



Relation of Compensation and Benefits on Employees' Performance: Mediating Role of Motivation

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Abstract

Effect of compensation and benefits on employee performance supported by motivation. The aim of this study is to analyse the impact of compensation and benefits on employee performance with the mediating role of motivation. It is hypothesized that compensation and benefits positively impact employee performance. Motivation always mediates the effect of compensation and benefits on employee performance in a positive way. Also, compensation and benefits have significant effect on motivation. Employees from different organizations were chosen to fill an online survey questionnaire to collect required data. There was total 100 respondents who filled responses based on their experience. Out of which, 20 were extracted due to improperly filled questionnaires. 80 responses were selected to be researched on and run analysis. Smart PLS was used to perform SEM analysis. The results generated through bootstrapping in structural model analysis were mostly supported, with significant values $p < 0.05$ and $t > 1.96$. The respondents of the survey could relate their experience to the background of research i.e. compensation and benefits have a significant effect on employee performance. Therefore, the results of this study support the findings of previous research work of different authors who stated that compensation and benefits overall have a positive effect on employee performance.

Keywords: compensation and benefits, employee performance, motivation

Introduction

Background of the Study

In the context of organizations, it is essential to comprehend the intricate interactions that exist between motivation, employee performance, and compensation. Paid to employees for their contributions, compensation includes both monetary awards (such as bonuses, salaries, and incentives) and non-monetary benefits (such as healthcare, retirement plans, and work-life balance initiatives). It is an essential instrument for drawing in and keeping talent, coordinating work efforts across divisions, and maintaining competitiveness in the



labor market.

The benefits and compensation are provided for a number of reasons, including: establishing official collaboration between the employer and employee; fostering work satisfaction; facilitating successful recruitment; inspiring employees; maintaining employee stability; boosting discipline; diminishing the impact of labor unions; and minimizing government intervention (Hasibuan, 2016). Furthermore, according to Hasibuan (2016), there are three types of compensation: non-financial rewards like flexible work schedules and a prestigious office; indirect financial payment like benefits and insurances; and direct financial payment like salary, incentives, bonuses, and commission.

Employee performance, on the contrary present, is a representation of the results, accomplishments, and actions that people show in their responsibilities inside an organization. Many variables, such as individual aptitude, work happiness, motivation levels, corporate culture, and management techniques, all have an impact on it. Since it has a direct impact on productivity, operational effectiveness, consumer satisfaction, and overall profitability, high employee performance is crucial for the success of any firm. In order to effectively manage employee performance, it is necessary to establish clear goals, give timely feedback, provide chances for professional growth, and correlate performance indicators with strategic objectives.

The alignment of organizational, team, and individual efforts toward the accomplishment of business goals and organizational success is what John (2007) defines as the world at work performance. It entails setting expectations, demonstrating skills, evaluating them, providing feedback, and pursuing constant improvement. Employee attitudes, behaviors, and performance results are significantly influenced by motivation. It refers about the factors, both internal and external, that motivate people to start and maintain actions that are intended to accomplish particular objectives. Motivated by things like fulfillment of self, a feeling of achievement, or a sense of congruence with personal ideals, intrinsic motivation originates from within the individual. In contrast, extrinsic motivation originates from outside sources of reward or recognition, such cash incentives, bonuses, promotions, or positive public perception. Employee motivation is defined by Hanafi and Yohana (2017) as an attempt to ascertain the needs of the workforce and assist in meeting those needs through a continuous process. Essentially, motivation facilitates an easier attitude and power that allow a person to perform actions toward certain goals (Shahzadi et al., 2014). Motivating employees is essential if they are to reach the company's demands by maximizing their strengths and skills. If someone lacks motivation, they will feel as though their efforts are in vain. When given the proper motivation, employees will deliberately perform in their field. Employee motivation to serve the firm or organization is an important component of a good organization (Hamali, 2018).

These factors have complex and reliant interactions with one another. By providing for basic needs (such financial stability) and acknowledging employees' contributions to the company, compensation has a direct impact on employee motivation. In addition to attracting top talent, competitive and fair remuneration packages boost employee motivation, which in turn results in higher levels of commitment, job satisfaction, and lower turnover rates. Comprehensive benefit packages and non-cash incentives go beyond monetary compensation to promote employee happiness and well-being, which in turn affects their motivation and productivity.



In turn, motivated workers are more likely to exhibit increased levels of initiative, perseverance, and participation in reaching company objectives. A sense of personal contentment and a dedication to excellence are fostered by intrinsic motivation, which propels consistent high performance and creativity. Employee performance is further improved by extrinsic motivators, which include performance-based bonuses and recognition initiatives. These incentives serve to boost desired behaviors and results.

The suggested study looks at motivation's mediating function in the relationship between pay and benefits and employees' performance in an effort to close any gaps in the literature. Fewer studies have thoroughly examined the role that motivation plays in mediating the relationship between compensation and benefits and performance outcomes, despite the fact that prior research has demonstrated the direct effects of compensation on performance and examined the impact of motivation on employee behaviors.

Problem Statement

While compensation and benefits are generally acknowledged as the foundation of an organization's reward system, the methods by which they influence employee performance are poorly understood. In particular, it is yet unknown how motivation functions as a mediator in this interaction. Prior studies have indicated a direct correlation between employee performance and remuneration and benefits; nevertheless, the psychological mechanisms behind this association remain poorly understood. The intricate relationship that exists between pay, benefits, motivation, and performance suggests that motivation is a key factor in converting the extrinsic rewards that come from pay and benefits into intrinsic motivation and the ensuing performance outcomes. However, the precise processes underlying this are poorly known, and more investigation is required to clarify motivation's mediating function.

Gap Analysis

The body of research on the connections between pay, benefits, motivation, and worker performance is rich in information, but it also highlights a number of holes, which this study seeks to fill. First off, a lot of research has looked at how pay and perks directly affect worker performance, but not as much has looked at motivation's intermediary function. There is still much to learn about how motivation mediates the relationship between pay, perks, and performance results.

Furthermore, current research frequently overlooks the larger range of benefits (such as healthcare and work-life balance perks) and how they collectively affect motivation and, in turn, performance in favor of one-dimensional perspectives of compensation (such as salary levels or financial incentives). A more holistic knowledge of the combined effects of compensation and benefits could be obtained by a thorough analysis that incorporates both variables.

In addition, although some studies recognize the function that motivation plays in influencing performance results, additional empirical study is required to clearly assess and justify motivation's mediating role. This disparity hinders an organization's capacity to develop and put into practice focused strategies that maximize employee performance by utilizing incentives, benefits, and remuneration.

Furthermore, differences in how benefits and compensation affect motivation and



performance across various industries and geographical areas are frequently caused by the context-specific character of organizational settings and cultural influences. Research on these contextual factors and how they affect organizational practices and policies is so lacking.

Lastly, the majority of studies that have already been done mostly concentrate on the perspectives of workers, paying less attention to the opinions of organizational executives and legislators who create legislation about pay and benefits. Gaining an understanding of their viewpoints and decision-making procedures can help to better understand how to strategically align benefits and pay with the aims and objectives of the company.

Moreover, the relationship between pay, benefits, motivation, and performance is frequently examined in existing research, but it frequently ignores the potential moderating effects of individual characteristics, such as personality traits, job kinds, and career stages. Furthermore, there is a growing need to look into how compensation and benefits policies can be created to support justice, equity, and inclusivity in light of the growing emphasis on diversity, equity, and inclusion (DEI) in businesses. Furthermore, little is known about how technology—such as machine learning and artificial intelligence—influences pay and benefit plans.

To sum up, although the body of literature now in publication offers a solid grasp of the elements of pay, benefits, motivation, and performance, it falls short of explaining the integrated dynamics and mediating routes among these variables. By doing empirical research to close these gaps, firms hoping to improve employee performance through strategic management of incentives, benefits, and pay can gain practical insights.

Research Objectives

To investigate the relationship between compensation and benefits and employees' performance.

To examine the influence of compensation and benefits on employee motivation.

To assess the relationship between employee motivation and performance.

To explore the mediating role of motivation in the relationship between compensation and benefits on employees' performance.

To provide recommendations for organizations to optimize compensation, benefits and motivational strategies to enhance employee performance and organizational outcomes.

Research Questions

What is the impact of compensation and benefits on the employees' performance?

How do compensation and benefits influence employee motivation?

What is the relationship between employee motivation and performance?

Does motivation mediate the relationship between compensation and benefits and employees' performance?

What strategies can organisations implement to optimise, compensation, benefits, and motivational factors to enhance employee performance in organisational outcomes?

