

## **Wages and Employees Performance: The Quality of Work Life as Moderator**

**Hendra Gunawan<sup>1\*</sup>, Rezki Amalia<sup>2</sup>**

<sup>1</sup>Department of Managerial Accounting, Batam State Polytechnic, Batam, Indonesia, <sup>2</sup>Department of Managerial Accounting, Batam State Polytechnic, Batam, Indonesia. \*Email: [hendra@polibatam.ac.id](mailto:hendra@polibatam.ac.id)

### **ABSTRACT**

The wage factor and the quality of working life needs to get the attention of the management to be able for improve the employees performance. This research aims to know the effect of wages on employees performance are moderated by the quality of work life. The type of the data being used is the primary data in the form of a questionnaire. Sampling is done by stratified random sampling of 100 employees in a manufacturing company. Data analysis using linear regression and moderated regression analysis. The result showed a significant negative effect on the wages of employees performance. Other finding is negative effect of wages which are moderated by the quality of work life is caused by the effect of intrinsic motivation (quality of working life) is more powerful than extrinsic motivation (wages). Quality of work life is quasi moderators that weaken the wages variable. Further research is recommended to expand the research by adding independent variable that affects the performance of employees.

**Keywords:** Wages, Quality of Work Life, Employees, Performance, Moderated Regression Analysis

**JEL Classification:** J330

### **1. INTRODUCTION**

One of the purposes of someone being the employee or a labor of a company is to earn an income in the form of wages or compensation. Wages are earned can fulfill basic necessities such as food, clothing and housing. Every company in setting the amount of the wage paid to an employee must be viable, so that the lowest wage given to meet the needs of their life (Kanzunudin, 2007). The calculation of wage increases not only the necessities of worth living but also inflation, economic growth, and productivity (Iqbal, 2013).

The concept of productivity of work is divided into two parts: Individual productivity and organizational productivity. Individual dimension associated with the characteristics of the personality characteristics of the individual appears in the form of mental attitude and individual efforts to improve the quality of life. Organizational dimensions look productivity within the framework of the relationship between input and output techniques (Kusnendi, 2003).

Aspects of wages becomes important because to be effective if linked to performance for real. An effective wage strategy is expected to contribute on the viability of the unit of work, the realization of the vision and mission, as well as for the achievement of the targets of work (Umar, 2012). Employee productivity measurement using the net value added shows wages and employee performance has a positive correlation, but the rate of growth of net value added per worker is faster than the rate of growth of wages per worker. Means that there are factors other than wages in improving employee performance that is non-monetary factors (Nayak and Patra, 2013).

### **2. THEORETICAL FOUNDATION OF THE STUDY**

#### **2.1. Wages**

One purpose of a person as an employee of a company is to earn income in the form of wages or compensation. Received wages

to meet basic needs such as food, clothing and housing. Every company in determining the amount of wages paid to the employee must be feasible, so that the lowest wage that is given to meet the needs of their life (Kanzunudin, 2007). Some economists opine about the meaning of wages. According misesian view that the increase in employment opportunities can only happen if the workers receive wages lower nominal (Syahdan, 2007).

Implicit contract model briefly demonstrated that the wages of workers in a company is determined by the contract between the employer and the union. This means that in the presence of strong unions, wage rates can not be easily changed as in a perfectly competitive market. Resulting in wages rigidity and especially wages will be extremely difficult to decrease if there is a recession. According to this theory the company tend to set wages higher than perfectly competitive market equilibrium wages.

Insider-outsider models considers that the markets for goods and labor markets are imperfect. If the labor market there is a union and a relatively limited number of enterprises, the wage rate is determined from the collective contract agreements between unions and employers. Union members called insider and who are not in a union called the outsider. wages determination with the contract likely to be higher than was the case in a perfectly competitive market.

Wage flexibility is the main topic of the economy, are mostly found in the literature related to the provision of incentives provided by the company. A number of theoretical models have developed an explanation of how the company should design compensation schemes to encourage employees to work for the benefit of the company. The conclusion is put some effort into their work to maximize corporate profits (Prendergast, 1999).

