

The Effect of Employee Compensation and Discipline on the Performance of Civil Servants with Loyalty as Intervening Variables in the Karo Regency Government

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ABSTRACT

This study aims to analyze The Effect of Employee Compensation, Discipline and Loyalty at Work On The Performance of Civil Servants in The Karo Regency Government. The type of this study is descriptive and causal research with quantitative approach. The population in this study is echelon II, III and IV officials in The Karo Regency Government. The number of sample used in this study is 88 people. The sampling technique used is proportional stratified random sampling. Data analysis used is path analysis. The result indicates that Employee Compensation has positive and significant effect on Loyalty at Work of Civil Servants in The Karo Regency Government. Employee Compensation has negative and not significant effect on The Performance of Civil Servants in The Karo Regency Government. Loyalty at Work positively but not significantly affect The Performance of Civil Servants in The Karo Regency Government. Work Discipline has positive and significant influence on Loyalty at Work of Civil Servants in The Karo Regency Government. Work Discipline has positive and significant impact on The Performance of Civil Servants in The Karo Regency Government. Employee Compensation positively but not significantly influencing The Performance of Civil Servants in The Karo Regency Government. Work Discipline has positive but not significant impact on The Performance of Civil Servants through Loyalty at Work in The Karo Regency Government.

Keywords: Performance, Compensation, Work Discipline, Loyalty at Work

INTRODUCTION

Local government is a public sector organization that is part of the country's economic system which aims to serve the public interest in order to realize people's welfare. Government institutions, political parties, schools, hospitals are public sector organizations (Nordriawan, 2009 in indudewi, 2012). Public service is the main focus of public sector organizations. Performance improvement in public sector organizations can also be measured / assessed by the existence of a performance measurement system.

One of the things that can be measured and considered important in organizations is human resources. In essence, an institution must manage all its employees in order to have optimal work performance and have competitiveness within the organization. In public organizations, this applies to Civil Servants. In general, employees who work are encouraged to make ends meet, so they strive to improve work performance and discipline in a better direction. One of the efforts made is to provide motivation to employees in the form of rewards or remuneration for employees who have upheld the level of discipline and work

performance for the success of the institution.

The criteria used for compensation vary, Kumorotomo (2011) provides a performance allowance (additional income), which is the use of in-depth knowledge or expertise, special skills, the amount of risk that must be faced, and various things that are technically directly related to a person's scope of work. In its development, employee performance is inseparable from employee discipline itself, where by carrying out its main duties and functions in a disciplined manner, employee performance will be achieved as expected. Hasibuan (2016), revealed that discipline is one of the most important operational functions in human resource management, because the better employee discipline, the higher work performance they can achieve. Without good employee discipline, it is difficult for organizations to achieve optimal results. A person's discipline can be influenced by various factors, both external and internal factors.

In addition, in an organization, apart from employees realizing that work discipline is the key to success, it would be better if the work discipline was balanced with good work loyalty. With discipline and good work loyalty, employees will be able to carry out their duties and responsibilities even though they are not supervised by the leadership. Loyalty is an attitude that arises as a result of the desire to be loyal and devoted both to work, groups, superiors and at work which causes someone to be willing to sacrifice in order to satisfy other parties or society (Jusuf, 2010). Many factors make an employee loyal, including job satisfaction, compensation or incentives, effective communication, motivation provided by the company, a comfortable workplace, career development, provision of employee training and education, work participation, implementation of occupational health and safety and relationships with other employees. Employees who have high loyalty to the company will have a willingness to work

hard and a sense of pride in the company (Suwarno, 2009).

The Karo Regency Government has regulated the criteria and amount of additional income provision based on working conditions, scarcity of professions and / or other objective considerations for Civil Servants. Echelon officials' performance appraisal has also been carried out using the SIMADA (Regional Administration Management Information System) application. Through this application, officials within the Karo Regency Government are assessed on the implementation of their work and work discipline. However, there is still a decrease in the level of discipline in tight jobs such as holding meetings, being on time in giving answers to letters, or being on time in using the semester budget.

This is certainly a challenge for regional leaders to restore or maintain the loyalty and work discipline of these officials. Employee compensation, employee discipline and employee job loyalty will greatly affect organizational performance. Government organizations cannot run effectively and efficiently if the management of employees in terms of providing compensation, discipline and loyalty to work is not properly managed.

Conceptual Framework

The hypothesis in this study is as follows:

1. Employee compensation has a positive and significant effect on job loyalty of civil servants in the Karo Regency Government.
2. Employee compensation has a positive and significant effect on performance within the Karo Regency Government.
3. Job loyalty has a positive and significant effect on the performance of civil servants in the Karo Regency Government.
4. Work discipline has a positive and significant effect on job loyalty of civil servants in the Karo Regency Government.

