

## **The Role of Compensation In Improving Staff Productivity at PT Anglo Eastern Plantation Management Indonesia**

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**ABSTRACT:-** The purpose of this study is to: a) Analyze major factors affecting the improvement of human resource productivity at PT. Anglo Eastern Plantation Management Indonesia is associated with compensation; b) Formulating compensation strategies and policies to increase HR productivity in PT. Anglo Eastern Plantation Management Indonesia. This type of research is the descriptive correlation, a type of research that describes a systematic, factual and accurate description of the facts and properties of a particular object or population by detecting the extent of the coefficient of correlation between causal factors (independent variables) and the resulting factors (dependent variable). The results of this study found that overall, compensation has a positive effect on human resource productivity at PT. Anglo Eastern Plantation Management Indonesia, this is by the results of the statistical test of multiple regression analysis using F-test, where the value of Calculator is 163,455, while F-table is 2,72. When compared, the F-count value is greater than F-table, so it can be concluded that H1 is accepted, there is a positive correlation of the overall variable X with Y variable, in other words, compensation affecting HR productivity in PT. Anglo Eastern Plantation Management Indonesia. While partially, it is found that each variable has a positive effect on human resource productivity at PT. Anglo Eastern Plantation Management Indonesia. This is indicated by T-test value of each component (t-count X1 = 8,618; t-calculate X2 = 1,675 and t-calculate X3 = 2,071) larger than t-table = 1,665). This case shows that the company also has a good attitude towards each variable to achieve HR productivity in PT. Anglo Eastern Plantation Management Indonesia.

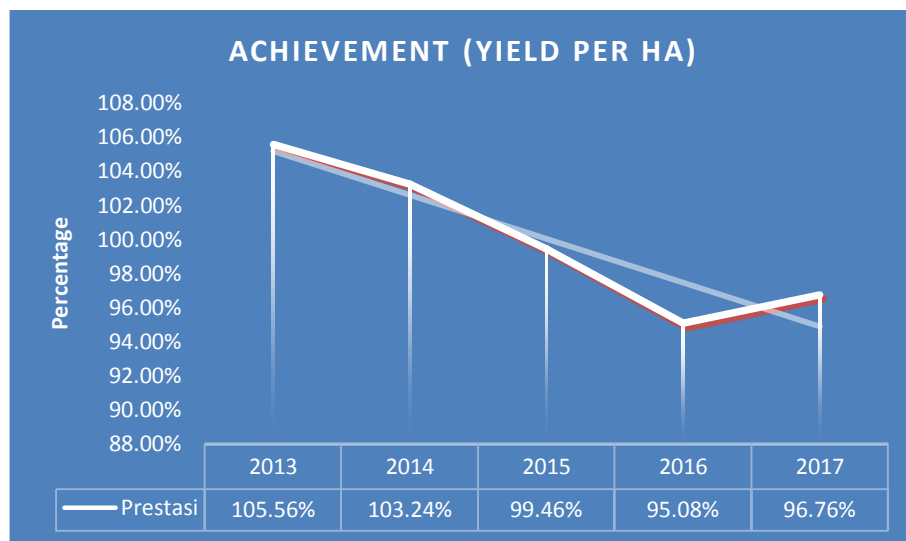
**Keywords:** Compensation, Direct Financial Compensation, Indirect Financial Compensation, Productivity, Human Resources.

### **I. INTRODUCTION**

PT. Anglo Eastern Plantation Management (Indonesia) established in 1978 in North Sumatra, Indonesia and currently has a head office located in Medan, North Sumatra. PT. Anglo Eastern Plantation Management Indonesia has 128 thousand hectares of licenses and 68 thousand hectares of planting. As one of the players in the world of oil palm plantation, the effects of negative emissions from both internal and external pressures are substantial. These challenges include the global issue of the environment, the use of underage labor, occasional land use to social issues in the community.

