

## **The Influence of Income on Employee Performance at CV. X**

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### **Abstract**

*The quality of employee performance is affected by the amount of wages and allowance provided by the company. Amount of salary earned by employees in CV. X is directly proportional to the quality of work performance. The aim of this research is to find out how the amount of salary earned affects the performance of employees in CV. X. The technique used in collecting data is through observations, interviews, and questionnaires. The type of data used in this research is qualitative data. Data samples are taken by using a random sampling technique with 10 indicator questions. The amount of samples used is 70 respondents. This research uses qualitative data analysis obtained from interviews, observations, and questionnaires. Based on the result obtained on this research, the amount of salary affects the quality of the employees' performance.*

**Keywords : Amount of Salary, Wage, Employee performance.**

### **INTRODUCTION**

The horticultural seed breeding business operated by CV. X has received positive responses from the community, particularly those involved in agriculture. In conducting farming activities, every entrepreneur strives to achieve high production yields that can be sold at competitive prices, ultimately contributing to the prosperity of the business. For an entrepreneur, income analysis plays a crucial role in assessing the success of their current business activities. It helps gauge the effectiveness of their endeavors and whether they are achieving the desired level of prosperity (Supriyanto *et al.*, 2006).

In the world of employment, wages and allowances are essential factors supporting the quality of performance in the workplace. Batubara and Buchari (2013) explains that personal attributes, wages, allowances, and motivation from the company are considered internal factors influencing the level of employee performance quality. Meanwhile, external factors include the physical and non-physical environment of the company.

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Based on the research conducted by Prastia Satrio (2009) at PT. Lenggogeni in South Jakarta, titled 'The Influence of Compensation and Incentives on Employee Productivity,' it was found that incentives and compensation have a significant impact on employee productivity. In this context, compensation can influence the productivity of employees through motivation, discipline, and awareness of the company and their work.

Work discipline has a significantly positive impact on the quality of employee performance. This means that an increase in work discipline will enhance the quality of the employee's performance. Work discipline is fundamentally expected to be a characteristic of every human resource within an organization because organizational discipline ensures smooth operations and the successful achievement of its goals (Purnomo and Waridin, 2006).

As human knowledge continues to advance, the desire to fulfill various aspects of life also increases. The numerous life needs drive individuals to work and earn income from their endeavors. The income obtained can be utilized to meet basic necessities and other requirements. People work with the aim of achieving a decent standard of living, and to attain this, one must possess a high level of work motivation (Hadiansyah and Yanwar, 2015).

The influence of income or salary on employee performance can vary depending on organizational conditions, corporate culture, and individual employees. Therefore, it is crucial for company management to understand and optimize the impact of income or salary on their employees' performance. Several studies indicate a positive relationship between compensation and performance, meaning that the better the compensation received by employees, the better their performance tends to be (Fitrianasari *et al.*, 2013).

The belief that satisfied employees will have positive impacts on the company makes job satisfaction a significant focus for organizations. Job satisfaction can be defined as an emotional situation related to positive or negative assessments of one's work. Job satisfaction defines a set of alignments between an individual's expectations regarding their job, the performance provided by the company, and the rewards given for their work (Wahyudi and Tupti, 2019).

## **THEORETICAL FRAMEWORK**

### **Amount of Income**

"Amount of Income" refers to the amount of income earned by an individual, company, or country in a given year. This income can come from various sources, such as employment, investments, property income, and business activities. Employee income can

motivate them to contribute their best to the company. The results of work performed become the reason an individual can meet their needs (Suwati, 2013).

Several factors that influence the magnitude of income on employee performance include their abilities and expertise in their field, the personality of employees in the form of both positive and negative attitudes, employee motivation, organizational culture, job satisfaction, the work environment, the workload assigned to employees, company leadership management, career advancement opportunities, and bonuses provided to employees (Jamaludin, 2017).

### **Employee Performance**

The term 'performance' refers to the behavior, processes, and outcomes produced by individuals in carrying out tasks or work. Performance can be categorized into several groups, namely process performance and individual performance. Process performance involves the performance at various stages of producing a product or service. Performance at this level is influenced by process goals, process design, and process management. Individual performance is the achievement or effectiveness at the personal performance level. Performance at this level is influenced by job goals, job design, job management, and individual characteristics (Aditama and Widowati, 2017).

