience have an effect of 70.5% on productivity, while the remaining 29.5% was influenced by other variables outside the model.

The structure of the causal relationship between compensation (x1) and work experience (x2) to employee work productivity (y) is as shown in figure 1:

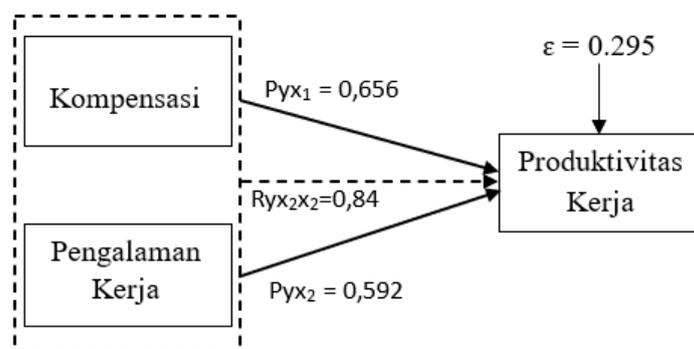


Figure 1. Relationship Structure x1 and x2 to y

A constant of 0.314 means that if the compensation variable, the work experience variable and other variables that affect the value are equal to zero, then the work productivity of CV employees. Lutfi Bangun Persada is 0.134.

The compensation coefficient of 1.421 means that if the compensation variable increases by one unit, then the productivity will increase to 1.735 assuming that the other variable is fixed.

The work experience coefficient of 0.512 means that if the work experience variable increases by one unit, then productivity will increase to 0.826 assuming that the other variable is fixed.

From the results of the analysis that has been carried out, it can be proven that compensation has a positive and significant effect on the work productivity of CV employees. Lutfi Bangun Persada. Looking at these results, it can be concluded that when the compensation provided is in accordance with or exceeds the expectations of employees, it will increase the work productivity of employees. These results are in line with the theory put forward by Mathis & John H (2000), who stated that one of the ways management improves work performance, motivates and increases employee satisfaction and performance is through compensation.

In his understanding, when employees are given financial compensation, the employee's performance will increase or decrease depending on the nominal amount provided by the company. Companies must take into account the ability and abilities of their employees. If it is wrong to take into account this, there will be inequality on one side, and it will have fatal consequences for the company and employees. An example of inequality that occurs is when a

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company provides too much compensation to please its employees, then the company will be financially burdened because of the relatively high compensation cost. Meanwhile, if the compensation is too low, the employee will feel unappreciated and of course reduce their performance. Therefore, management must be able to decide on the costs incurred for compensation. The results of multiple linear regression tests that partially test work experience variables on productivity show that work experience variables have a positive and significant effect.

This means that the work experience of an employee will improve how he performs in doing the tasks given. The more experience the employee has in his field of work, the better his performance will be. On the other hand, the less experience, the less good the performance will be. This is in line with the theory put forward by Sutrisno (2009), work experience is a basis/reference for an employee to be able to put himself in the right condition, dare to take risks, be able to face challenges with full responsibility and be able to communicate well with various parties to maintain productivity, performance and produce competent individuals in their fields.

With these results, it can be understood that when employees have a lot of experience, their performance also increases. This is due to the experience that will be learning, so that every repetitive action, especially in the same field such as packing in the field of production, will have a learning effect for employees so that by learning every day the employee will have a level of speed, ability, and reflexes that will also increase over time in the field that the employee is engaged in. Thus, it will be very important for employees to have a lot of experience in the field they are engaged in, so that the performance they produce will also be better than employees with minimal experience.

Based on the results of the calculations that have been carried out, it shows that there are together compensation variables and work experience that have a significant effect on CV employees. Lutfi Bangun Persada with an influence contribution of 70.3% while the remaining 29.3% was influenced by other variables outside the model. This result is in line with Saydam's (2008) theory and also Robbins' (2008) theory.

With this result, it means that when companies want to increase the productivity of their employees by improving compensation and being more selective in choosing employees, according to researchers, the policy is appropriate, when looking at the results of the research. This result makes a finding for the company's management, where the findings contain problems that must be immediately addressed by the company's management. The problem is certainly related to the compensation provided and also the experience of the employee in CV. Lutfi Bangun Persada is inadequate or still minimal, so that when management increases these two variables, the company will get results where the work productivity of its employees will increase and productivity will be even better.

## **CONCLUSION**

Based on the results of the analysis and discussion presented in the previous chapter, several conclusions can be drawn as follows: From the results of the research test, it is concluded that together the variables of compensation and work experience have a significant effect on employees of CV. Lutfi Bangun Persada, with a contribution of influence of 70.3%, while the remaining 29.7% is influenced by other variables outside the model. Compensation

has a positive and significant effect on employee work productivity at CV. Lutfi Bangun Persada. Work experience partially has a positive and significant effect on employee work productivity at CV. Lutfi Bangun Persada. Compensation and work experience together have a positive and significant effect on employee work productivity at CV. Lutfi Bangun Persada.

Based on the results of the analysis, discussion, and several conclusions in this study, the suggestions that can be given to achieve better results are as follows: For further research in the field of marketing management, especially regarding work productivity in a company, it is expected to involve other variables that affect employee work productivity or increase the number of variables used in future research, so that the theories put forward are more reliable and applicable for companies. It is hoped that this research can be a reference or consideration for HR management or *CV*HRD. Lutfi Bangun Persada. With the results of this research becoming a solution produced by the researcher, it will certainly add value if used by the company as a reference in future decision-making.

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