Significance of the Study

The purpose of this study is to fill a critical knowledge gap in the field of organizational management by investigating the function that motivation plays as a mediator in the



relationship between pay and benefits and employee performance. This makes the study significant. Through examining this relationship, this study will offer insightful information to companies looking to enhance employee performance and optimize their benefits and compensation plans. The results of this study will have a significant impact on organizational policies and procedures, allowing businesses to create benefits and pay programs that effectively inspire workers and raise productivity. Organizations will be able to create focused interventions to improve employee motivation and performance by using this knowledge to comprehend the psychological mechanisms underpinning the relationship between rewards and performance. The discipline of organizational behavior and human resource management will ultimately profit from this study's theoretical advancement of the knowledge of the connection between performance, motivation, benefits, and remuneration. The study's conclusions will also give businesses a framework for optimizing the return on their benefits and compensation investments, which will raise their competitiveness and organizational efficacy. This study will significantly alter how businesses handle personnel management and rewards programs by illuminating the intricate relationships between pay, perks, motivation, and performance.

Additionally, the study's conclusions will be useful to pay experts, human resource specialists, and organizational leaders since they will give them practical information to help them make decisions. The research will also have an impact on public laws and regulations concerning employment and remuneration practices, which will go beyond the organizational level. Ultimately, this study's importance rests in its ability to enhance how businesses handle their most precious asset: their workforce.

Literature Review

Compensation and Benefits

Benefits can have a wide-ranging impact on employee performance. The benefits are not regularly submitted for assessment and are thus less expensive to acquire as an employer throughout the market (Baughman et al., 2003). As a result, lower-cost benefits should boost employee productivity. Furthermore, benefits might be used as an alternative to salary. To inspect the employer's investigation facts and establish the employee's reduced salary; after a few years, the individual received numerous benefits (Baughman et al., 2003). Furthermore, employees see benefits and salary as alternatives, and are willing to provide salary in exchange for additional benefits. While benefits are an important aspect of employee pay correspondence and serve as an organizing principle in some studies, they are not the main focus of analysis.

Additionally, the literature's perspective on rewards is oriented toward the advantages that people derive from their work (Kalleberg, 1977), as well as the crucial components of an employee-work approach, including company certainty, incentive, and employee performance. (Leftheriotis & Giannakos, 2014) Thus, in any organization, rewards for cooperation play an important role in organizing and supporting the duty between workers, ensuring average performance at work and employee loyalty. Employees enter the business entity as a substitute premise, bringing with them the precise set of abilities needed to achieve the goals that are required. They anticipate returning to a dignified workplace where they can utilize their skills to help the company meet its objectives and achieve its aims (Baral & Bhargava, 2010). The rewards increase the individual's effectiveness and efficiency in their jobs, and as a result, organizational performance



enhances (Baral & Bhargava, 2010).

Effective compensation systems also help organizations retain talented workers who can contribute to the accomplishment of their mission and goals (Eisenberger & Aselage, 2009). Compensation has been recognized as the primary employee motivator (Hannam & Narayan, 2015), and it also plays a significant role in motivating any employee. Workers who believe they are poorly compensated automatically reduce good performance or initiatives by working slowly or missing work (Baer et al., 2003). Compensation is essential to better performance, encouraging workers to focus on their jobs. The primary cause of employee turnover is the absence of an appropriate compensation system (Igalens & Roussel, 1999). Failing to establish an appropriate compensation system will have a negative impact on workers' job satisfaction and productivity. (Olafsen et al., 2015) Using various strategies, human resource management is also essential to raising staff morale. This study looked into how pay affects how well employees perform. (Sandeep, 1811)

Highly motivated or contented workers are capable of making decisions on their own. They are skilled in setting up the workflow. A variety of things influence how well employees perform. They multitask if they are content. A positive worker can do several projects successfully at once. They are sufficiently adept at fixing problems. When a business or organization faces a challenge, a positive employee makes every effort to resolve it. They understand how crucial they are to their organization and possess a sufficient amount of self-confidence. A positive employee handles tasks and operates as though they own the business. If the compensation plan is reasonable, they will work in any setting or condition.

In order for people to operate at their optimal level of motivation, organizations must also provide a healthy work environment. Productivity ultimately arises from contented employees.

There is only the behavior to judge; neither a phenomenon nor an explanation for it exist. Positive workers who enjoy their work will feel validated for the tasks completed. When workers are dissatisfied, they become like robots and contribute nothing to the production of their company.

Organizations utilize a variety of management techniques, such as offering financial incentives to staff members who engage in creative work, to support their employees' creative performance (Kaufmann, 2003). Extrinsic rewards, or reinforcement of desired behavior and increased likelihood of recurrence, have been shown in numerous studies to be an effective tool for administering and controlling human behavior (Sitopu et al., 2021). It is established in these research that when rewards are removed, individual behavior reverts to its pre-reward baseline. The results of these research also support the use of rewards to influence and inspire people's behavior in order to focus their efforts on achieving specific goals.

Furthermore, the use of rewards as an administrative tool entails evaluation, supervision, and task completion, all of which have the effect of weakening employee motivation to complete assigned tasks. In contrast, when employee recognition (ERs) is utilized as a means of recognizing an employee's competence, such rewards convey a message that enhances competence and motivates employees to display the desired behavior. (Summers, 2005) contend that incentives can only be used to foster creativity if they increase the targeted individual's IM and sense of self-determination. On the other hand, cognitivists have offered the opposing argument, arguing that incentives that are promised in



exchange for performance actually decrease the targeted individual's IM, undermining their CP. (Amabile, 1993). Organizations can use compensation as a tool to influence employee behavior in a way that maximizes their contribution to the achievement of organizational objectives. Employee motivation may be impacted if a compensation system strengthens the trade relationship between the employer and employee (Garg & Rastogi, 2006). An organization's compensation plan is made up of both monetary and non-monetary incentives that are implemented with the goal of increasing employee engagement and efficiency. Therefore, a clear remuneration structure attracts new hires and helps to reduce staff attrition (Summers, 2005).

Rewarding an employee entails more than just monetary; it also includes motivation and assessment through word-of-mouth tactics that foster confidence and an overwhelming feeling of belonging. (Hennessey & Amabile, 1988) Managers, for example, may recognize and openly appreciate an employee for effective performance, which can serve as a source of incentive for others. According to (Igalens & Roussel, 1999) a company that efficiently implements a compensation system encourages people to be positive in the face of obstacles. As a result, it can be stated that rewarding an employee with monetary and non-monetary pay has a considerable impact on employee motivation. (Purba & Sudibjo, 2020)

The world at work establishes compensation as payment made by an employer to an employee for services rendered (i.e., time, effort, and skill). Both fixed and variable pay are linked to performance levels. Benefits programs are used by an employer to support cash compensation for the employees. Employees and their families can feel secure knowing that their health, income protection, savings, and retirement programs are supported. There are many reasons why compensation and benefits are provided, including formalizing the relationship between the employer and employee, fostering work satisfaction, facilitating effective recruitment, boosting employee motivation, maintaining employee stability, strengthening discipline, lowering the influence of the labor union, and minimizing government interference. (Hasibuan, 2016). Furthermore, according to (Wiley, 1997) there are three types of compensation: non-financial rewards like flexible work schedules and a prestigious office; indirect financial payment like benefits and insurances; and direct financial payment like salary, incentives, bonuses, and commission.

Retention incentives and other forms of financial compensation have long been seen as a remedy to keeping potential employees during mergers and acquisitions (M&A). In many M&As, compensation and benefits are included as a retention plan, and the amount of money is increased to retain the employees who are frequently considered a part of the arrangement. The organization was hoping that the retention incentive to stay with the business that survives was enough to make them stay, but sometimes retention incentives are only started to build a bridge that recovers the employee's trust by buying some time. On the other hand, financial compensation does not by itself improve employees' performance over time.

The corporation will regain the trust of its employees. If not, employees may think of better options after receiving their retention incentives. Moreover, the sum of money given to them as incentive to retain them would only produce short-term stability when it stopped or was discontinued. (Shin et al., 2017)

Employee performance will improve if they receive enough compensation that is both in



line with government regulations and the tasks and obligations of the organization (Rasmi et al., 2017). According to research, there is a positive and significant association between employees' salary and their performance—the more money they make, the better. According to research by (Baer et al., 2003), pay, including salary and direct benefits like health insurance, pension funds, paid time off, and annual leaves, positively correlates with employee performance. In the case of food-related businesses, there may also be a discount offered to employees. Employee performance and compensation have a favorable relationship, according to research by (Güngör, 2011). Extrinsic benefits, such as base income and performance bonus, consist of two components. Comparatively speaking to a performance bonus, base pay is a very important aspect that influences employees' performance. Both are important and beneficial elements that influence how well employees perform. There are four components to intrinsic rewards: recognition, educational opportunities, difficult tasks, and career progression. Of the four, demanding work is the one that has the biggest impact on employees' performance.

