Effect of Training and Compensation on Employee Performance:

At PT. ABC NGL

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Abstract— **PT ABC NGL is a liquefied natural gas producing company that has management and marketing activities for liquefied natural gas to LNG buyers. In an effort to improve employee performance, PT ABC NGL, especially those in Bontang, East Kalimantan, conduct training programs in accordance with employee needs, as well as provide compensation that is considered fair and appropriate in return for employee performance to the company. The formulation of the problem in this study is the extent of the effect of training and compensation on the performance of the employees of PT ABC NGL. Theories used in this research are the Theories of human resources related to the theory of human resource training, and the theory of compensation, and the theory of employee performance. This Research method uses a survey approach, and the type of research is quantitative descriptive. The nature of the study is the explanation. The number of samples used consisted of 100 employees of PT ABC NGL. The data analysis model used to answer the first and second hypotheses is multiple regression analysis, using a confidence level of 95 percent.**

Keywords—training, compensation, performance

I. INTRODUCTION

Employees are human resources directly involved in carrying out corporate activities. Therefore, the company must give maximum attention to its employees, both in terms of quality attention and skills, and the level of prosperity, so that the employees in question can be encouraged to provide all the capabilities according to the needs of the company.

Improving the competence, knowledge and skills of employees can be done through training programs, encounter the fast improvement of technology. PT ABC NGL always adapts new programs and technologies to support the company's overall performance. However, the use of this new program and technology is not beneficial if it is not accompanied by the provision of training related to its operation. These problems will impede the overall performance of the company.

Training and development is an effort to reduce or eliminate gaps between the works of employees' ability with the results of the work desired by the company. Efforts to improve employees' work skills can be done by adding knowledge, skills and changing attitudes, so that it can become the wealth of the most valuable company. With all its potential, employees can continue to be trained and developed, so that

they can be more empowered, and achieve optimal achievement in achieving the company's objectives. Some training programs have been implemented by PT ABC NGL in accordance with the Government Decree through the Law of the Republic of Indonesia No. 13 year 2003 about Employment.

According to one of the staff of the HR department, the number of training program implementation tends to decline as the impact of the switching of shares ownership of PT ABC NGL by Pertamina as much as 70%. Moreover, the declining gas reserves require that PT ABC NGL revamp its wisdom in achieving the company's objectives, especially with regards to the company's efficiency.

Departments responsible for addressing the implementation of training programs are required to be more selective in providing training to employees. The company wishes to employees who are given training based on priority scale, where the training provided is really needed and beneficial for the implementation of the employee's work concerned at this time.

Compensation is what the employees receive in reward of their contribution to the company. Compensation is one of the functions of human resource management that relates to all types of individual awards as an exchange in performing the task of organizational. Large or small compensation can affect job achievement, motivation and employee satisfaction. If compensation is given precisely and correctly, then the employees will get a job satisfaction and encouraged to achieve the objectives of the company.

In recent months, PT ABC NGL has also issued a new policy relating to one form of compensation. The company stipulates that there are restrictions on additional time to work outside of the stipulated hours or overtime. PT ABC NGL hopes that with this rule, its employees do not misuse overtime and can utilize the time as efficiently as possible in doing the tasks that have been given.

II. RESEARCH OBJECTIVES

Based on the background and the problem above, the final purpose of writing this thesis is:

- To know the impact of training on employee performance at PT ABC NGL

- To know the impact of compensation on employee performance at PT ABC NGL

- To know the influence of training and compensation on employee performance at PT ABC NGL.

III. LIBRARY OVERVIEW

Training is an effort to improve the performance of employees on a particular job that is being responsible [1]. Kaswan also defines training as the process of enhancing employee knowledge and skills which includes changing attitudes so that employees can do their work more effectively [2]. According to Noe, training is the effort that companies do to facilitate employees to improve the competencies associated with their work [3]. These competencies include knowledge, skills, or behaviours that are important to success in their work.

Based on some explanations above, it can be concluded that training is a teaching and learning process organized by an institution with the purpose of enhancing the skills and abilities of the employees, so that they can support the achievement of objectives, targets and objectives of the institution.