Employee performance is the quality of an individual's work that aligns with the company's standards. Employee performance can influence various aspects of the company, such as productivity, efficiency, and job satisfaction. Hasibuan (2014) states that employee performance is defined as the result achieved by an individual in carrying out assigned tasks, based on competence, experience, dedication, and time.

Mangkunegara (2009) states that in terms of improving employee performance, there are seven stages that can be undertaken: recognizing the existence of deficiencies in performance, understanding the deficiencies and their severity levels, identifying factors that may cause deficiencies, both related to the system and the employees themselves, creating and developing action plans to address these deficiencies, implementing these action plans, conducting evaluations related to the issue to determine whether it has been resolved or not, starting from the beginning if necessary.

Mondy and Noe in Juni (2005: 271) state that performance measurement can be viewed and carried out based on:

1. Quantity of Work
2. Quality of Work
3. Dependability
4. Initiative

## 5. Adaptability

Meanwhile, according to Idham and Subowo (2005: 135), the things to consider in measuring performance are:

1. Work quality, including precision, tidiness, accuracy, and job skills.
2. Work quantity, including the ability to produce volume for new tasks.
3. Knowledge, related to an individual's knowledge in their work.
4. Reliability, related to an individual's ability to perform their tasks.
5. Cooperation, including the ability to collaborate on tasks together.

## The Relationship Between Income Magnitude and Employee Performance

For companies, employees are crucial human resources for achieving organizational goals. Many work-related demonstrations arise due to dissatisfaction with the provided wages. Organizational productivity and human resource management have a direct relationship. If employees are managed appropriately, involving job analysis, recruitment, training, and motivational tools such as increasing income, there is a positive impact. Therefore, increasing income is one way to enhance employee motivation and improve their performance.

One of the functions of increasing income is that it can serve as a motivating factor for employees to perform better. To achieve a good and anticipated income, employees will strive to work better. In conclusion, increasing what is provided to employees is related and has a positive impact on employee performance (Wahyuni, 2014).

## RESEARCH METHOD

The research is conducted at CV. X. The selection of the location is based on the accessibility of the workplace, considering several factors related to employee performance.

**Table 1. Variables and Indicators of Income and Employee Performance**

| No                              | Variable                  | Sub Variable | Indicator                                                                            |
|---------------------------------|---------------------------|--------------|--------------------------------------------------------------------------------------|
| 1. Financial Compensation       |                           |              |                                                                                      |
|                                 | a. Basic Payment          | Salary       | The salary provided by the company every month can meet the daily needs of employees |
| Indirect Financial Compensation |                           |              |                                                                                      |
|                                 | a. Overtime<br>Commission | Overtime Pay | The company compensates employees for overtime work                                  |
| 2. Non Financial Compensation   |                           |              |                                                                                      |

| No | Variable                | Sub Variable        | Indicator                                                                  |
|----|-------------------------|---------------------|----------------------------------------------------------------------------|
|    | a. Employee Performance | Amount of Work      | Employee completes tasks according to predefined targets                   |
|    |                         | Performance Quality | Employee takes responsibility for assigned tasks                           |
|    |                         | Duration of Work    | Employee works according to set timelines                                  |
|    |                         | Work Capability     | Employee can collaborate both in a team and individually to complete tasks |

Source: CV. X, 2022

The types of data used in this study are qualitative and quantitative data. Qualitative data are non-numerical and provide clear information to draw conclusions from the research. Qualitative data in this study include on-site observations, interviews, and questionnaire results from employees at CV. X. Quantitative data, on the other hand, are numerical and measurable, analyzed using statistical methods to draw conclusions. The quantitative data used include the tabulation of data results.

The data sources used in this study are primary and secondary data. The primary data used are responses from individuals who filled out questionnaires provided by the researcher directly and the results of interviews conducted on-site. Secondary data are collected from various literature sources such as journals, books, or the internet.

The data collected in this study were gathered through observation, interviews, questionnaires, and documentation. Observation is the process of collecting data by observing the environmental conditions of the research object directly at the location to obtain a clear illustration or description of the situation of the research object. Questionnaires are a set of written questions designed to obtain information from respondents about the research object. The questionnaires were distributed and filled out by employees at the research location. Interviews involve direct oral question-and-answer sessions with respondents to gather information. Documentation is a data collection technique that involves analyzing documents such as writings, images, or works of someone.