(Festinger, 1961) define compensation as any kind of monetary gain, service, or benefit that employees receive in connection with their employment. Compensation, according to (Yoon et al., 2015) is a way to accomplish HRM functions associated with various awards provided to people for their labor. Changing employee attitudes and behavior is one of the goals of offering remuneration.

Employee Performance

According to (Khan et al., 2024) an employee's attitude toward their work is reflected in their performance. Employee attitudes toward their work can be ascertained using a number of fundamentals or traits, which vary depending on the field. Higher levels of interest, commitment, retention, and satisfaction are often displayed by workers who have more control over their schedule (Ryan & Koestner, n.d.). According to (Hennessey & Amabile, 1988), an employee's performance is determined by how well they execute within a given timeframe while adhering to the authority granted by the organization. Higher employee performance indicates their capacity to contribute through their work, demonstrating an attitude consistent with the organization's goals and having a beneficial effect on productivity inside the company. According to research by (Bodla & Naeem, 2014) improved employee performance is significantly correlated with good internal communication. According to (Tai, 2006) there is a positive and significant correlation between employee performance and compensation. Employee performance is positively correlated with their salary.

According to (Purba & Sudibjo, 2020) performance is the outcome or overall success rate of an individual over a given time period in completing a task in comparison to different options, such as job standards, targets, or criteria. Performance, on the other hand, is an assessment of performance, according to (Khan et al., 2024), which implies that the job performed by the employee, the management, and the company as a whole must provide verifiable proof that can be quantified using preset criteria. According to (Festinger, 1961) there exist seven performance indicators, which comprise the following: goals, criteria, evaluations, resources or instruments, proficiency, drive, and prospects.

As per findings, pay and benefits have a significant impact on performance since all policies and activities must be implemented with the aim of accomplishing specific objectives. Similar to that, this pays strategy incorporates goals alongside to the primary



goals of the business and worker performance. The likelihood that the business will achieve the best possible employee performance outcomes increases with the appropriateness of the perks and remuneration given. As long as policies that give benefits and compensation to employees are in line with their desires, there won't be a chance of employee protests. According to (Yoon et al., 2015) research, employee performance is positively and significantly impacted by salary.

As stated by (Wiley, 1997) work performance can be defined as an individual's activities, behaviors, and results that are related to and assist the organization's goals. An organization's performance determines its capacity to accomplish its goals. One of the most important factors in enhancing an organization's overall success is employee performance. Performance is the outcome of a worker's labor. The assessment, in accordance with concerns how well and efficiently each person carries out their given duties. The job performance of employees comprises their assigned obligations and the degree to which they have successfully completed them. Performance in the context of task performance is the explicit behavior displayed in the occupation, which includes the core duties listed in the work description (Friedman, 2009). Moreover, according to (Zocche et al., 2018), an individual's work performance in an organizational setting is the culmination of their skills, efforts, and contributions to raising the organization's productivity and achieving its goals. Measuring improved organizational performance reveals the work done to reach objectives, while achieving improved employee job performance requires even more significant work.

Furthermore, the ramifications of a person's job inside a company or organization are intimately related to the level of performance demonstrated by the worker. For an employee's professional growth, it is critical to evaluate their performance within an organizational framework, taking into consideration elements like the caliber, volume, and timeliness of their job results. (Kalleberg, 1977). In any firm, the importance of an employee's work performance is crucial. The effectiveness of an organization depends on how well its workers does their jobs. Personnel are unquestionably important assets for businesses.

According to (Leftheriotis & Giannakos, 2014) , the caliber of products (goods and services) that a person produces is how their performance is evaluated. The typical way to evaluate employee performance is in terms of results. Researchers suggests that it is also possible to examine it in terms of behaviors. (Wiley, 1997) contend that worker efficiency is a direct result of organizational performance. Consequently, employee motivation is necessary to boost performance in order for an organization to reach a high level of performance. According to (Tai, 2006), contented employees perform well at work. Thus, in order to meet strict goals, management should make an effort to guarantee that their staff members are motivated. The activities an employee performs on the job and how successfully they are carried out can also

be considered aspects of employee performance. According to (Shin et al., 2017) turnover rate, task completion time, product quality, return on training investment, revenue per employee, 360-degree evaluation score, employee core competency profile, employee engagement level, organizational citizenship behavior, human capital value-added, employee commitment, and employee turnover intention are some examples of employee key performance indicators.

A firm needs its employees to function, and one measure of the company's ability to



continue operating profitably is its workforce. A number of variables, including pay and work discipline, affect employee performance. Performance matters because it is a measure of skill and motivation, and employees' performance helps the organization reach its goals. Performance, in the opinion of (Baral & Bhargava, 2010) determines whether the organization's aims are successful or not. (SISWANTO et al., 2021) on the other hand, define performance as the accomplishment of goals established by a business organization.

One method that businesses can give their staff rewards is through compensation. Employee performance may rise or fall in response to compensation. The organization needs to give employee salaries more thought. Pay must be based on a solid, accurate, and equitable foundation. As stated, the intention of pay is to serve "as a bond of cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline and the influence of trade unions and government". A favorable impact on the company will result from having good remuneration within the organization. Employees are more likely to perform at their highest level for the organization if they receive paid commensurate with their contributions to it.

(Sitopu et al., 2021) assert that one of the critical components needed to enhance business success is employee performance. He asserts that worker productivity is a process that greatly influences organizational success, likewise lend credence to this. Employee performance is defined as the amount and quality of work completed by an employee while performing duties in line with assigned responsibilities. These days, a lot of businesses are beginning to embrace a work environment that emphasizes worker contributions and outcomes. In order to increase performance, worker efficiency will be assessed in this context, and the findings will be regularly shared with the workforce. Specific work assignments that may pinpoint the key components of a given job are required because most jobs have multiple components and are inherently complex. Each employee's performance of their job responsibilities should be evaluated and compared to the relevant benchmarks. A researcher list four performance indicators: error rate, timeliness, quantity of work, and quality of work. (Ryan & Koestner, n.d.)

Theoretically, a number of things affect how well employees perform. These elements contain indicators that can finish tasks accurately and consistently, which can have an impact on worker performance. Individual factors (work-ability, personal reward, education, discipline), institutional factors (punishment or career path, work environment, leadership, work politics, compensation, wages, and organizational culture), and psychological factors (job satisfaction, motivation, work stress, comfort) can all be used to summarize factors that affect performance. (Gerhart & Milkovich, 1990). From the perspective of the organization or business, employee performance can impact other employee performance when it comes to a pleasant and productive work environment. Competent leadership can influence other competent leadership and drive the improvement of employee performance to a higher degree. The current movement toward better and more optimal work is brought about by this organizational work culture. Pay (wages, salaries, and bonuses) and extra funds disbursed in the form of enough money beyond the monthly salary will have an impact on employee morale and enhance more consistent and superior performance.

The impact of incentives and rewards on performance has been demonstrated in several empirical studies in addition to being mentioned in the theoretical literature. According to



Cainarca et al.'s empirical research, incentives significantly and favorably affect both organizational and individual performance. The findings of a study by (Malik & Butt, 2017) further demonstrate that offering financial incentives can boost workers' motivation to perform better at work. It is anticipated that employee performance will be impacted by the reward system, which includes incentives and compensation applicable to government agencies.

They also discovered that work motivation serves as a mediator element in the relationship between employee performance and compensation. The results of Robinson & Farkas' study from 2021 were almost identical to those of the previous two studies, indicating that financial incentives can boost workers' motivation to perform better. Prior research by (Hennessey & Amabile, 1988) offers factual proof that pay incentives can greatly enhance organizational effectiveness.

Motivation

The word motivation is derived from the Latin *movere*, which implies force or drive. In management, the only people motivated are human resources overall and subordinates specifically. (Sandeep, 1811) asserts that motivation is a process that influences the length, scope, and rigor of each person's attempts to accomplish their goals. Motivation, as defined by (Eisenberger & Aselage, 2009) is the supply of a driving force that makes one's work exciting so that they want to collaborate, work well, and be integrated with all of their efforts to obtain fulfillment. (Garg & Rastogi, 2006) states that motivation is a personal attribute that propels a person's desire to engage in specific actions to accomplish objectives. Thus, a person's motivation is what propels them to act in a certain way in order to fulfill their desire for self-satisfaction. The researcher draws the conclusion that motivation is something in a person who pushes himself to meet his wants in obtaining satisfaction according to his goals based on the opinions of the experts mentioned above. A individual who is directed to accomplish organizational goals is said to be motivated.