Training for employees is a process of teaching knowledge and certain skills and attitude to make employees more skilled and able to carry out their responsibilities better, in accordance with the standards. Usually, training refers to the development of work skills that can be used immediately. Development is often categorized explicitly in the development of management, organization, and individual development of employees. Compensation management becomes a very important thing in a corporate organization. Employees who have adequate qualifications and competencies generally see' high payouts' as a consequence of their ability. The level of compensation determines the lifestyle, status, self-esteem and feelings of the employee towards its organization. The compensation package itself consists of salary, allowances which become principal expenditure which critically affects the company's competitive position.

According to Milkovich and Newman, compensation is interpreted as follows: "Compensation refers to all form, of financial returns and tangible services and benefits employees receive as part of an employment relationship" [4]. That compensation refers to all forms, of financial rewards as well as the measurable merits and benefits that employees receive as part of a single employment relationship.

Organizations have multiple objectives in designing their compensation systems. In order for the objectives to be achieved and to provide satisfaction for all parties should the compensation program be established based on fair and reasonable principle, labour law, as well as pay attention to internal and external consistency.

The explanations above illustrate in general, the purpose of each organization designing a compensation system is to lure employees and hold competent employees. The compensation system will run effectively when it can motivate its employees and in accordance with applicable legal regulations. It is certainly understandable. When employees get a fair treatment through the right compensation system, their employees will bring their capabilities to the top of their ability through their best performance that will be given to the company. So directly or indirectly, this will support the achievement of corporate strategy.

There are several studies that relate employee compensation and performance. As Haygroup stated that salary, incentives, and rewards are external motivators that are rarely given to employees [5]. If the company does not pay a competitive employee salary, or the company does not value employees ' performance with better salary, employees ' performance tends to decline.

In theory from Mathis and Jackson stated that training is a process by which people gain the capability to assist the achievement of organizational objectives [6]. In a limited sense, training provides employees with specific knowledge and skills and data identified to be used in their current work and affect the outcome of their work.

IV. RESEARCH METHODOLOGY

In this study, some of the data collection methods has done include questionnaires, interviews and literature. Questionnaires are aimed to find employees' feedback on the influence of training and compensation on employee performance, interviews, directly conducted with HRD staff at PT ABC NGL who has the authority to provide the data and information needed in research, literature, secondary data retrieved through literature document study and books.

The objects of this research are a full-time employee in PT ABC NGL, consisting of 1,800 employees with structural workers under the Manager of 875 people. In this study, the sampling used a stratified random sampling technique, which is that researchers classify the population in such a way that the population in the strata is homogeneous according to the characteristics based on stratification. Samples of respondents took from each level so the results of the study could represent the entire population. Samples were taken randomly based on the position level, as much as 20% of the total employees [7].

In this study, researchers conducted data collection at PT ABC NGL for 7 days, starting from 16 to 22 June 2019. Researchers distributed a questionnaire of 150 sheets because if get more respondents were able to fill the results would be better and to anticipate the existence of respondents who did not fill.

In this study, the data collection techniques used questionnaires. The scale used is the Ordinal scale with Likert system, is a question is given 5 (five) alternative answers that can be chosen by the respondent. The validity used is the validity of the construction which means to see how far the test items are capable of measuring what will be measured by the indicators determination process, creating items and evaluated through the try out [8]. Measuring instruments in statistic tests that purposed to make sure that the measuring instrument is valid and reliable.

This research will use the value generated from Kaiser-Mayer-Olkin Measure Sampling of Adequacy (KMO-MSA) as the valid measurement value of the measuring instrument with

the value above 0.5 to 1.0. The validity and reliability tests in this study were conducted towards 100 employees of PT ABC NGL, who were chosen randomly.

The study uses the construct of validity to determine the appropriate instrument for measuring variables in accordance with the theory, which in the calculation of correlation indicates the correlation of Rank Spearman [8]. Processing the data, using SPSS 21 software. The criteria used for Kaplan and Saccuzo norms.

The data analysis method used to answer the hypothesis is a double linear regression analysis, with the following formulations:

$$Y = \alpha + \beta\_1 X\_1 + \beta\_2 X\_2 + E \qquad (1)$$

Where:

Y = Employee performance
X1 = Training
X2 = compensation
ρ = constant
β1, β2 = regression coefficient
E = Epsilon or variables not examined

The free variables in the formulation of the first issue are training and development (X1), as well as compensation (X2). Whereas the variable bounded is the performance of employees (Y). The definition of operational variables in the study is outlined in table 1 as follows.