5. Work discipline has a positive and significant effect on the performance of civil servants in the Karo Regency Government.
6. Compensation has a positive and significant effect on civil servant performance through job loyalty within the Karo Regency Government.
7. Work discipline has a positive and significant effect on civil servant performance through job loyalty within the Karo Regency Government.

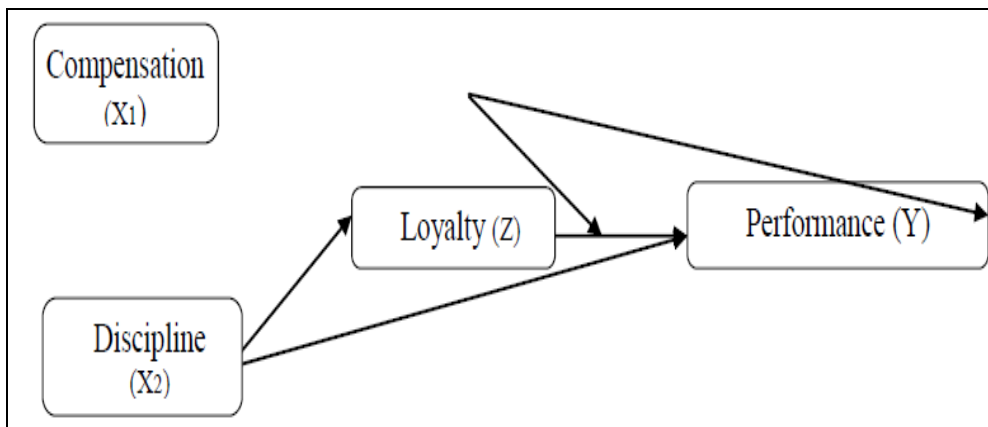


Figure 1: Conceptual Framework

RESEARCH METHOD

This type of research is descriptive and causal research with a quantitative approach. This research is a descriptive study because it aims to create hostages / paintings / descriptions of the facts and characteristics of a particular population or area in a systematic, factual and thorough manner (Ginting, 2008: 55). The population in this study were 701 echelon II, III and IV officials in the Karo Regency Government.

The sample used in this study amounted to 88 people. To determine who will be the sample, a proportional stratified random sampling technique was used. This technique is used because in this study the sample is heterogeneous with varying characteristics. The research results obtained from the field were processed using statistical calculations with the help of computers through the SPSS program.

RESULT AND DISCUSSION

Results of Linear Regression Coefficient of Determination R²

Table 1: Sub Model Determination Test Results 2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764 ^a	.584	.569	2.67875

Predictors: (Constant), Work Loyalty, Compensation, Work Discipline

Predictive ability of research model on sub-structure model II. The adjusted R Square value or the coefficient of determination is 0.569. This means that 56.9% of variations or changes in performance can be explained by variations

in employee compensation, work discipline and job loyalty, while the remaining 43.1% is explained by other variables not examined in this model. Meanwhile, the path coefficient for other variables outside the study is $\sqrt{1 - R^2} = \sqrt{1 - 0.569} = 0.656$.

F Test (Simultaneous)

Table 2: Sub-structure model 2 T test results

ANOVA ^b						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	846.320	3	282.107	39.314	.000 ^a
	Residual	602.760	84	7.176		
	Total	1449.080	87			
a. Predictors: (Constant), Work Loyalty, Compensation, Work Discipline						
b. Dependent Variable: Performance						

From the ANOVA test or F test, obtained F count of 39.314 with a significance level smaller than 0.05, namely 0.000 with $df_1 = 3$, and $df_2 = 88 - 4 = 84$, while the F table is 2.71 with a significance of 0.05. Based on these results it can be concluded that compensation, work

discipline and job loyalty simultaneously have a significant positive effect on the performance of civil servants in the Karo Regency Government. Value of $F_{count} > F_{table}$ ($39.314 > 2.71$) and the research sig < 0.05 ($0.000 < 0.05$).

T test (Partial)

Table 3: The results of the t-test for the sub-structure model 2

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.945	2.310		2.574	.012
	Compensation	-.002	.148	-.001	-.014	.989
	Discipline	1.228	.179	.704	6.879	.000
	Loyalty	.192	.258	.081	.744	.459
a. Dependent Variable: Performance						

Based on the table 3 above, it can be concluded that partially only work discipline variables have a significant positive effect on the performance of civil servants in the Karo Regency Government. This can be seen from the significance value for the work discipline variable less than 0.05 ($0.000 < 0.05$) and the $t_{count} > t_{table}$ ($6.879 > 1.663$). While the employee

compensation and job loyalty variables do not have a significant effect on the performance of civil servants in the Karo Regency Government, where the significance value for these two variables is greater than 0.05, namely 0.989 for employee compensation and 0.459 for the job loyalty variable.