The process that guides and maintains performance is known as work motivation. Motivation incentivizes workers inside the company to assist them in completing designated activities or goals (SISWANTO et al., 2021). The productivity of employees can motivate them to work more and show greater dedication to their jobs. This outcome may be seen as an incentive to perform an action for it, with the goal of gaining enjoyment and fulfillment from the activity. Offering financial incentives to workers might help them feel like valued members of the team who can contribute to the organization (Baral & Bhargava, 2010). The most important elements influencing work motivation are employee loyalty and emotional attachment. It has the power to keep people unified. (Kaufmann, 2003) assert that a highly driven individual will give his or her best effort, and vice versa. If an individual lacks motivation to work, there won't be any innovative things that he can do to accomplish the company's aim. It is considered that when people are driven, they would work hard and passionately to achieve high levels of productivity at work, hence motivation is important. As per the explanations provided by the aforementioned theories, work motivation refers to the endeavor to inspire oneself to finish tasks and apply all of one's knowledge to achieve the objectives of the company. (Kaufmann, 2003) assert that a person will perform to the most of his ability if he is highly motivated, and vice versa. There won't be any novel things that a person can perform to meet the company's goal if he lacks drive to work.



Motivation is characterized as an innate human drive or impulse that has the ability to initiate, guide, and structure behavior (Güngör, 2011). According to (Muktamar et al., 2024) persistence, effort level, and behavioral direction make up the components of job motivation. A person's work behavior is determined by their motivation to finish tasks and their compliance with rules. This is known as their direction of conduct. The degree of effort is defined as an individual's attempt to work in accordance with the selected behavior, as demonstrated by their seriousness about their work and their drive to improve upon it.

Employee persistence is determined by how hard they will strive to stick to the selected behavior; this may be seen in their willingness to learn new skills and progress the business as well as their perseverance in working in an unsupportive environment.

According to (Baer et al., 2003), a person's motivation is the desire that spurs them to action. Individuals typically take action to accomplish a purpose. Motivation was defined philosophically and operationally. Performance is determined by a number of elements, one of which is the conceptual definition of work motivation. The degree of motivation intensity imparted determines the impact of motivation on an individual's performance. (Bodla & Naeem, 2014) on the other hand, says that motivation is a psychological condition that propels an individual to reach their greatest potential. The drive and effort to fulfill a demand or a goal is referred to as motivation (Malik & Butt, 2017)

In organizational science, motivation is a mysterious subject. According to (Patlar & Wang, 2020), motivation is the process that gives people the energy, direction, and encouragement they need to accomplish their goals. According to (Baughman et al., 2003), motivation is a psychological process that guides objectives, conduct, and inner fortitude to satiate wants. Individual behavior is determined by motivation, which affects job direction, objective, and perseverance. Motivated workers provide a significant competitive advantage and develop into an organization's strategic asset. Motivation is the foundation for the development and successful refinement of theory in organizational research, and it is the focus of numerous ideas and themes

Behind an employee's motivation there is a strong desire to achieve various goals. According to (Niehoff & Moorman, 1993) there are two theories of motivation that can explain how individual behavior is activated and directed: content theory and process theory. Extrinsic elements originate from the reward system, whereas intrinsic factors are derived from the workplace and employees. Employee ability can be driven by motivation, resulting in high performance. It is virtually always possible to demonstrate that motivation affects EP. Performance and motivation are virtually usually positively correlated. (Gerhart & Milkovich, 1990)

According to (Olafsen et al., 2015), motivation is the state or force that propels a worker toward accomplishing organizational objectives. There are two theories of motivation: expectation theory and equity theory. According to expectation theory, an employee's motivation is predicated on the likelihood that his efforts will result in the performance that is expected to be rewarded. This approach highlights the significance of providing employees with meaningful rewards in particular. Next, according to the notion of equity motivation, people evaluate pay equity by contrasting their inputs and results with those of other people's benchmarks. The ideal approach to encourage someone, in accordance with Herzberg's theory of motivation, is to arrange work so that completing it will present obstacles and opportunities for recognition. According to (Purba & Sudibjo, 2020) even if



a worker had strong operational abilities, his work may not be satisfactory if he lacks motivation. include psychological needs, security needs, social needs, esteem needs, and self-actualization needs as markers of job motivation.

According to (Niehoff & Moorman, 1993), motivation is the capacity to influence employees' performance and behaviors at work. It is regarded as the inner motivation behind a person's actions. It is important to anticipate how human capital development policies will affect motivation and psychology in order to enhance overall organizational performance. In actuality, motivation is what sets people apart from the other instruments and machinery that businesses utilize to carry out their tasks. The "willingness to exert high levels of effort toward organizational goals, conditioned by the effort's ability to satisfy individual needs" is the definition of motivation given by (Ryan & Koestner, n.d.) Employee motivation was the subject of additional research, which revealed a favorable correlation between motivated workers and task performance inside the business. The findings revealed that compensation and work assessment are the two most important factors in increasing employee motivation. Several psychology research studies have proven that motivation causes a number of desirable behaviors that are required for an organization to function efficiently. (Malik et al., 2015).

(Friedman, 2009) defines motivation as an intentional attempt to change someone's behavior such that he is driven to take a particular action in order to fulfill specific objectives or outcomes. Because it drives, channels, and encourages human behavior and makes people eager to work hard and passionately to attain optimal results, motivation is seen as significant. Motivation comes in two flavors: extrinsic and intrinsic. An employee's internal motivations that propel them to perform to the best of their abilities are referred to as intrinsic motivation. Self-perception, interest, accountability, personal expectations, needs, wants, and job happiness are a few examples of the elements. On the other hand, extrinsic motivation describes the outside factors that motivate someone to take action. These include, among other things, the work itself, professional advancement, pay and perks, working environment, workplace safety, and relationships with coworkers.

Motivating employees is essential if they are to reach the company's demands by maximizing their strengths and skills. If someone lacks motivation, they will feel as though their efforts are in vain. When given the proper motivation, employees will deliberately perform in their field. Employee motivation to serve the firm or organization is the foundation of a good organization (Hannam & Narayan, 2015). Extrinsic and intrinsic incentives were recognized as two distinct categories by experts. Both motivations are thought to directly affect performance since, as earlier studies have shown, it requires a higher energy level, focus, and determination. Employee performance is positively correlated with motivation, according to research by (Zocche et al., 2018). As a result, motivation is a significant predictor of employee performance in an intermediate-level public technical institution in Kenya. Some workers lack motivation because they are not given credit for their efforts or given feedback when their tasks are finished. In these situations, incentives and feedback significantly increase workers' motivation.

The majority of the time, motivation is distinguished as one of the most important factors in predicting an individual's behavior and as a critical performance analyzer for crucial behavioral aspects. Therefore, it is not surprising that motivation appears in a variety of regulatory papers, and that executives and academics are paying close attention to individuals who are motivated to utilize technologies and social media on behalf of



businesses. While hygienic factors (like company strategy and management, interpersonal relationships, working environment, pay, job safety, position, reimbursement) are related to the employment background, motivational factors (like success, appreciation, accountability, effort, advancement, and individual development) are linked to the application content. Additionally, the study confirms that a person is motivated only when they see a positive relationship between effort and work performance, with work performance leading to rewards.

Conceptual Development and Hypothesis

Relationship Between Compensation & Benefits and Employee Performance

Employee performance will improve if they receive enough compensation that is both in line with government regulations and the tasks and obligations of the organization (Candradewi & Dewi, 2019). According to Widiani et al.'s (2019) research, there is a positive and significant association between employees' salary and their performance—the more money they make, the

better. According to research by Hameed et al. (2014), pay, including salary and direct benefits like health insurance, pension funds, paid time off, and annual leaves—as well as any discounts offered to staff members in the case of food-related businesses—shows a positive correlation with employees' performance. According to research by Aktar et al. (2012), employee performance and awards are positively correlated. Extrinsic benefits, such as base income and performance bonus, consist of two components. Comparatively speaking to a performance bonus, base pay is a very important aspect that influences employees' performance. Both are important and beneficial elements that influence how well employees perform. There are four components to intrinsic rewards: recognition, educational opportunities, difficult tasks, and career progression. Of the four, demanding work is the one that has the biggest impact on employees' performance.

Compensation is intended "as a bond of cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline and the influence of trade unions and government," according to Hasibuan in Kadarisman (2012). A favorable impact on the company will result from having good remuneration within the organization. Employees are more likely to perform at their highest level for the organization if they receive paid commensurate with their contributions to it.