TABLE I.   VARIABLE OPERATIONAL DEFINITIONS TABLE

Variable	Definition	Indicators	Scale
Employee Performance (Y)	The result of work in quality and quantity achieved by a staff in carrying out its duties in accordance with the responsibilities given to them.	Quantity of work Quality of work	Likert
Training (X1)	Efforts to improve the skills and knowledge of employees needed to do a good job for now or for the future	Employee ability, Employee Job Volume, Duties and Responsibilities to the work Employee skills	Likert
Compensation (X2)	Something that employees receive in the form of money or non-money as reward as a reward for the effort they gave to the organization	Salary received, Additional bonuses, Overtime, Health Facility, Housing allowance, Promotion of positions	Likert

V. RESEARCH RESULTS

Moreover, the construct validity test is conducted to measure the validity of a questionnaire. A questionnaire is to be valid if the questionnaire question is able to reveal something that is about to be measured by the questionnaire. The significance test is done by comparing the R count by R table or comparing the P or sig value to the level of significance (usually = 0.05). If r count is greater than r table or P or sig value < 0.05, then the statement is valid. Result r count on the variable of compensation, training and performance shows > R table (0.196), it can be concluded that the statements are valid.

The calculation results show that Cronbach's Alpha on the instrument variable compensation (X1) has a reliability number = 0.863, the Training Variable (X2) = 0.832, the Performance Variable = 0.751. The index is commonly used in social research, when Cronbach's Alpha (α) figures above 0.60 indicate that the construct or variable is reliable. So, it can be concluded that the three variables used in this study are reliable.

Data Normality Test is intended to know whether the sample used is taken from a normal population. The software used to perform this test is uses SPSS version 21, where the test normality assumption is done by Kolmogorov-Smirnov testing.

Using a significance of 5% or α = 0.05, then if Sig. > 0.05 so, the data is normal distribution, and if the Sig < 0.05 the data is not a normal distribution. Based on calculations, the value of significance of the compensation, training and performance of each of 0200 or greater 0.05 which means the residual data is normal distribution.

Multicolinearity is a case that informs the occurrence of the relationship between the free variables and the relationship that occurs sufficiently large. This causes the coefficients to not be able to estimate and the standard error value of each regression coefficient becomes unusable. Multicolinearity occurs when the tolerance value is less than 0.1 or VIF is more than 10. Based on the value of the VIF which is below 10, and the Value tolerance > 0.1, it is inferred that multicolinearity did not occur between independent variable.

The heteroscedasticity test aims to test whether there is an inequality variance from the residual of one observation to another in a regression model. Detection of the presence of heteroscedasticity is done by looking at the diagram of the panel (Scatterplot diagram). If there is a specific pattern, there is heteroscedasticity. If there is no clear pattern, and the points are spreading, there is no heteroscedasticity. Based on the Scatterplot diagram it appears that the data does not form a particular pattern (irregular scatter). This means the research model is free from the problem of heteroscedasticity.

TABLE II.   MULTIPLE LINEAR REGRESSION TABLE

Model		Unstandardized Coefficients		Standardized Coefficients Beta
		B	Std. Error	
1	(Constant)	.983	.375	
	Compensation (X1)	.499	.068	.570
	Training (X2)	.244	.078	.244

Based on the data processing using the SPSS shown in table 2, it can be known that the regression equation formed is:

Y = 0.983 + 0.499 * X1 + 0.244 * X2 + E. From the equation it can be concluded that (1) The compensation variable has a coefficient direction marked positively towards the worker's performance; (2) The compensation coefficient provides a positive value of 0.499 which means that if compensation is getting better then worker's performance will also increase; (3) The training coefficient provides a positive value of 0.244 which means that if training is consistently given as needed then worker performance will increase.