Wages become an important aspect of being effective if linked to the performance significantly (Umar, 2012). Granting wages remuneration is the most complex task for the industry, is also the most significant aspects for workers, because of the amount of wages reflects the size of the value of their work among the workers themselves, their families and communities. Wages are very important for the industry because it reflects the industry's efforts to defend human resources in order to have a high loyalty and commitment to the industry. Effective wages strategy is expected to contribute to maintaining the viability of the work force, the realization of the vision and mission, as well as for the achievement of work objectives (Umar, 2012).

## 2.2. Quality of Work Life

The term quality of work life was first introduced at the International Labour Conference in 1972, but recently gained attention after the United Auto Workers and General Motors took the initiative to get the job enrichment and wider opportunities for self-development. So as to encourage employees to further develop itself (Arifin, 2012).

Perspective of cultural change in many organizations working life is currently connected to the various terms such as quality of work life, culture change programs, flexible work arrangements, employee

relations, and reduction of workload (Harrington, 2007). Moreover, the focus of the flexibility of working life into the workplace is to respond to the needs of women who work outside the home. Currently, extended working life touched all aspects related to the life of a person's job, for example recruitment, taking leave, the composition of the team work, corporate social responsibility.

There are two opinions regarding the intent of the quality of work life. The first opinion says that the quality of work life is a number of circumstances and practices of the company's goals, for example: Promotion policies, democratic supervision, employee involvement and safe working conditions. While others claim that the quality of working life is employees' perception that they want to feel safe, relatively satisfied and get a chance to be able to grow and develop properly human (Arifin, 2012).

The concept of quality of work life reveals the importance of respect for human beings in the work environment. The important role of the quality of work is changing work climate that is technically and humane organization brings to the quality of work life better (Arifin, 1999). Measurement of quality of work life will have an impact on increasing the positive attitude of employees towards their work and to the company, increase productivity and intrinsic motivation of employees, increase the effectiveness of the company and the company competitive in the face of global business (Tjahyanti, 2013).

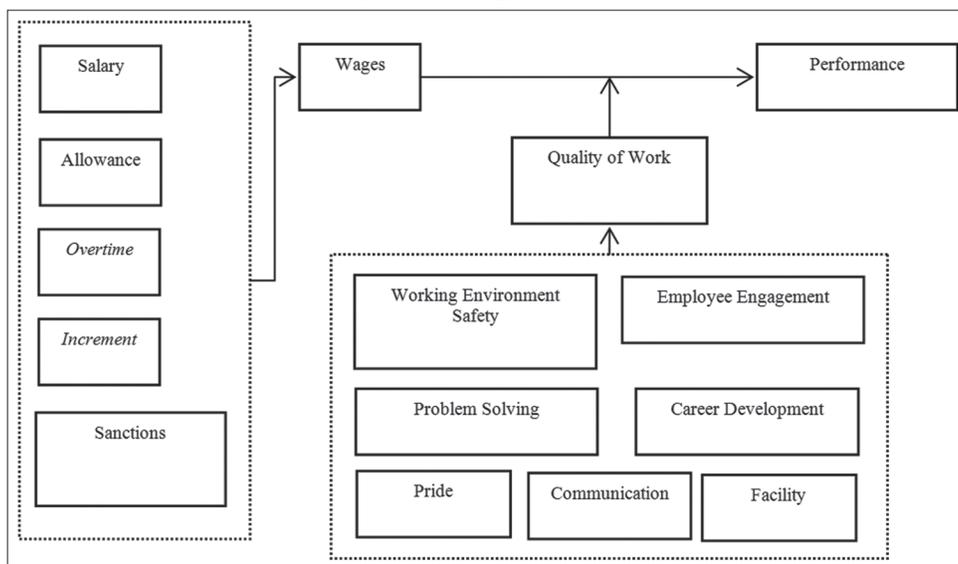
Human resources is a factor that is very valuable. The company is responsible for maintaining the quality of work life and fostering labor to be willing to contribute optimally to achieve its goals (Pruijt, 2003). The role of the human resources department has a major contribution in setting the strategy of the workers. Good quality of working life will create productive human resources, qualified, committed and dedicated to the job, which in turn can improve employee performance (Haryati, 2012).