As to Andi's (2015) findings, compensation and benefits have a significant impact on performance since all policies and activities must be implemented with the aim of accomplishing specific objectives. Similar to that, this pays strategy incorporates goals in addition to the primary goals of the business and worker performance. The likelihood that the business will achieve the best possible employee performance outcomes increases with the appropriateness of the perks and remuneration given. As long as policies that give benefits and compensation to employees are in line with their desires, there won't be a chance of employee protests. According to Pratama's (2015) research, employee performance is positively and significantly impacted by salary.

Based on above mentioned evidences, the following hypothesis can be evolved:

H1: Compensation & Benefits positively affects Employee Performance.

Relationship Between Compensation & Benefits And Motivation



A study looked at the effects of five non-cash incentives: "job security, effective communication channels, career advancement opportunities, training, and recognition for performance." Except for "training and performance recognition," the study indicated that these five factors influence employee motivation (Cheema & Mirza, 2013). Non-financial benefits are significant determinants of motivation in industrialized nations, according to Yousaf et al. (2014). Nonetheless, in emerging nations like Pakistan, it is not as significant. In Pakistan's education sector, Tausif (2012) discovered a high correlation between "non-financial rewards and motivation." Additionally, the study discovered that for all age groups, non-financial benefits do not significantly predict motivation. For older employees, it is higher, while for younger employees, it is lower.

Previous research has indicated that employee motivation is preceded by financial rewards (Fischer, Malycha & Schafmann, 2019; Shibly & Chatterjee, 2020). These studies also discovered a comparable relationship between changes in rewards and changes in worker satisfaction and motivation. Extrinsic rewards increase employee motivation, according to Nyandema & Were (2014), but they also noted that many firms do not adequately compensate their staff, which results in low employee motivation.

The impact of various forms of pay, such as monetary and non-monetary, on employee motivation has been the subject of numerous studies. For example, Mayson and Barrett (2006) clarified that competitive pay and suitable incentives are related to an organization's capacity to attract, engage, and retain workers. Madhani (2009) suggested in a different study that the sales department's new pay practices had a major effect on worker motivation and improved output. Consequently, the majority of today's firms struggle to find innovative compensation techniques in a highly competitive climate and view it as a means of inspiring workers (Magnan & Martin, 2018).

Based on the literature and arguments mentioned above, following hypothesis can be formulated:

H2: Compensation & Benefits has a positive and significant affect on Employee Motivation.

Mediation Analysis Between Compensation & Benefits, Employee Performance and Motivation

As long as the policy complies with employees' requests, it will minimize the possibility of employee protests regarding wages and benefits. Motivation was studied by Pratama (2015) as the variable that modifies the impact of benefits and compensation on performance. (ab 6)

According to Candradewi & Dewi's research from 2019, motivation may be able to partially buffer the relationship between an employee's performance and compensation. As a result, the organization must increase employee motivation in order to achieve better performance. Both this study and earlier studies were carried out in the public sector across a number of industries; the oil and natural gas sector was not specifically mentioned.

The relationship between reward and employee performance acts as a mediator in the motivation at work. His motivation is a key component in his work. Employees may cite a variety of pressures as an excuse for their lack of motivation at work. According to study by Susiani (2017), motivation is the reason why rewards have a favorable, significant, and indirect impact on performance. One interpretation is that motivation might act as a



mediator between how rewards affect performance and vice versa. Research by (Muliani et al., 2017) also lends credence to the findings of the study.

Keeping in view the above-mentioned arguments, following hypothesis is articulated:

H3: Motivation mediates the relationship between compensation & benefits and employee performance.

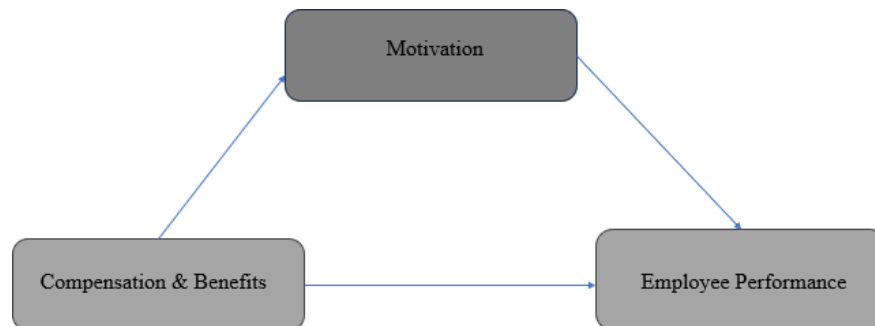


Figure 1: Conceptual Framework

Research Methodology

Research Paradigm

This study adopts a realistic research paradigm that places an emphasis on using knowledge in real-world contexts to solve practical problems. This study uses a mixed-methods approach, primarily quantitative, to shed light on the intricate connections between employee performance, motivation, perks, and pay. While acknowledging the subjective feelings and views of employees about motivation and performance, positive assumptions are made regarding the objective measurement of these constructs.

This method acknowledges that individual's distinctive views and life experiences influence how they perceive the world, but it also maintains that reality is a separate entity. It seeks to apply knowledge to enhance worker productivity and organizational effectiveness. This paradigm is followed in the selection of the study design, data gathering strategies, and analytic methods to guarantee a thorough comprehension of the research issues.

The online survey facilitates the investigation of intricate linkages and demographic analysis by gathering data from a heterogeneous sample of employed adults. Strong insights into the connections between pay, benefits, motivation, and employee performance can be obtained by examining latent variables, measurement models, and structural models through the use of PLS-SEM and SPSS for data analysis. Through the recognition of the intricacy of the research subject and the implementation of a practical research approach, the objective of this study is to offer organizations practical suggestions for maximizing remuneration, benefits, and motivational tactics, thereby augmenting employee productivity and organizational results.



Research Design

The impact of compensation and benefits on employee performance is examined in this study using a combination of methods technique, with a focus on quantitative data, and motivation serving as a mediating factor. Structural equation modelling, or SEM, is used in causal analysis to look at the directional relationships between variables. The subjects of this study are the people who are employed by an organization. The selection of working-class individuals is intended to investigate the impact of motivation on performance as well as the relationship between benefits and remuneration levels.

Pilot Testing

The survey determines the how compensation and benefits impacts employee performance in presence of motivation. A questionnaire was adapted; to collect detailed data for assessing the constructs of the conceptual model mentioned above. This questionnaire covers all the constructs present in the conceptual model of the research; with their specified items. All the items used to define the variables have been verified in prior researches and are established on literature review. The questionnaire is also based on the research questions which are discussed in this study.

The questionnaire is used in an online survey, which is a technique that can gather data from vast geographic areas, communicate with big number of individuals, working in different sectors or organizations and collect statistically meaningful data. The survey conducted comprised of structured and standardized questions along with demographic variables like age, income class, experience and gender.

Sampling

A generic survey using a 5-point Likert scale—1 being strongly disagree and 5 being strongly agree—was used to gather the data from a variety of employed people. Information based on their experiences at work was to be gathered. The survey was distributed using online resources, specifically Google Forms, and completed by the participants themselves. Out of the 100 responds that were received, 80 were deemed to be representative of the sample size. Partial Least Square (PLS) analysis of structural equation modeling was used to assess the data.

Data Analysis

Demographic Structure

This research is conducted through an online survey platform from different employed individuals; working in various sectors and organizations. The profile of the respondents validates that a big number of individuals are from age bracket 20 to 30 years with 85.2% of the total population. Most of respondents have experience of 1 to 3 years with 81.5% of the total data collected. The salary ranges most individuals have ranges from 20,000 to 40,000 with 44.4%. The survey is mostly filled by females' percentages with 51.9%

Variables	Characteristics	Frequency	Percentage (%)
Age	20-30	69	85.2%



	31-40	9	11.1%
	41-50	2	2.5%
	51 and above	1	1.2%
Experience	1-3 years	66	81.5%
	4-6 years	10	12.3%
	6 years onwards	5	6.2%
Salary Bracket	20,000-40,000	36	44.4%
	41,000-60,000	21	25.9%
	61,000-80,000	14	17.3%
	81,000 and onwards	10	12.3%
Gender	Male	29	35.8%
	Female	42	51.9%



Prefer not to say

10

11.3%

Table 1. *Demographic profile of respondents*

Descriptive Statistics

Table 2: Descriptive Analysis

	Mean	Median	Observed min	Observed max	Standard deviation
CB	0.000	-0.065	-2.379	1.336	1.000
EP	0.000	-0.029	-2.004	1.276	1.000
WM	0.000	0.150	-2.506	1.141	1.000

All variables were tested using descriptive analysis to show descriptive data such as mean, standard deviation, minimum and maximum range of the responses to the questionnaire. The results presented in Table 2 demonstrate the average values, which offer valuable insights into the respondents' evaluations of several aspects. The data indicates that the relationship between all the variables is mostly significant and, compensation and benefits have a strong impact on employee performance; with motivation being the mediator.