The analysis technique used in this study is qualitative data analysis. The data obtained from direct observation, interviews, documentation, literature review, and observational data portray a general picture of the location. According to Utama and Mahadewi (2012), qualitative analysis breaks down research results into descriptive forms to obtain a general overview of the findings. The scoring assessment uses a measurement method (scale) on employee responses from the questionnaire survey to determine the

influence of income magnitude on employee performance. In this study, a Likert scale is used to determine the scale values, setting the levels of attributes being compared. The Likert scale is used to measure the attitude, opinion, or perception of an individual or group about a surrounding phenomenon (Sugiyono, 2016:146). Each answer has a different weight value, there are five types of responses in the Likert scale (very satisfying (VS), satisfying (S), fairly satisfying (FS), less satisfying (LS), unsatisfying (US)) for the financial compensation variable, and four types (strongly disagree (SD), disagree (D), agree (A), strongly agree (SA)) for the employee performance variable.

## **RESULTS AND DISCUSSION**

CV. X is a business engaged in fruit plant breeding in the Tanjung Morawa District, Deli Serdang Regency, North Sumatra, Indonesia. The company is one of the nurseries used as a supplier when production at other nurseries cannot meet market demand.

### **Characteristics of Respondents**

The characteristics of respondents in the study were analyzed based on gender, age, and work experience. The total number of respondents in this study was 70 employees working at CV. X who were not bound by employment contracts. The characteristics based on gender are predominantly female, accounting for 65.3%. This is because CV. X has more light tasks compared to physical labor, resulting in a higher number of female workers.

Based on age, the respondents aged 35-57 years old constitute the majority, accounting for 89% of all respondents. This is because the age range of 35-47 is no longer accepted by companies engaged in factory production. Therefore, CV. X has more employees in this age group.

Based on work tenure, it was found that the majority of employees at CV. X have been working for more than 5 years, approximately 73% or 51 people. This indicates that the company is a suitable place for its employees to settle and work.

Based on work experience, on average, respondents have around 10 years of experience in this field, accounting for 91% of respondents. This is related to the characteristics based on the age of employees, as at a certain age, they are no longer accepted by companies engaged in manufacturing production during their time. Therefore, employees have extensive work experience.

### **Questionnaire Response Assessment**

The assessment was conducted by distributing questionnaires to respondents in the study. The financial compensation variable consists of 7 statements, while the employee

performance variable consists of 5 statements. Both questionnaires were responded to by 70 respondents and were calculated using a Likert scale with a 5-point and 4-point scale interval.

**Table 2. Tabulation Results of Respondents' Answers to the Financial Compensation Variable**

| No | Variable Indicator                                                                       | Frequency of Employee Statements |    |    |   |    | Number of Respondents | Total Score | Average Score | Desc |
|----|------------------------------------------------------------------------------------------|----------------------------------|----|----|---|----|-----------------------|-------------|---------------|------|
|    |                                                                                          | NS                               | LS | FS | S | VS |                       |             |               |      |
|    |                                                                                          | 1                                | 2  | 3  | 4 | 5  |                       |             |               |      |
| 1  | The amount of salary received in this company.                                           | 2                                | 2  | 4  | 6 | 56 | 70                    | 322         | 4.6           | VS   |
| 2  | The company has provided a salary that matches your work quality.                        | 1                                | 3  | 4  | 8 | 54 | 70                    | 321         | 4.59          | VS   |
| 3  | Management policies in determining employee salaries.                                    | 2                                | 1  | 7  | 4 | 56 | 70                    | 321         | 4.59          | VS   |
| 4  | The received salary so far can meet daily needs.                                         | 1                                | 5  | 3  | 6 | 55 | 70                    | 319         | 4.56          | VS   |
| 5  | The company's policy that increasing salary will lead to improved employee performance.. | 4                                | 1  | 4  | 5 | 56 | 70                    | 318         | 4.54          | VS   |
| 6  | The distribution of salaries to each employee is fair.                                   | 2                                | 2  | 5  | 7 | 54 | 70                    | 319         | 4.56          | VS   |
| 7  | Additional income from overtime and holiday work is appropriate.                         | 3                                | 1  | 5  | 3 | 58 | 70                    | 322         | 4.6           | VS   |
|    |                                                                                          |                                  |    |    |   |    |                       | Total       | 32.03         |      |
|    |                                                                                          |                                  |    |    |   |    |                       | Avg.        | 4.58          | VS   |

Source : Research Data Processing Results, 2022.