## 2.3. Employee Performance

Measurement of employee performance is an activity that is very important because it can be used as a measure of success in supporting the success of the organization's employees (Said, 2008). Factors used in the measurement of labor productivity include the quantity of work, quality of work and timeliness (Simamora, 2004). Individual characteristics that affect performance include age, gender, education, length of employment, job placement and work environment.

Performance is influenced by two factors: Factors of self-acting self and external factors acting. Factors that is in the position holders are competence, skills, knowledge, motivation, attitude and experience. External factors are environmental organization office holders, including surveillance, communication, training and performance assessment in an organization. Human productivity has a major role to determine the success of the company. Human productivity is often referred to as mental attitude always had the view that today is better than yesterday and tomorrow.

Figure 1 shows the relationship between the factors that affect the income (salary, allowances, overtime, increment, sanctions) against wages that can affect performance. Other factors are quality of work that consists of working environment safety,

**Figure 1:** Conceptual of wages

Employee engagement, problem solving, career development, pride, communication, and facility to mediate the relationship between wages and performance.

### 3. CONCEPTUAL FRAMEWORK

The increase in the minimum wage set by the government requires companies to adjust remuneration according to the rules and regulations that apply to their employees. Changes in the wage structure does not guarantee an increase in employee performance and make employees feel comfortable in working. Many things can be done by the management company for the performance of employees is increasingly rising. Through this form of compensation and human resource development to be a view that is important for the company and employees.

Self-esteem can be a mediating variable between salaries influence on performance, but only useful as a partial mediating variable, it is due to a direct effect on the performance of a larger salary than through self-esteem (Ertanto and Suharnomo, 2011). Work motivation, job satisfaction and wages significant effect on worker performance. Partially there is impact on the performance of the employee salaries, allowances are no significant influence (Umar, 2012).

There are factors other than wages that affect employee performance is the quality of work life. There is a relationship between the quality of working life with employee performance and career development is the most dominant factor (Haryati, 2012). The results showed that the better the quality of work life of employees affects the performance. The higher the feeling satisfied employees will motivate against the spirit of performance (Arifin, 2012).

Relationships intrinsic motivation, extrinsic motivation and performance of generating different opinions by several researchers. Failure incentives to improve performance proves that the wages is not a motivator. Employees who managed to do his job very well do so not just to earn money but because they like to

do (Aisyah, 2006). A similar argument shows empirical evidence on differences in better performance in subjects who are interested in the task and got fixed compensation, compared to subjects who received incentive-based compensation (Arniati, 2012).

Other research results stated conditions opposite of extrinsic motivation (salary, status, social security, supervision and company policy) a significant positive effect indirectly to employee performance through job satisfaction as an intervening (Muslih, 2012). Extrinsic motivation is also significant direct positive effect on employee performance. Intrinsic motivation (achievement, recognition, responsibility, promotion and job suitability) significant positive effect indirectly to employee performance through job satisfaction as an intervening, but no significant effect of intrinsic motivation directly to employee performance.

$H_a$ : Wages are moderated by the quality of working life have a positive effect on employees performance.

### 4. METHODOLOGY

#### 4.1. Research Design

This research is analytic with quantitative research because it has limitations in research problems. Using deductive pattern and source data comes from respondents by using a questionnaire as an instrument to explain the truth. The instruments used in the form of a structured questionnaire consisting of wages variable, employee performance variable and quality of work life as a moderating variable. Questions for the questionnaire used in the form of positive and negative statements sentence. Answer each item instrument has a gradation from very positive to very negative.

Determination of the number of samples using a probability sample is proportionally stratified random sampling which is a method of sampling by dividing the population into homogeneous groups. Each sample taken strata proportionally. The collection of data by distributing questionnaires to 100 employees who have worked at

least 1 year. Samples were taken by stratified random sampling with sample selection based on data units are grouped in the population. Groups of each layer is selected by random sampling. The sample size of this study was determined by proportional calculation is obtained by taking the data of the total employee, then the employee's total filtered to obtain data on employees who have worked of more than 1 year. Samples drawn proportionally from each department by comparing the number of employees per department with total employees across departments.