Measurement Model Analysis

The first stage in presenting the findings of a PLS analysis is to analyse the measurement items' or indicators' reliability and validity, as it is critical to ensure that the measures accurately represent the constructs. This section assesses the reliability of the measures as well as their convergent and discriminant validity.

Indicator Reliability

The percentage of indicator variation explained by the latent variable is known as indicator reliability. The range of values is 0 to 1. If the elimination of the indicator with outer loadings between 0.40 and 0.70 leads to a rise in composite reliability and average variance extracted, it should be recommended for eradication (AVE). Indicators with an outer loading of less than 0.40, on the other contrary, should always be eliminated. Because reliability is a need for validity, indicator reliability is tested first of all to verify that the linked indicators have enough in similar to be recorded by the latent construct. Following an examination of the outer loadings for all latent variables, few indicators are eliminated since their outer loadings are less than the

0.4 cut-off levels. The removed items from the outer loadings are: CB_10, CB_3, CB_4, CB_5, CB_6, CB_7, CB_8, EP_1, EP_2, WM_1, WM_5 and WM_6. The rest indicators are selected since their outer loadings are all 0.7 or greater. The outer loading of an indicator ought to be 0.708 or higher because this value squared (0.7082) represents 0.50, implying that the latent variable should be capable of clarifying at minimum 50% of each indicator's variation. Table 3 below exhibits the outer loading values for all the items of each construct. All the remaining items have values above 0.7.



	CB	EP	WM
CB 1	0.858		
CB 2	0.841		
CB 3	0.779		
CB 5	0.721		
EP 1		0.861	
EP 3		0.811	
WM 1			0.849
WM 2			0.753
WM 4			0.796

Table 3: Composite Reliability

Internal Consistency

Cronbach alpha and composite reliability, which assess the reliability based on the interdependence of the observable item variables, are the most usually utilized metrics for internal consistency. PLS-SEM analyses the internal consistency reliability of the measurement model using composite reliability instead of Cronbach's alpha. It is preferable to use the composite reliability metric. The composite reliability reflects the fact that indicators have distinct loadings and can be analysed equivalent to Cronbach's alpha. The values range from 0 to 1, with a greater number indicating a greater standard of reliability. Earlier study reveals that a minimum level of 0.60 or above is necessary to establish adequate composite reliability in data analysis, with a maximum level of 0.95. In exploratory research, acceptable composite reliability value is 0.70 or higher. Below, Table 4 shows composite reliability of all the constructs, all the values are above 0.7 which exhibits high reliability. As a result, the measuring instrument used in this research may be considered reliable.

Table 4: Internal Consistency

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
CB	0.813	0.877	0.642
EP	0.572	0.823	0.699
WM	0.733	0.842	0.640

Convergent Validity

Convergent validity is concerned to the model's potential to represent the variation of the indicator. Convergent validity denotes that a group of indicators depicts the same underlying concept, which may be examined from their one-dimensionality. The AVE may be used to demonstrate convergent validity. Convergent validity is the evaluation of the amount of agreement between various indicators of the same construct. Fornell and Larcker (1981) propose utilising extracted average variance (AVE) as a measure of convergent validity. The amount of variation captured by a latent variable from its indicators, proportion to the total attributed to measurement error, is measured by AVE. An AVE value of minimum 0.5 shows significant convergent validity, which means that on average, a latent variable can represent over than half of the variation of its indicator.



Discriminant Validity

Discriminant validity is a complimentary idea, which means that no indication should have a greater link with constructs other than the one it aims to represent. The amount to which the constructs experimentally vary from one another is known to as discriminant validity. It also assesses the degree to which the overlapping constructs differ. Cross-loading of indicator, Fornell & Larcker criteria, and Heterotrait-monotrait (HTMT) ratio of correlation may all be used to determine discriminant validity.

Fornell & Larcker Criteria

The Fornell-Larcker criteria state that a latent variable's assigned indicators possess more variation than almost any latent variable. The square root of the average variance extracted (AVE) is contrasted to the correlation of latent constructs using the Fornell-Larcker criteria. In proportion to the variance of other latent constructs, a latent construct should lead to variation of its own indicator better. As a result, the square root of every construct's AVE should be higher than the AVEs of other latent constructs. When evaluating discriminant validity, this is a standard and conventional practice. According to Table 5, the results of Fornell & Larcker criteria put forward that all concept measures exhibit sufficient discriminant validity.

Table 5: Fornell & Larcker Criteria

	CB	EP	WM
CB	0.801		
EP	0.621	0.836	
WM	0.397	0.415	0.800

Cross-Loadings

The second measure of discriminant validity considers each indicator's loading, which is supposed to be higher than all of its cross loading. The indicator's loading to its latent construct should be larger than that of other constructs in cross-loading. When considering cross-loading, the factor loading indicators on the assigned construct must be more than the total loading of all other constructs. According to Table 6, the results of cross-loadings put forward that all concept measures exhibit sufficient discriminant validity.

Table 6: Cross-loadings

	CB	EP	WM
CB1	0.858	0.534	0.355
CB2	0.841	0.479	0.278
CB3	0.779	0.514	0.412
CB5	0.721	0.454	0.193
EP1	0.529	0.861	0.438
EP3	0.510	0.811	0.244
WM1	0.378	0.424	0.849
WM2	0.231	0.156	0.753
WM4	0.307	0.334	0.796

Heterotrait-Monotrait (HTMT) Ratio

The Heterotrait-monotrait (HTMT) ratio of correlation is another measure of



discriminant validity. A lack of discriminant validity is shown by HTMT scores near to 1. When the HTMT is used as a criterion, it is compared to a predefined level. If the HTMT value is greater than this level, discriminant validity is not observed. A level of 0.85 has been proposed by several researchers. Afterwards, it is offered a value of 0.90. Table 7 below exhibits results of HTMT analysis put forward that most of the concept measures exhibit sufficient discriminant validity.

Table 7: HTMT Ratio

	CB	EP	WM
CB			
EP	0.907		
WM	0.477	0.572	

Structural Model Analysis

After ensuring that the metrics are reliable and valid, the next stage is to concentrate on the structural model. PLS analysis places a strong focus on determining the significance of all path estimations along with determining the variance explained.

The PLS algorithm was performed on SmartPLS with 300 iterations as the maximum number of iterations, and the route weighting scheme was claim that the weighting system used to determine internal reliability approximations has only a minimal impact on the end outcome.

Collinearity Assessment

An estimate of the level of multicollinearity among a collection of multiple regression variables is the variance inflation factor (VIF). Multicollinearity levels greater than 5 are often regarded as problematically high. The VIF readings should be around 3 or less. Given below, Table 6 exhibits VIF values of outer model. All the outer VIF values are below 3 which show that collinearity is not a manner of concern in our analysis.

Table 8: Variance inflation factor (VIF)

	VIF
CB 1	2.155
CB 2	2.082
CB 3	1.547
CB 5	1.546
EP 1	1.191
EP 3	1.191
WM 1	1.378
WM 2	1.576
WM 4	1.452

Bootstrapping Path coefficient

The PLS structural model's path coefficients validate the theoretically expected construct-to-construct correlations. Individual path coefficients are normalised beta coefficients of ordinary least squares regressions that quantify the extent of the causal relationship between components. The importance of path coefficients, i.e. hypotheses H1-H3 in the



model, was evaluated using the Bootstrap approach. The structure, dispersion, and bias of a statistic's sample distribution can be calculated using bootstrapping. The bootstrap technique generates a number of observations, each with the same number of cases as the original sample; bootstrap samples are generated by randomly selecting cases from the original sample with substitution, and PLS calculates the path model for each bootstrap sample. The generated route model coefficients then constitute a bootstrap distribution, which may be used to do a student's t-test to see if the path model correlations are significant.

In this research, bootstrap is executed with 80 cases. The level of significance taken is 0.05 means value of p should be less than 0.05 for it to be significant. The value of t should be greater than 1.96 for it to be significant. For the relations to be supported, both t and p values should be significant. Below, table 7 summarizes the results of bootstrapping.