Palm Oil plantation business players should be able to optimize productivity for all available resources namely machines, methods, money, environment (milieu) and human (man). Especially in human productivity, management must be able to maintain the existing human resources development budget (even if it needs to be reduced), but its output is not decreasing (even having to go up). This case is a challenge in the oil palm plantation industry.

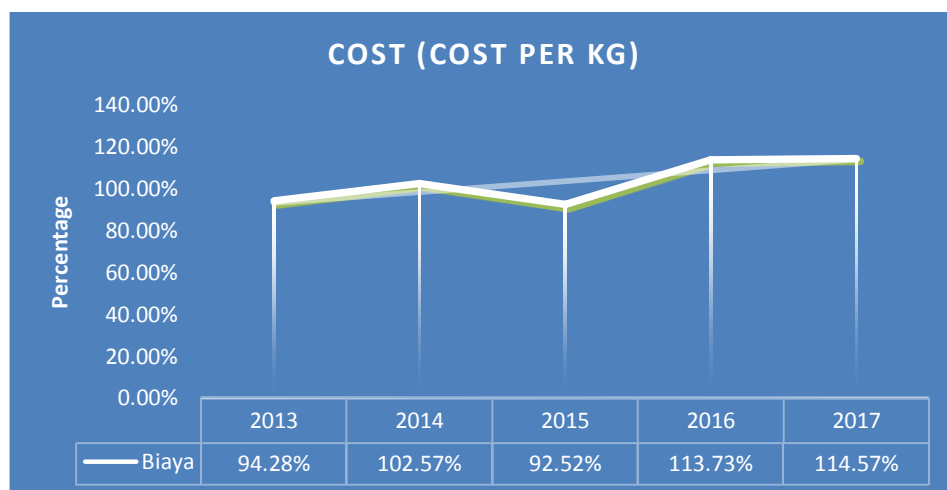
PT Anglo Eastern Plantation Management Indonesia also experiences it. The authors collect data on the achievement (yield per Ha) of 5 field assistants (from PT United Kingdom Plantation Indonesia, PT Tasik Raja, PT Tanah Anak, PT Sawit Graha Manunggal and PT Lampung Lawang Agro Perkasa) achievement of harvest targets found on their section. Data obtained from Dept. Agronomists who then authored averages:



**Figure 1. Average Achievements in 5 Plant Assistants**

Source: Data Processing Dept. Agronomy, 2018

The data in figure 1 above shows a downward trend in the achievement of targets for afdeling harvesting. Next the authors also collect the cost of production (cost per kg) as well as from the same employees:



**Figure 2. Average Cost of Production in 5 Plant Assistants**

Source: Data Processing Dept. Agronomy, 2018

Referring to figure 2 above it seems to be seen that the production cost of the trend tends to crawl. From both pictures, it is clear that the achievement of employee achievement tends to decrease while production costs tend to rise.

Businesses in the oil palm plantation industry tend to stagnate from the sales side, while on the one hand, the cost of production is likely to rise every year and achievement targets should also increase. In order to overcome the above, then the increase in productivity - in this case, is that the productivity of human resources is critical. Human resources must be able to achieve the target of work following the KPI on the one hand also able to use the budget efficiently. This case has not happened well in PT. Anglo Eastern Plantation Management Indonesia, therefore the author wants to raise what causes productivity in PT. Anglo Eastern Plantation Management Indonesia has decreased and what HR development strategy is associated with Compensation.

The problem formulation in this research is employee productivity at PT. Anglo Eastern Plantation Management Indonesia which does not fit their target of work (KPI) related to the application of Compensation in PT. Anglo Eastern Plantation Management Indonesia

