

# **THE EFFECT OF COMPENSATION AND WORK MOTIVATION ON DRIVER PERFORMANCE MEDIATED BY ORGANIZATIONAL COMMITMENT**

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*Submitted: 14-03-2023, Revised: 17-05-2023, Accepted: 20-06-2023*

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## **ABSTRACT**

*The demand for comfort, security, and smooth travel are just a few of the considerations that have made transportation so important in today's Indonesia. This study aims to evaluate and confirm the relationship between pay, workplace motivation, and organizational commitment to driver performance. 1090 drivers make up the study's population. 235 drivers will be included in the sample for this study, which will be selected using a proportionate random sampling. The application of SmartPLS version 3.2.9 is utilized to test the data gathered in this study, and path analysis is employed to test hypotheses in the research. The results showed that the driver's performance was significantly influenced by pay, motivation, and organizational commitment. Compensation and work motivation have a significant impact on organizational commitment. Driver performance can be influenced by compensation and work motivation, although organizational commitment can moderate this effect.*

**Keywords:** *compensation; work motivation; organizational commitment; employee performance*

## **1. INTRODUCTION**

In general, most people are very dependent on public transportation to fulfill their mobility needs, because most of the people whose economic level is still relatively weak or most do not have private vehicles. There are various types of transportation sectors, namely land, sea and air transportation sectors. In the land sector, one of the most famous is the taxi. Taxi is a mode of transportation that not only provides transportation services, but also provides passengers with a greater sense of comfort and safety than other public transportation. Along with the number of taxi users, there are also more taxi companies in Indonesia. Business competition between taxi companies is getting tougher. One of the taxi companies in Indonesia is Blue Bird.

One of the key elements in deciding whether a firm will succeed in accomplishing its objectives is its human resources. The position of employees in a firm has changed to reflect the times; they are now considered assets that must be constantly managed and developed rather than just factors of production. Obtaining competent employees, companies must of course manage their employees well so that good cooperative relationships arise to achieve company goals. One aspect affecting how effectively they perform is employee compensation, which covers all forms of payment or presents made to employees as a result of their performance. Direct payments include things like wages, salaries, incentives, commissions, and bonuses, whereas indirect payments take the form of monetary advantages offered by the business, such as insurance and vacation pay [1].

A person can be motivated by something to take action in order to accomplish organizational goals. [2] The performance of teachers at SMAN 8 Bekasi is positively and significantly impacted by the same study on work motivation. The level of commitment inside an organization demonstrates how happy each employee is with the services they receive from a company. Employee performance will be impacted by their high organizational commitment, which will help the company achieve its objectives. [3] determined that employee performance is positively impacted by organizational commitment.

With organizational commitment acting as a moderating variable, this study aims to investigate and confirm the impact of salary and job motivation on driver performance.

## **2. RESEARCH METHOD**

As payment for their efforts in completing a task, employees may receive compensation in the form of cash, commodities, or both directly and indirectly. [4] discovered that employee performance is significantly impacted by remuneration. [5] discovered that compensation affects employee work performance in a favorable and significant way. Accordingly, increased salary will stimulate higher employee performance, and vice versa. [1], [6], [7] and [8] found that compensation has a considerable impact on employee performance in the same research. A hypothesis can be put out in light of the research's empirical findings, namely H1: The performance of drivers is positively and significantly impacted by compensation.

The desire to act in support of company goals is workplace motivation. As a result, employees perform better at work when they are highly motivated. The connection between employee performance and work motivation has been the subject of numerous studies. Work motivation has a large impact on employee performance [9]. The same research on work motivation has a favorable impact on Bekasi Banking employees' performance [2]. The same thing was conveyed [3], [10] and [11] Employee performance is significantly and favorably affected by work motivation. This shows that raising work motivation will also raise employee performance. Based on the empirical results in the research above, a hypothesis can be proposed, namely H2: Driver performance is positively and significantly impacted by work motivation.