Table 9: Path coefficient

	Original sample (O)	Sample mean (M)	ard deviation (STDEV)	T statistics (O /STDEV)	P values	Decision
CB -> EP	0.541	0.545	0.091	5.931	0.000	supported
CB -> VM	0.397	0.417	0.088	4.518	0.000	supported
VM -> EP	0.200	0.203	0.114	1.752	0.080	unsupported

The results support the proposed relationships between compensation & benefits and employee performance (H1) ($t=5.93$, $p < 0.05$); compensation & benefits and motivation (H2) ($t=4.51$, $p < 0.05$). The results do not support the proposed relationships between motivation and employee performance (H3) ($t=1.75$, $p > 0.05$).

Discussions

The purpose of this study was to investigate the relationship between remuneration and benefits and employee performance, with a particular emphasis on motivation as a mediating factor. The findings of this study contribute to a growing body of literature investigating how various organizational characteristics influence employee performance. In this section, the findings are compared to previous research, and prospective future research directions are suggested.

The Direct Relationship Between Compensation & Benefits and Employee Performance

The first major finding of this study is that compensation and perks improve employee performance. This finding is consistent with earlier research, which found that higher compensation and benefits often led to better performance.(Khan et al., 2024) Compensation and benefits are frequently regarded as key determinants of employee happiness and commitment, and this link is evident in a variety of organizational settings. Several studies have found that financial incentives and bonuses can boost employee motivation to perform better by enhancing job satisfaction and organizational commitment. (Rasmi et al., 2017) Moreover, the study's positive association between remuneration and performance is consistent with expectation theory, which states that individuals are more inclined to perform well if they anticipate their efforts will be rewarded with attractive income.(Wiley, 1997) The direct impact of remuneration on performance in this study provides credibility to the concept that proper rewards are



required for creating an atmosphere favorable to high performance.

The Impact of Compensation & Benefits on Motivation

The second significant conclusion demonstrates that remuneration and perks improve motivation. This is consistent with a large body of studies demonstrating the importance of financial incentives in motivating employees (Kalleberg, 1977). Compensation and benefits act as external motivators, meeting employees' demands for security and well-being and so increasing incentive to perform (Zocche et al., 2018). Previous studies have also shown that well-structured remuneration packages boost employee morale and drive them to attain corporate goals. This study lends credence to the idea that salary is a crucial motivator, especially when it matches employees' expectations and perceived fairness (Patiar & Wang, 2020).

While the link between compensation and motivation is well recorded, it is critical to remember that intrinsic motivators, such as meaningful work and possibilities for personal improvement, play an equally important role. To improve overall employee engagement and performance, firms must combine external rewards with intrinsic motivators (Muktamar et al., 2024).

The Mediating Role of Motivation

The study's third finding is that motivation does not mediate the relationship between remuneration and benefits and employee performance. This finding contradicts with previous research, which suggested that motivation plays a moderating role in the pay-performance (Olafsen et al., 2015). The absence of a mediating impact in this study could be attributed to a variety of contextual factors, such as the nature of the industry, the type of pay structure used, or the study's cultural setting. In some situations, remuneration may immediately influence performance without the need for motivation, especially if the rewards are viewed as valuable enough to drive immediate task-related behaviors. (Summers, 2005)

Furthermore, the lack of support for motivation's mediating role may be due to motivation's inherent complexity. Motivation is influenced by a variety of individual, organizational, and situational elements that may not have been fully addressed in this study. While financial incentives can boost motivation, they may not be sufficient to sustain long-term engagement, especially if intrinsic motivators (such as job satisfaction or career advancement prospects) are lacking (Shin et al., 2017). Furthermore, other variables, such as job autonomy, leadership support, and organizational culture, may have had a major impact on both motivation and performance in this study, overshadowing the potential mediating influence of motivation (Güngör, 2011).

Implications and Future Research

The findings of this study have significant significance for firms looking to improve employee performance. The direct positive influence of wages and benefits on employee performance emphasizes the need of providing competitive and equitable pay packages. However, this study emphasizes the importance of firms taking into account elements other than financial benefits when motivating employees. For example, creating a supportive work environment and providing opportunities for professional advancement could supplement remuneration techniques and encourage long-term employee



performance.

Future research should investigate the effect of non-financial motivators, such as job enrichment, recognition, and leadership, in improving performance. Further research should look into the potential moderating effects of individual variables (such as personality and work values) and organizational culture on the compensation-performance relationship. Furthermore, future research could look into contextual factors that may influence motivation's mediating role, such as industry-specific characteristics or geographical variations, to gain a more nuanced understanding of the dynamics between compensation, motivation, and performance.

Conclusion

The purpose of this study was to examine how benefits and pay affect worker performance, using motivation as a mediating factor. The study's findings shed important light on the connections between these variables. The first hypothesis is supported by the data, which indicate that perks and remuneration have a favorable and considerable impact on worker performance. This finding is in line with earlier studies that have repeatedly demonstrated the importance of competitive and equitable benefits and pay packages in inspiring workers and improving their output. The second hypothesis is further supported by the study's discovery that benefits and compensation have a noteworthy and beneficial impact on employee motivation. This outcome is also in line with earlier studies that have demonstrated the critical role that benefits and pay play in raising employee motivation and job satisfaction.

The third hypothesis, which stated that motivation mediates the relationship between pay and benefits and employee performance, was not supported by the study's findings. Contrary to earlier studies, the findings demonstrated that motivation does not mediate the relationship between pay and benefits and employee performance.

Significant consequences for human resource management stem from the study's conclusions. The findings indicate that in order to improve employee engagement and performance, firms should give competitive pay and benefits packages top priority. The results of the study, however, also raise the possibility that other factors, in addition to motivation, may be mediating the relationship between pay and benefits and employee performance.

All things considered, this study adds to the body of information already available about how benefits and compensation affect worker motivation and performance. The study's conclusions have significant ramifications for human resource management and offer a thorough grasp of the intricate linkages between these variables. To get more understanding of these intricate relationships, more research on the relationships between pay, perks, motivation, and performance is necessary.