Regression Equations

Table 4: Summary of the results of the path coefficient of model 2

Influence Between Variables	Path Coefficient (Beta)	Sig. Value	Test result	Coefficient of Determination	Other Variable Coefficients
Compensation (X1) to Performance (Y)	-0,001	0,989	Insignificant Contribution	0,569 = 56,9%	0,656
Work Discipline (X2) on Performance (Y)	0,704	0,000	Significant Contribution		
Job Loyalty (Z) to Performance (Y)	0,081	0,459	Insignificant Contribution		

Thus, the regression equation model for the sub-structure model 2 is obtained as follows:

$$Y = - 0.001 X1 + 0.704 X2 + 0.081 Z + 0.656$$

The regression equation above indicates that the performance variable is

positively influenced by the variables of work discipline and job loyalty and is negatively influenced by the employee compensation variable. Employee performance will increase if there is an increase in work discipline and work loyalty variables. Work discipline variables have the greatest influence on improving the

performance of civil servants in the Karo Regency Government.

Direct, Indirect and Total Influence

The sub-structure of model I and model II in the study is part of the path

analysis proposed in the study. Job loyalty variable (Z) is proposed as a mediating variable in the study. Evaluation of the overall path coefficient in the study is summarized in the structural model as follows:

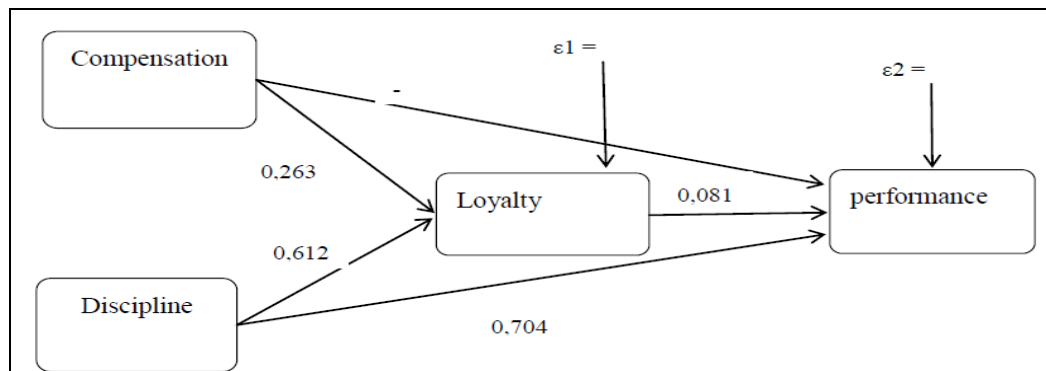


Figure 2: Influence Path Diagram Between Research Variables

Figure 2 above gives the overall influence between the variables in the sub-structure model 1 and the sub-structure model 2. Based on all path coefficients of the influence between variables, it can be

seen that the direct effect, indirect effect and total effect of each variable studied. The following results are presented in tabular form.

Table 5: Influence between Research Variables

Independent Variable	Dependent variable	Mediation	Direct Effect	Indirect Effect	Total Effect
Compensation (X1)	Loyalty (Z)	-	0,263	-	0,263
Discipline (X2)			0,612	-	0,612
Compensation (X1)	Performance (Y)	Loyalty (Z)	-0,001	0,021 (0,263*0,081)	0,020
Discipline (X2)			0,704	0,050 (0,612*0,081)	0,754
Loyalty (Z)		-	0,081	-	0,081
ε 1			0,654		
ε 2			0,656		

Based on the table 5 above, it can be concluded that the results of the path analysis are as follows:

- The sub-structure model 1 hypothesis is "employee compensation (X1) and work discipline (X2) have a significant positive effect on job loyalty (Z)". The results show that the compensation and work discipline variables simultaneously have a significant positive effect on job loyalty. Each of the compensation variables and work discipline partially have a positive significant effect on job loyalty.
- Sub-structure model 2 hypothesis, namely "compensation (X1), work discipline (X2) and job loyalty (Z) have a significant positive effect on

performance (Y)". The results show that the compensation, work discipline and loyalty variables simultaneously have a significant positive effect on performance. However, partially only work discipline variables have a positive significant effect on performance, while compensation and job loyalty variables have no significant effect on performance.

- The direct and indirect effects between research variables can be described as follows:
 - The direct effect of the compensation variable on job loyalty is 0.263
 - The direct effect of the compensation variable on

- performance is -0.001. The indirect effect of the compensation variable on performance is 0.021.
3. The total effect of the compensation variable on performance is 0.020
 4. The direct effect of work discipline on job loyalty is 0.612
 5. The direct effect of work discipline on performance is 0.704. The indirect effect of work discipline on performance is 0.050.
 6. The total effect of work discipline variables on performance is 0.754
 7. The influence of job loyalty variables on performance is 0.081
 8. ϵ 1 of 0.654 shows the coefficient of influence of other variables outside of this study that can affect job loyalty
 9. ϵ 2 of 0.656 shows the coefficient of influence of other variables outside of this study that can affect performance.