## 5. RESULTS AND DISCUSSION

Results of the study describes the descriptive data obtained from respondents to elaborate on the characteristics of the respondents are useful to give an overview of the state of the respondents. It is as an additional information to understand the research results.

Table 1 show descriptive analysis respondents. The majority of respondents were female some 55%. The majority of respondents aged <25 years was 48%. This means that the employee has a relatively highly productive age because of the position they are required to give maximum output. Characteristics of respondents by long work grouped into four strata. The majority of respondents were from the first stratum that respondents who have been working for <2 years was 43%.

F test showed that all the independent variables included in the model simultaneously influence on the dependent variable. The tests were carried out based on the value of probability. Test results of *F* statistic has a significance value of  $0.021 < 0.05$ . The results of the t test indicates how influential one independent variable or individual explanatory variables explain the dependent variable. The tests were conducted by the value of probability. The result of statistical test t in column coefficients have a significance value of  $0.021 < 0.05$ . Both of these tests have a significance probability value is smaller than the specified level of significance.

Test results of moderated regression analysis (MRA) shows the interaction of multiplication of two or more independent variables. The test results of the MRA equation to determine how much influence the independent variables (wages) on the dependent variable (performance of employees). Adjusted  $R^2$  without a moderating variable is 0.044 means that the 4.4% increase in

employee performance can be explained by the variable wages, while the remaining 95.6% is influenced by other variables outside the model. P value of wages is  $0.118 > 0.05$ , mean wage variable in MRA examination of the results of the second equation is not significant. P value quality of work life is significant at a value of  $0.000 < 0.05$ . Adjusted  $R^2$  involving moderating variable of 0.159, which means 15.9% increase employee performance can be explained by the variable wages and the variable quality of work life, while the remaining 84.1% is influenced by other variables outside the model.

Significance of each variable value obtained P value of wage is  $0.008 < 0.05$ . P value the quality of working life has a value of  $0.016 < 0.05$  and P value interactions (wage \* the quality of working life) is  $0.005 < 0.05$ . Based on the analysis of the value of variable significance, the quality of work life is quasi moderator variables as the independent variables simultaneously moderator variables. This moderating variable types can be identified through the coefficients are statistically significant stated.

The result of the interaction of wages and quality of work life shows that the variable quality of work life able to moderate wages variable relationship to employee performance. Regression coefficient of  $-2.165$  wages variables, the regression coefficient for the variable quality of work life regression coefficient  $-1.87$  and wages variable interaction with the quality of work life of  $0.041$ . Means that wages have a negative influence and quality of work life weaken the influence of wages of the employee's performance.

## 6. CONCLUSION

This study aims to provide empirical evidence about the influence of wages are moderated by the quality of work life on employee performance. Based on the analysis through the MRA test indicates that the variable quality of work life is quasi moderator variable that weakened the wages variable in improving employee performance. So that wages are moderated by the quality of work life significant negative effect on the performance of employees. This study was unable to obtain empirical evidence suggesting that the wages are moderated by the quality of work life has a positive effect on employee performance. Negative influence of wages are moderated by the quality of working life due to the influence of intrinsic motivation (quality of work life) are stronger than extrinsic motivation (wages).

This study has limitations that can be input for future research. Respondents in this study does not correspond to the target area of the sampling plan as specified in the sampling technique. It is caused by certain departments could not meet the number of respondents as predetermined. So researchers replacing too few respondents to some other department. Data obtained only reveal the current state of the respondents in the questionnaire filled out and answer the questionnaire could potentially cause problems if the respondent's perception is different from the real situation. Variables used in this research can only be explained by 21.8%, while 78.2% is explained by other factors not examined in this study. So that the variables used are less able to explain its influence on employee performance.

**Table 1: Descriptive analysis respondents**

Items	Percentage
Gender	
Male	45
Female	55
Ages (years)	
<25	48
25-35	45
>35	7
Work experiences (years)	
<2	43
2-5	39
6-10	14
>10	4

The results of this study have important implications that the factor wages and quality of working life needs attention from management to improve employee performance. The results of the research and the limitations found in this study can be used as the development of further research. Future research should extend the research by adding independent variable that affect the performance of the employee example of leadership styles and organizational culture.

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