Based on Table 2, it is obtained that the average score from the respondents' assessment of the variable is 4.58, indicating that overall, employees are very satisfied with financial compensation. The indicators with the highest values are the amount of salary received in the company and additional income from overtime and holiday work, both with an average score of 4.6 (Very satisfying). This indicates that the salary given to employees aligns with their performance.

Meanwhile, the indicator with the lowest value is the company policy regarding increasing employee salaries in line with employee performance, with an average score of 4.54, still falling into the category of very satisfying. This suggests that the company is fair in increasing employee salaries based on overall performance.

Based on the indicator of the variable 'The received salary so far can meet daily needs' with an average score of 4.56, it falls into the very satisfying category but has not reached a perfect score of 5.00. This indicates that the majority of employees are satisfied with their current salaries. However, some employees feel less satisfied because they believe that the salary provided by CV. X is not sufficient for their daily needs.

To improve performance, communication among employees should be considered by supervisors, as it affects the work atmosphere, performance, and productivity. Income magnitude plays a crucial role in enhancing employee performance. Unpleasant working conditions and environments will impact employee performance in a company. It is hoped that the company can address issues related to income magnitude, especially in terms of company facilities and income magnitude development.

**Tabel 3. Frequency of Employee Statements**

| No | Variable Indicator                                           | Frequency of Employee Statements |    |    |    | Number of Respondents | Total Score | Average Score | Desc           |
|----|--------------------------------------------------------------|----------------------------------|----|----|----|-----------------------|-------------|---------------|----------------|
|    |                                                              | SD                               | D  | A  | SA |                       |             |               |                |
|    |                                                              | 1                                | 2  | 3  | 4  |                       |             |               |                |
| 1  | Completing tasks according to the targets set by the company | 2                                | 5  | 54 | 9  | 70                    | 210         | 3             | Agree          |
| 2  | Employees work carefully to minimize errors in their work    | 0                                | 2  | 18 | 50 | 70                    | 258         | 3.69          | Strongly Agree |
| 3  | Employees are responsible for completing assigned tasks      | 0                                | 0  | 23 | 47 | 70                    | 257         | 3.67          | Strongly Agree |
| 4  | Employees work according to standard operating procedures    | 0                                | 4  | 45 | 21 | 70                    | 227         | 3.24          | Agree          |
| 5  | Employees are punctual                                       | 1                                | 10 | 36 | 23 | 70                    | 221         | 3.16          | Agree          |
|    |                                                              |                                  |    |    |    |                       | Total       | 16.76         |                |
|    |                                                              |                                  |    |    |    |                       | Average     | 3.35          | Agree          |

Based on Table 3, the average score from the respondents' assessment of the employee performance variable is 3.35, which means that overall, employees agree with the statements presented. From this, it can be concluded that the performance of CV. X employees is already very good. The highest rating is found in the statement 'Employees work carefully to minimize errors in their work,' with an average of 3.69 (strongly agree).

However, the lowest rating is found in the statement 'Completing tasks according to the targets set by the company,' which is 3, but still falls into the agree category. Therefore, from the above statements, it can be concluded that employees are already complying with company regulations, and any violations are limited to the completion of tasks that slightly do not meet the targets.

## CONCLUSIONS

Based on the results presented in the previous chapter, several conclusions can be drawn regarding the discussed issues:

1. CV. X provides both direct and indirect financial compensation as well as non-financial compensation.
2. Overall, employees are very satisfied with the financial compensation, and the salary provided by the company aligns with their performance.
3. The relationship between income size and employee performance is crucial as it can significantly enhance employee performance.
4. The company has been fair in increasing employee salaries based on overall performance.
5. The majority of employees are content with their current salaries. However, there are some who feel dissatisfied as they believe the salaries provided by CV. X are not sufficient to meet their daily needs.

## Suggestions

Based on the presented results, here are some suggestions to emphasize the importance of continuous improvement in salary structures and employee satisfaction to positively impact overall employee performance:

1. In efforts to enhance performance at CV. X, the salary scale should be further increased. A higher salary scale has the potential to boost employee performance.
2. Employee satisfaction needs to be maintained and even improved because satisfied employees are proven to exhibit better performance.

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