Hypothesis test

Table 6: Research Hypothesis Testing

No	Hypothesis	Path Coefficient	Significance /P-value	Conclusion
H1	Employee compensation has a positive and significant effect on job loyalty of civil servants in the Karo Regency Government	0,263	0,001	Ha accepted
H2	Employee compensation has a positive and significant effect on performance within the Karo Regency Government	-0,001	0,989	Ha rejected
H3	Job loyalty has a positive and significant effect on the performance of civil servants in the Karo Regency Government	0,081	0,459	Ha accepted
H4	Work discipline has a positive and significant effect on the job loyalty of civil servants in the Karo Regency Government	0,612	0,000	Ha accepted
H5	Work discipline has a positive and significant effect on the performance of civil servants in the Karo Regency Government	0,704	0,000	Ha accepted
H6	Compensation has a positive and significant effect on the performance of civil servants through job loyalty within the Karo Regency Government	0,021	0,467	Ha rejected
H7	Work discipline has a positive and significant effect on the performance of civil servants through job loyalty within the Karo Regency Government	0,05	0,458	Ha rejected

CONCLUSION

Employee compensation has a positive and significant effect on job loyalty of civil servants in the Karo Regency Government.

The results indicated that compensation had a positive and significant effect on job loyalty of civil servants in the Karo District Government. If employee compensation increases, employee job loyalty will also increase. These results indicate that the compensation policy implemented by Karo District Government will affect employee performance. Employees in working according to the procedures and targets set by the organization, employees work based on professionalism and prioritize their loyalty to the organization.

The organization must encourage employees to be loyal to the organization. Employee loyalty will improve organizational performance. Loyal

employees will be easily developed, have initiatives for the progress of the company, always support organizational programs, participate in solving problems that are being faced by the organization, maintain organizational secrets, are willing to accept criticism for future improvements, respect the leadership, and are easy to cooperate with colleagues. One of the efforts to increase loyalty by providing compensation for employee work performance.

Employee compensation has a negative and insignificant effect on the performance of civil servants in the Karo Regency Government.

The results of the hypothesis state that the compensation variable has a negative and insignificant effect on employee performance. The provision of compensation to employees will not affect employee performance. This is because the salary given for employees is standard

according to existing regulations and is sufficient to pay for the living needs of employees in Karo Regency. In addition, employees feel that compensation is a gift that is not guaranteed to be given annually to employees. Compensation depends on the financial capacity of the region and the amount is not the same every year. While the salary must be given every month so that the presence or absence of compensation does not affect employee performance.

Job loyalty has a positive and insignificant effect on the performance of civil servants in the Karo Regency Government.

The results indicated that job loyalty had a positive effect on performance but not significant. The lack of fishery influence on job loyalty indicates that there is not enough evidence that job loyalty fully affects employee performance. This indicates that the increase in employee job loyalty has not been able to affect employee performance.

Work discipline has a positive and significant effect on job loyalty of civil servants in the Karo Regency Government.

The results indicate that employee work discipline has a positive and significant effect on employee loyalty. Work discipline can be interpreted as an attitude of respect, appreciation, obedience and obedience to the applicable regulations, both written and unwritten and able to carry out them and not to avoid receiving sanctions if he violates the duties and authorities given to him.

Work discipline has a positive and significant effect on the performance of civil servants in the Karo Regency Government.

The results indicate that employee work discipline has a positive and significant effect on employee performance. This is indicated by several tests conducted on work discipline variables. Basically, work discipline has a high role in improving

employee performance. High work discipline must always be maintained, even it must be improved for the better. Employees who have good work discipline are expected to be able to do their best to complete their work, so that they can produce optimal performance for the company. Disciplined employees tend to be punctual in carrying out established procedures and have high responsibility.

Employee compensation has a positive and insignificant effect on the performance of civil servants through job loyalty within the Karo Regency Government.

The result of the hypothesis states that the compensation variable has a positive and significant effect on employee performance. It can be concluded that compensation has a positive but indirect effect on performance through job loyalty or it can be concluded that job loyalty is a variable that mediates between compensation and employee performance indirectly. With the increase in loyalty, the performance achieved by employees in the Karo Regency Government will also increase.

Work discipline has a positive and insignificant effect on the performance of civil servants through job loyalty within the Karo Regency Government.

The results prove that work discipline has a positive and insignificant effect on employee job loyalty. Directly, work discipline does not have the most dominant influence in shaping employee job loyalty. Then job loyalty has a positive effect on performance, but not the factors that have a direct effect on performance. If employees have high work discipline, it will not automatically increase employee job loyalty at work. High loyalty does not automatically improve employee performance.

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