Appendix

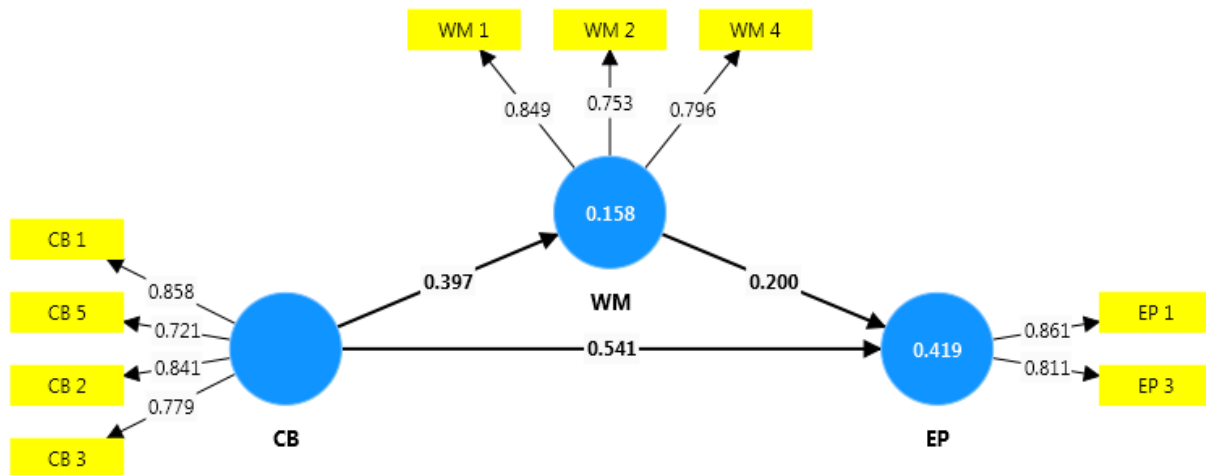


Figure 2: Measurement Model Analysis

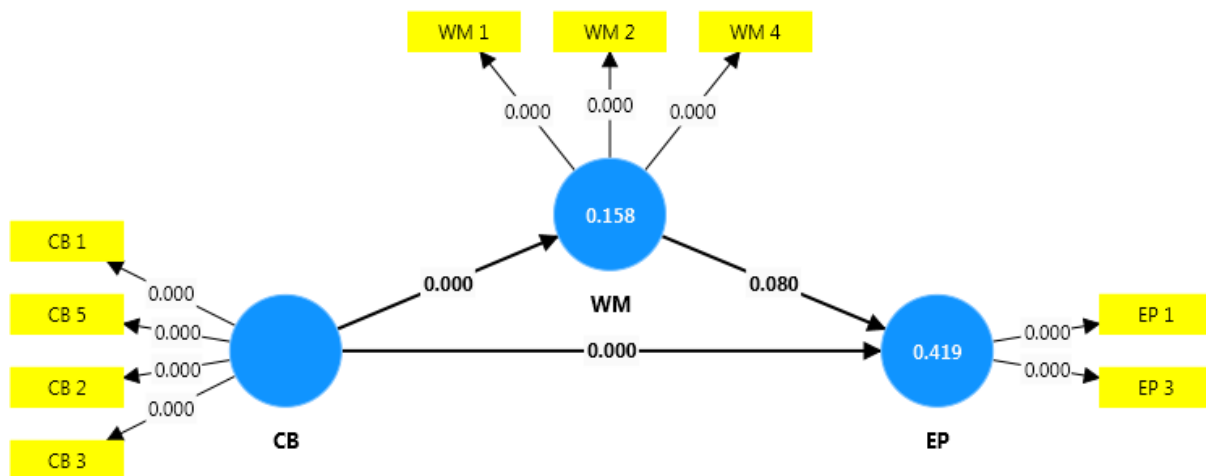


Figure 3: Structural model analysis

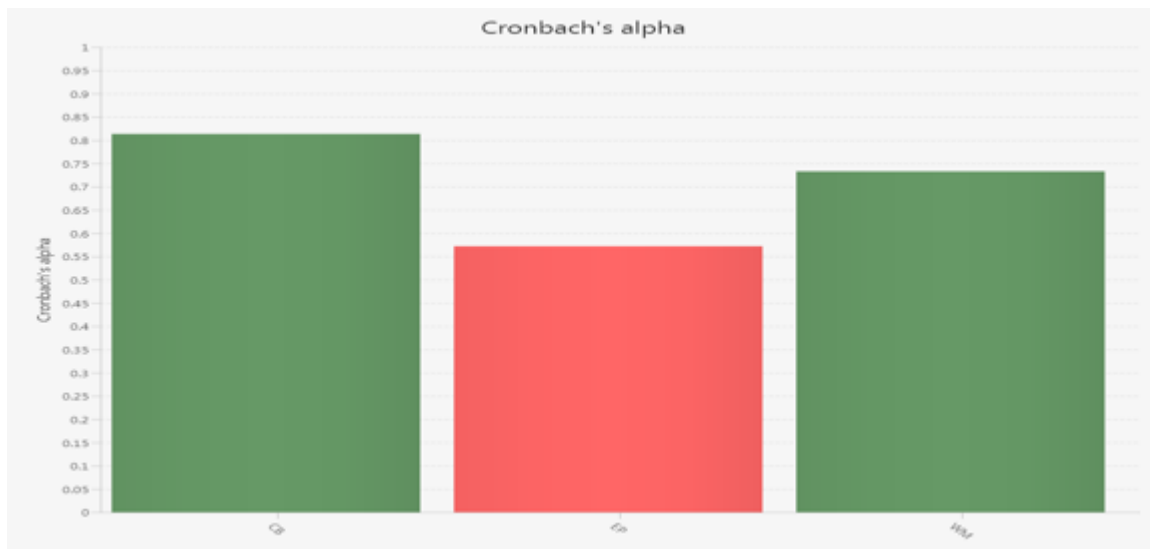


Figure 4: Graph of Conbach's alpha

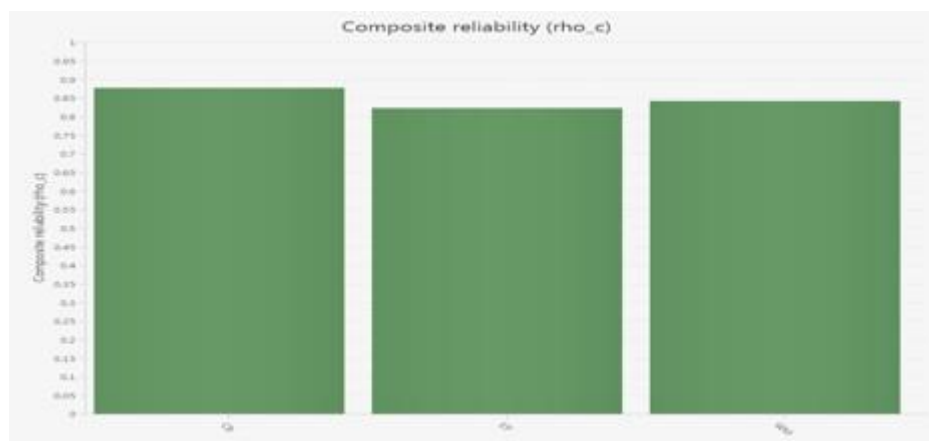


Figure 5: Graph of Composite Reliability

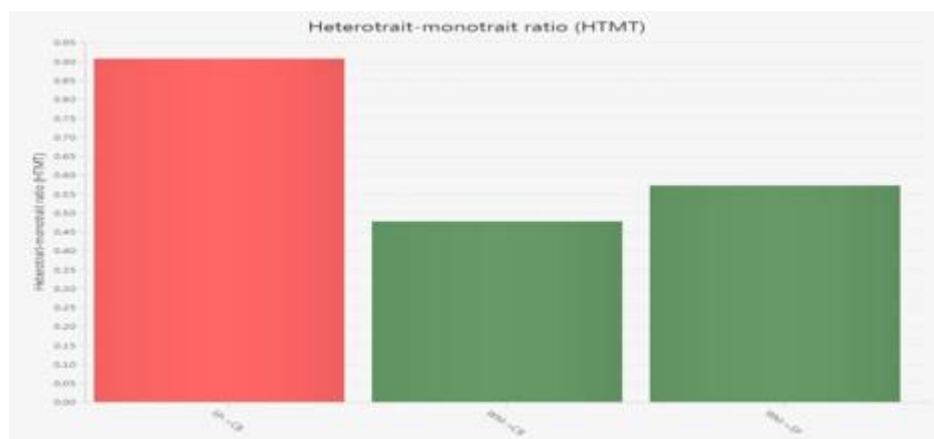




Figure 6: Graph of HTMT

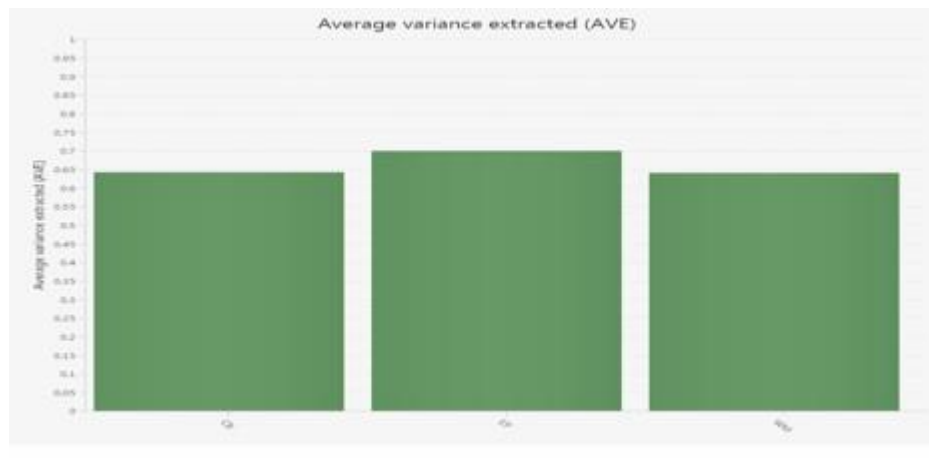


Figure 7. Graph of Average Variance Extracted (AVE)

Survey Questionnaire

Rating indicator: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

COMPENSATION & BENEFITS: *taken as independent variable*

1. Allowance is given based on appraisal performance.
2. Allowance is given in the form of free accommodation.
3. Giving allowance is a motivation for work commitment.
4. Giving allowance is a retention strategy.
5. Employees are given incentives when they reach the target.
6. Incentive is given to employees according to their number of overtimes.
7. Incentive is given to employees with perfect attendance.
8. Salary increase is based on performance.
9. Salary increase is based on years of experience.
10. Salary increase is based on educational attainment.
11. Salary increase is based on price commodities.

EMPLOYEE PERFORMANCE: *taken as dependent variable*

12. Promotion is availed based on performance appraisal.



13. Promotion makes employees inspired to work.
14. Promotion is based on years of service in company.
15. Giving promotion makes employees more loyal to company.

MOTIVATION: *taken as mediator*

16. I only work for the financial reward that it provides me.
17. When I Have Done A Good Job It is important to me that my contribution is recognized by other.
18. It is important that I Work in a job that allows me to use my skills and talents.
19. It is important that the work I do gives me a sense of enjoyment.
20. It is important that I Work in a job that allows me to realize my potential.
21. I Work Harder When I know others are evaluating my work.

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