The level of commitment inside an organization reveals how happy each employee is with the services they receive from a business. Employee performance will be impacted by their high organizational commitment, which will help the company achieve its goals. [8] and [12] discovered that study on organizational commitment had a favorable and significant impact on worker performance. A hypothesis can be put out in light of the research's empirical findings, namely H3: Driver performance is positively and significantly impacted by organizational commitment.

Employees who have contributed to the completion of a task are compensated, either directly or indirectly, in the form of money or commodities. Compensation has a considerable effect on organizational commitment [13]. Research [14], [15] and [16] found that remuneration has a favorable impact on organizational commitment. The same thing was also shown [17] compensation's favorable and considerable impact on employees' organizational commitment. Based on the empirical results in the research above, a hypothesis can be proposed, namely H4: Organizational commitment is significantly and favorably impacted by compensation.

An individual might get motivated when they are driven to take action in order to further their organization's objectives. Therefore, more organizational commitment within the company will be impacted by improved staff incentive. According to [18], there is a strong correlation between organizational commitment and work motivation. The same studies [13], [19], [20], and [21] discovered that motivation significantly influences organizational commitment. A hypothesis can be put forth based on the research's empirical findings, specifically H5: Work motivation has a positive and significant effect on organizational commitment.

Compensation has an impact on how well-performing employees demonstrate a high level of organizational commitment. Because of fair compensation, employees will perform at their highest levels within the company or organization, which will increase organizational commitment. Numerous research have been done on the connection between organizational commitment, remuneration, and motivation. According to research [8] and [13], corporate commitment can dramatically boost employee performance through compensation. A hypothesis can be put out in light of the research's empirical findings, namely H6: The impact of compensation on driver performance might be mitigated by organizational commitment.

Work motivation affects an organization's or company's ability to provide high-quality labor because it encourages employees to develop and have a high level of organizational commitment. There have been numerous research on the connection between commitment to the organization, remuneration, and motivation. According to research [13], motivation can dramatically increase employee performance by fostering organizational commitment. A hypothesis can be put out in light of the empirical findings of the research mentioned above, namely H7: Work motivation's impact on driver performance can be mediated by organizational commitment.

### **3. RESULTS AND DISCUSSION**

A questionnaire is the tool used in the survey method of data collection. SEM analysis tools with PLS will be used to handle and analyze the research data. The primary data used for analysis and processing comes from responses provided by respondents to the broad variables.

**Table 1.** Outer Loading (Measurement Model)

<b>Indicators</b>	<b>Original Sample</b>	<b>t-Statistics</b>
M1.1	0.926	90.920
M1.2	0.970	174.854
M1.3	0.942	67.258
X1.1	0.812	34.693
X1.2	0.738	22.269
X1.3	0.884	53.576
X1.4	0.758	26.804
X2.1	0.870	47.592
X2.2	0.875	45.336
X2.3	0.884	45.861
Y1.1	0.925	97.789
Y1.2	0.879	53.402

Y1.3	0.829	43.777
Y1.4	0.789	27.940

Every indicator for the factors of pay, motivation at work, organizational commitment, and driver performance has an outer loading value more than 0.70, as shown in Table 1.

**Table 2.** Average Variance Extracted (AVE)

<b>Variabel</b>	<b>Average Variance Extracted (AVE)</b>
(Y1)	0.734
(M1)	0.895
(X1)	0.640
(X2)	0.768

The Average Variance Extracted (AVE) value for each variable related to pay, work motivation, organizational commitment, and driver performance is greater than 0.5, as can be shown in Table 2. Based on the test findings, it can be said that each indication is reliable and practical for use in measuring the corresponding variable.