TABLE III.   RESULT CORRELATION WITH PEARSON METHOD

		Compensation (X1)	Training (X2)	Performance (Y)
Compensation (X1)	Pearson Correlation	1	.043	.581**
	Sig. (2-tailed)		.670	.000
	N	102	102	102
Training (X2)	Pearson Correlation	.043	1	.269**
	Sig. (2-tailed)	.670		.006
	N	102	102	102
Performance (Y)	Pearson Correlation	.581**	.269**	1
	Sig. (2-tailed)	.000	.006	
	N	102	102	102

From the results of data analysis using SPSS shown in table 3 above, the value of sig = 0.000 < 0.05 (Ho rejected, which means there is a real positive correlation between X1 and Y. The correlation coefficient R = 0.581 Indicates the relationship level of both variables at a strong level for a scale of 0 – 1. The * *) mark on the value of R indicates that the correlation is real-life (Level of significance) 0.01. In the table above, the value of sig = 0.006 < 0.05 (Ho rejected, which means there is a real positive correlation between X2 and Y. The correlation coefficient R = 0.269 Indicates the level of relationship of both variables at moderate levels for a scale of 0 – 1. The * *) mark on the value of R indicates that the correlation is real-life (Level of significance) 0.01.

TABLE IV.   TEST RESULT TABLE F

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.477	2	6.738	32.571	.000b
	Residual	20.482	99	.207		
	Total	33.959	101			

In table 4 above the value of sig = 0.000 of < 0.05, so Ho is rejected, which means that the variable independent jointly has a significant effect on the dependent variable. Training and compensation in unison has been significantly influential to the employee's performance at PT ABC NGL. This means that the implementation of training as well as compensation given to employees is decisive in improving employee performance.

The T test essentially shows how far the influence of one variable independent individually describes the variable-bound variation [1]. A partial regression test is intended to know whether the free variable individually has an influence on the variable bound to the other variable's assumption is constant. Partial compensation variable (X1) affects more dominant than variable training (X2) in explaining the employee performance variable (Y). It means the compensation variable (X1) is more decisive in improving employee performance (table 5).

Based on the basis of the decision making, the value of sig = 0.000 < 0.05, can concluded Ho rejected, which means that the variable-variable independent together equally significant effect on the dependent variable. With that conclusion it indicates the compensation variable and the training showed together equally influence on worker performance.

TABLE V.   TEST RESULT

	Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
		B	Std. Error				Tolerance	VIF
1	(Constant)	.983	.375		2.625	.010		
	Compensation (X1)	.499	.068	.570	7.300	.000	.998	1.002
	Training (X2)	.244	.078	.244	3.127	.002	.998	1.002

Test R is done to know how much influence is given between variable independent to dependent variable. Coefficient of determination test results can be seen in the following table 6.

TABLE VI.   TABLE COEFFICIENT OF DETERMINATIONS

Model	R	R square	Adjusted R Square	Std. Error of the Estimate
1	.630ᵃ	.397	.385	.45485

The R^2 value of 0.397 indicates that 39.7% of the Y variances can be explained by changes in the X1 and X2 variables. The remaining 60.3% is explained with other factors outside the model.

VI. CONCLUSIONS AND SUGGESTIONS

A. Conclusions

This research was conducted to analyse how the influence of Compensation and Training on employee performance at PT ABC NGL. The results of this research are expected to be useful for the compensation and training policies that will support employees ' performance at PT ABC NGL. Based on the research, researchers concluded that:

- Based on the research and discussion in the previous chapter, there are positive and real correlation between compensation to employees ' performance and the level of second-variable relationship at strong levels.

- Based on the research and discussion in the previous chapter, there are positive and real correlation between training on employee performance and the level of relationship between the two variables at a strong level.

- Training and compensation in unison has been significantly influential to the employee's performance at PT ABC NGL. This means that the implementation of training and compensation given to employees is very decisive in improving employee performance. Partial compensation variable affects more dominant than variable training in explaining employee performance variables. It means, the compensation variable is more decisive in improving employee performance.

B. Suggestions

Based on the conclusion of the research and discussion, the implementation of training and compensation should be done well by PT ABC NGL. In relation with the impact compensation that is more dominant to the employees'

performance, it is suggested that PT ABC NGL can maintain the compensation system that is used at this time. If possible, it can be improved in the future. Indeed, employee performance will be even better when PT ABC NGL can improve the compensation system, so that employees ' performance can also continue to rise so that the target and objectives of the company can be fulfilled well. In addition, training is one of the important factors that also affect employee performance. Although the influence of training is less dominant, but it takes special attention from the company to cooperate with all stakeholders to conduct routinely and provide training according to the needs of employees.

The management does the standard update of employees ' base pay towards the average of similar industries to get a standard salary in suitable with the salary standards that the employee expects periodically. The management also observes the impact of the compensation to the employees' performance periodically, so that more enhancement opportunities can be specifically identified.

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