## **II. LITERATURE REVIEW**

### **Compensation**

Hariandja (2002) states that compensation is the entire remuneration received by employees as a result of the performance of work in the organization in the form of money or other, which may include salaries, wages, bonuses, incentives, and other benefits such as health benefits, holiday allowances, money eating, vacation, and others. The high compensation payments are directly attributable to performance such as wages or salaries, bonuses, and commissions so often called direct compensation, and some are not directly attributed to performance to improve the peace and satisfaction of employees. Another notion by Zainal et al. (2014) states that compensation is something that employees receive in return for their service contribution to the company. Compensation is one of the implementations of Human Resource management functions relating to all types of individual rewards in exchange for organizing work. Compensation is divided into two, namely financial compensation comprising indirect and direct compensation. Direct compensation consists of employee payments in the form of wages, salaries, bonuses, or commissions. Indirect compensation or benefit, comprised of all payments not covered by direct financial compensation covering holidays, assurances of insurance, services such as child care or religious concern, and so forth. Nonfinancial rewards such as praise, appreciation of work, and recognition that influence employee motivation, productivity, and satisfaction (Zainal et al., 2014). Based on the above definition, compensation is the reward earned by the employee as a result of its participation as an employee or part of the organization. The reward may be either money or non-money, as a result of good participation in the work or services undertaken by employees to employees, or because of other factors beyond the work they are employed. Mathis and Jackson (2004) outline compensation components as direct compensation and indirect compensation. The same thing was also conveyed by Hariandja (2002). While Zainal (2014) more detailed compensation component becomes: 1) Financial compensation divided by two that is direct and indirect; 2) Non-Financial Compensation. This component of Zainal (2014) is a widely adapted adaptation to human resource management books, as disclosed by Ivancevich and Konopaske (2013).

### **Human Resource Productivity**

According to Ivanovic (2006) productivity refers to the average output produced by machines or employees in an industry. Productivity can lead to both machine and human results, in this study productivity is focused on employee performance.

Productivity is the number of results achieved by a worker or other unit of a factor over a certain period. According to Sinungan (2005) productivity is a traditional formula for the whole. Productivity is nothing other than the ratio of what is produced (output) to the entire production equipment used (input). Productivity is basically a mental attitude that always has the view that the quality of life today is better than yesterday, and tomorrow is better than this.

While Schermerhorn (2017) productivity is the result of employee performance measured quantity and quality with the required resource utilization. In this case, there are 2 (two) things emphasized, namely the success of goal achievement and resource use, therefore productivity related to effectiveness and efficiency. Effectiveness is the measurement of the success of the completion of a job, for example: a harvester capable of achieving the target of harvesting per day. While efficiency is the measure of usage or use of resources in accomplishing tasks, something is supposed to be efficient if the task can be solved, but only uses fewer resources. The resources can be: material, time, and capital, so if returned to the above example, an efficient harvester can complete the target achievement. If the time is less than 7 hours so that the rest of the time can be used to increase the incentives (either increase the yield or treatment). If the harvester can use the equipment properly, so that if the work equipment is scheduled to be replaced every year, but because it is used correctly, it may increase the age of use to 1.5 years or 2 years. The efficiency requirements remain on reaching goals; if the use of resources is minimal but the goals are not achieved, this can be seen as a waste.

Based on the description above, the definition of productivity is the ability of employees to complete a targeted job with the use of the resources assigned to them in accordance with the provisions, not excessive (from the budget or planning side).

### **The Role of Compensation in Increasing Human Resources Productivity**

As consideration of the compensation arrangements submitted by Zainal (2014) is balanced, where the company must also receive the proper rewards from their compensation, so not only motivate employees but also must improve the performance of employees. Mathis and Jackson (2004) state that compensation arrangements are not based only on the rights of workers, but are also aligned to their achievements. This assumption states, the higher the employee's achievement, the better the income, the less the employee's earnings will not rise. Revenue in the sense of regulation in Indonesia is a comprehensive compensation that we have previously discussed. Earnings consist of Wages and Non-Wage Income, or when aligned are Financial

Compensation (Wages) and Non-Financial Compensation (Non-Wage Income). In other words, the regulation has regulated compensation issues in Indonesia; legal aspects of consideration should also be considered besides the stimulus issues to improve employee performance.