**Table 3.** Cross Loading Value

<b>Indicators</b>	<b>(Y1)</b>	<b>(M)</b>	<b>(X1)</b>	<b>(X2)</b>
Y1.1	<b>0.925</b>	0.767	0.704	0.803
Y1.2	<b>0.879</b>	0.686	0.659	0.767
Y1.3	<b>0.829</b>	0.616	0.665	0.595
Y1.4	<b>0.789</b>	0.607	0.636	0.465
M1.1	0.741	<b>0.926</b>	0.730	0.718
M1.2	0.716	<b>0.970</b>	0.705	0.718
M1.3	0.769	<b>0.942</b>	0.677	0.677
X1.1	0.687	0.633	<b>0.812</b>	0.616
X1.2	0.441	0.445	<b>0.738</b>	0.370
X1.3	0.624	0.684	<b>0.884</b>	0.599
X1.4	0.686	0.580	<b>0.758</b>	0.689
X2.1	0.689	0.658	0.650	<b>0.870</b>
X2.2	0.668	0.681	0.630	<b>0.875</b>
X2.3	0.695	0.618	0.635	<b>0.884</b>

Aside from the value of cross loading shown in Table 3, discriminant validity can be seen by comparing the smallest AVE square root value to the value of each variable.

**Table 4.** Comparison of AVE Quadrant Roots and Correlation Between Variables

Variables	AVE	$\sqrt{\text{AVE}}$	Correlations			
			(Y1)	(M1)	(X1)	(X2)
(Y1)	0.734	0.856	1.000	0.785	0.776	0.781
(M1)	0.895	0.946	0.785	1.000	0.744	0.745
(X1)	0.640	0.800	0.776	0.744	1.000	0.728
(X2)	0.768	0.876	0.781	0.745	0.728	1.000

According to test results in Table 4 for the cross-loading value and the measurement model assessment's evaluation of its discriminant validity is based on the relationship between the square root of the average variance extracted (AVE) and the correlation value across variables.

**Table 5.** Composite Reliability

Variables	Cronbach's Alpha	Composite Reliability	Information
(Y1)	0.879	0.917	Reliable
(M)	0.941	0.962	Reliable
(X1)	0.812	0.876	Reliable
(X2)	0.849	0.909	Reliable

Table 5 displays the composite reliability and Cronbach's Alpha values for each variable that produced measurement findings with a value higher than 0.70. The measuring approach in this study therefore offers high reliability for each of the variables.

To ensure that the created structural model is accurate and reliable, evaluation of the structural model or inner model is conducted. R square and predictive relevance ( $Q^2$ ) values can be calculated during testing.

**Table 6.** R-Square ( $R^2$ )

Variables	R-Square
(Y1)	0.738
(M1)	0.641

The structural model is assessed using the dependent variable's  $R^2$  value. Table 6 shows that the driver's performance variable's R square value is 0.738. This data explains why only 26.2% of changes in the driver's performance variable are influenced by factors outside of the model, while 73.8% of changes are heavily influenced by compensation, job incentive, and organizational commitment factors. The compensation and work incentive variables have an impact on 64.1% of the changes in the organizational commitment variable, whereas factors outside the model are responsible for 34.9% of the changes.

**Table 7.** Path Coefficients

<b>Variables</b>	<b>Path Coefficients</b>	<b>t-Statistics</b>	<b>Information</b>
(X1) → (Y1)	0.306	3.602	Accepted
(X2) → (Y1)	0.321	3.961	Accepted
(M1) → (Y1)	0.318	3.485	Accepted
(X1) → (M1)	0.430	5.570	Accepted
(X2) → (M1)	0.431	5.047	Accepted

Table 7 is findings indicate that there is a strong association between compensation (X1) and driver performance (Y1), hence hypothesis H1 is accepted. H2 is accepted since there is a considerable impact on driver performance (Y1) from the association between job motivation (X2) and Y1. Next, H3 is accepted since there is a strong impact between organizational commitment (M1) and driver performance (Y1). H4 is accepted because of the strong impact of the relationship between salary (X1) and organizational commitment (M1). H5 is accepted because there is a considerable impact on the relationship between organizational commitment (M1) and work motivation (X2).