### Hypotheses Development

The hypotheses of this study are as follows:

H1; There is a significant effect of Direct Financial Compensation variable (X1) on Human Resource Productivity (Y)

H2; There is a significant effect of Indirect Financial Compensation (X2) on Human Resource Productivity (Y)

H3; There is a significant effect of Non-Financial Compensation variable (X3) on Human Resource Productivity (Y)

H4; There is an effect among Direct Financial Compensation (X1), Indirect Financial Compensation (X2), and Non-Financial Compensation (X3) simultaneously on Human Resource Productivity (Y).

## III. RESEARCH METHODS

The type of research can be classified based on the nature of nature including into applied research. Next if reviewed from its methodology, this study is categorized as Descriptive Research. Moreover, if reviewed from its data type, this study is classified as quantitative research. It is also in line with the purpose of research to see the relationship between independent and dependent variables viewed using scientific data (Sinulingga, 2017). The population of this research is all staff registered in PT. Anglo Eastern Plantation Manajemen Indonesia with approximately 410 people (the data year 2017). Sample size by using Slovin formula (Sinulingga, 2017) is 81 people with sample intake criteria. Hypothesis testing was carried out with multiple regression analysis approaches with T-Test & F-Test. Previously, regression equation was determined according to the results of this study. After doing hypothesis testing, it is obtained which variable is most dominant to partial productivity. To see the most dominant variable is to see the Spearman correlation coefficient.

## IV. RESULTS & DISCUSSION

### Results

#### Regression Equation

Here is the regression equation between the variable of Direct Financial Compensation (DFC), Indirect Financial Compensation (IFC) and Non-Financial Compensation (NFC) to Productivity

Table 1: Results of Regression Equation Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,059	,167		,354	,724
	DFC	2,669	,310	3,323	8,618	,000
	IFC	1,405	,616	,577	1,675	,013
	NFC	1,296	,626	1,870	2,071	,042

Based on the data in the table above, it is obtained:

$$Y = 0,059 + 2,669X_1 + 1,405X_2 + 1,296X_3$$

#### Partial Correlation

Based on the data in table 1. it is seen that the total value of t-count is high from t-table (with the number of the respondent (n) is 81 people, while variable number (k) is 4, so  $df = n - k = 77$ ) which is 1,665. So the hypothesis is accepted.

Direct Financial Compensation (X1) has a positive effect on HR Productivity (Y).

Indirect Financial Compensation (X2) has a positive effect on HR Productivity (Y).

Non-Financial Compensation (X3) has a positive effect on HR Productivity (Y).

**Simultaneous Correlation**

<b>Table 2: Simultaneous Correlation Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,930 <sup>a</sup>	,864	,859	,34493	,864	163,455	3	77	,000
a. Predictors: (Constant), DFC, IFC, NFC									

Based on the data in the table above, it is obtained that the value of F calculate is 163,455, while F table (with free degree df Regression (treatment) is 3 as df numerator, and (df) Residual (the rest) is 77 as denominator df and with significant value 0, 05) is 2.72, it can be concluded Hypothesis is accepted, in other words Compensation affects Productivity in PT. Anglo Eastern Plantation Management Indonesia

**IV. CONCLUSIONS & SUGGESTIONS****Conclusion**

Based on the purpose of this research, it can be concluded:

1. Overall, Compensation has a positive effect on HR Productivity at PT. Anglo Eastern Plantation Management Indonesia, this is in line with the statistical test results of multiple regression analysis, where the F-count value is 163,455, larger than F-table of 2.72.
2. Partially, it is found that each variable has a positive effect on HR Productivity at PT. Anglo Eastern Plantation Management Indonesia. This is indicated by the T-Test value of each component (t-calculate X1 = 8,618; t-calculate X2 = 1,675 and t-calculate X3 = 2,071) greater than t-table = 1,665).

**Suggestions**

Management needs to think of other ways of giving wages to managerial level employees (where the subject of this research is managerial level employees). Variations in wages can be share or profit sharing. Revenue sharing differs from the bonus, where profit sharing is the opportunity for employees to have a share of the company's shares, as well as profit sharing plans such as employee ownership, profit sharing plan, and cost reduction plan.

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