**Table 8.** Indirect Effect and Total Variable Effect and VAF Calculation

<b>Variables</b>	<b>Indirect Effect</b>		
	<b>Coefficient</b>	<b>t-Statistics</b>	<b>P values</b>
(X1) → (Y1)	0.137	2.729	0.007
<b>Variables</b>	<b>Total Effect</b>		
(X1) → (Y1)	0.443	5.900	0.000
<b>VAF</b> → Indirect Effect / Total Effect	0.309		

Organizational commitment has a VAF score of 0.309 (30.9%) based on the data in Table 8 and is a mediating variable. Consequently, the theory that organizational commitment mediates the relationship between compensation and driver performance is plausible.

**Table 9.** Indirect Effect and Total Variable Effect and VAF Calculation

<b>Variables</b>	<b>Indirect Effect</b>		
	<b>Coefficient</b>	<b>t Statistics</b>	<b>P values</b>
(X2) → (Y1)	0.137	2.756	0.006
<b>Variables</b>	<b>Total Effect</b>		
(X2) → (Y1)	0.458	6.129	0.000
<b>VAF</b> → Indirect Effect / Total Effect	0.300		

According to the data in Table 9, organizational commitment has a VAF value of 0.300 (30%) as a mediating variable. As a result, the theory that claims organizational commitment mediates between driving performance and work motivation is acceptable.

With a t statistic of 3.602 and a p-value of 0.000, the direct effect test results demonstrate that pay has a significant beneficial impact on the driver's performance. On the basis of this, the test findings show that the hypothesis proposed can be accepted and supports research by [1], [4], [5], [6], and [7] which shows that compensation has a considerable favorable influence on driver performance. The performance of the driver will improve in direct proportion to the employee's salary.

The direct effect test results demonstrate that work motivation significantly improves driver performance, with a t-statistics of 3.961 and a p value of 0.000. The test results show that the hypothesis put forth is plausible and support the findings of previous studies by [2], [3], and [9], which found that work motivation significantly improved driving performance. The performance of the driver will improve as job motivation rises.

The direct influence test's findings, whereas the t-statistics is 3.485 and the p value is 0.001, demonstrate that organizational commitment significantly improves driver performance. The test results show that the theory put forward is plausible, and they are consistent with research by [8] and [12] that finds that organizational commitment significantly improves driver performance. Driver performance will increase to the extent that employees are more committed to the organization.

According to the direct impact test results, whereas the t-statistics value is 5.570 and the p-value is 0.000, compensation significantly increases organizational commitment. The test results show that the theory put forth is plausible and complements studies by [13], [14], [15], and [16] that finds that remuneration significantly boosts organizational commitment. The greater the driver's financial reward, the more committed he or she will be to the organization.

The direct influence test's findings, which have a t-statistics value of 5.047 and a p-value of 0.000, demonstrate that motivation has a positive and significant impact on organizational commitment. The test results show that the theory put forth is plausible and complements studies by [18], [19], [20], and [21] that suggests that work motivation significantly increases organizational commitment. The organizational commitment increases as the driver's job motivation increases.

The results of the analysis show that the relationship between pay and driver performance is mediated by organizational commitment, with a t-statistics of 2.729 and a p value of 0.007. As a result of the statistical findings, the role of organizational commitment is categorized as a mediating variable, supporting the validity of the hypothesis that has been formulated.

The analysis's findings indicate that organizational commitment mediates the relationship between work motivation and driver performance, with a t-statistics of 2.756 and a p-value of 0.006. These findings support the proposed hypothesis, and it is concluded that organizational commitment is categorized as a mediating variable based on the statistical findings.

#### **4. CONCLUSION AND SUGGESTIONS**

The conclusions that may be derived from the discussion of study findings and from theoretical and empirical investigations are that compensation, motivation, and organizational commitment are all capable of having a positive and significant impact on driver performance. Organizational commitment can be positively and significantly impacted by

compensation and work incentives. Organizational commitment is able to mediate the effect of compensation and work motivation on driver performance.

The study's findings suggest that employees' sense of accountability to the organization for their performance outcomes is a factor in their motivation at work. In order to boost organizational commitment and the performance of the drivers themselves in carrying out their duties and authority in accordance with their obligations, this will increase high direct indirect positive work motivation.

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