

Research Article

The Influence of Compensation and Work Discipline on Employee Performance Through Motivation as an Intervening Variable at the Food Security, Agriculture, and Fisheries Office of Serang City

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Abstract: This study examines the structural relationships among compensation, work discipline, motivation, and employee performance in the public sector. Motivated by issues such as suboptimal organizational performance, attendance problems, and compensation-related challenges, this research aims to analyze the direct and indirect effects of compensation and work discipline on employee performance, with motivation as a mediating variable. A quantitative research design using a survey method was applied, with a population of 90 civil servant employees selected through saturated sampling. Data were collected via a structured questionnaire using a five-point Likert scale and analyzed with Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that while compensation does not directly affect employee performance, it significantly boosts work motivation. Work discipline positively influences both motivation and performance. Additionally, work motivation plays a significant role in enhancing employee performance and mediates the relationship between compensation, work discipline, and performance. These results highlight the importance of psychological and behavioral mechanisms in shaping employee performance in public sector organizations. In conclusion, strengthening work discipline and increasing motivation are more effective strategies for improving performance than relying solely on financial compensation. This study contributes to behavioral-performance models by emphasizing the mediating role of motivation.

Keywords: Compensation Management; Employee Motivation; Organizational Behavior; Public Sector Performance; Structural Equation Modeling.

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1. Introduction

Human resources play a fundamental role in determining organizational effectiveness and sustainability. Employee performance reflects the extent to which employees achieve organizational goals through productivity, efficiency, and quality of work. In public sector organizations, improving employee performance is essential to ensure accountability, transparency, and quality public service delivery.

Compensation is often considered a key factor influencing employee performance because it represents organizational appreciation for employee contributions. According to human resource management theory, fair and adequate compensation can increase job satisfaction, commitment, and productivity. However, empirical evidence suggests that compensation alone does not always lead to optimal performance, especially when intrinsic motivation is weak.

Work discipline is another crucial factor influencing employee behavior. Discipline reflects adherence to organizational rules, punctuality, responsibility, and consistency in work performance. Employees with strong discipline tend to exhibit better work attitudes, which contribute to higher motivation and performance.

Motivation is a psychological factor that drives individuals to act and achieve organizational objectives. Motivation plays a mediating role in explaining how compensation and discipline influence performance. Employees who are motivated tend to work more efficiently, show higher commitment, and achieve better outcomes.

Based on the above background, this study investigates the following research problems: (1) Does compensation affect employee performance? (2) Does work discipline affect employee performance? (3) Does compensation affect motivation? (4) Does work discipline affect motivation? (5) Does motivation affect employee performance? (6) Does motivation mediate the relationship between compensation and performance? (7) Does motivation mediate the relationship between work discipline and performance?

The contribution of this study is to provide empirical evidence regarding the mediating role of motivation in explaining the relationship between compensation, discipline, and employee performance in the public sector.

2. Preliminaries or Related Work or Literature Review

2.1 Compensation

Compensation refers to financial and non-financial rewards provided by an organization to employees in return for their contributions. According to Dessler (2020), compensation plays a strategic role in improving employee satisfaction, commitment, and productivity. Adequate and fair compensation encourages employees to maintain performance and organizational loyalty, while ineffective compensation may reduce motivation and work outcomes. Empirical studies also indicate that compensation may influence employee performance both directly and indirectly through motivational mechanisms.

2.2 Work Discipline

Work discipline reflects employee compliance with organizational rules, procedures, and performance standards. Research by Nenobais (2022) shows that discipline is a critical determinant of employee behavior and organizational effectiveness. Strong discipline promotes punctuality, responsibility, and consistency in task execution, which ultimately contributes to improved performance and organizational control.

2.3 Motivation

Motivation represents internal and external forces that drive individuals to achieve goals and sustain work effort. According to Mulang (2023), motivation significantly influences employee effort, persistence, and direction of behavior, which in turn affects performance outcomes. Employees with higher motivation tend to demonstrate stronger engagement, productivity, and commitment to organizational objectives.

2.4 Employee Performance

Employee performance refers to the level of achievement in completing tasks and responsibilities based on organizational standards. Performance is shaped by multiple factors including ability, motivation, discipline, and organizational support. As highlighted by Nilaywati (2023), high employee performance contributes significantly to organizational effectiveness, service quality, and goal attainment. Therefore, understanding the structural relationship among compensation, discipline, and motivation is essential to improving performance outcomes.

3. Proposed Method

This study employs a quantitative explanatory approach using Structural Equation Modeling–Partial Least Squares (SEM-PLS) to examine both direct and indirect relationships among compensation, work discipline, motivation, and employee performance. The proposed method is designed to evaluate measurement validity, structural relationships, and mediating effects in a systematic and statistically robust manner. The procedure consists of research design, data collection, measurement modeling (outer model), structural modeling (inner model), and hypothesis testing using bootstrapping. The methodological framework enables simultaneous analysis of multiple relationships and mediation mechanisms within a single structural system.

The research population consists of employees in a public sector organization, and data were collected using a structured questionnaire with Likert-scale measurements. Each construct was operationalized using reflective indicators derived from established human resource management theories. Data analysis was conducted using SmartPLS software, which is suitable for predictive modeling, complex structural relationships, and small-to-moderate sample sizes. The analytical stages include (1) data preparation, (2) measurement model evaluation, (3) structural model estimation, and (4) mediation analysis.

3.1 SEM-PLS Analytical Procedure

The Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis in this study was conducted through a systematic sequence of stages. The procedure began with collecting and preprocessing the research dataset, which included indicators of compensation (X1), work discipline (X2), motivation (Y), and employee performance (Z). Subsequently, the measurement model was specified to define the relationships between latent constructs and their respective indicators. The next stage involved estimating the outer model to assess the validity and reliability of the measurement instruments. After the measurement model satisfied the required criteria, the analysis proceeded to the inner model estimation to examine the structural relationships among latent variables. A bootstrapping procedure was then performed to obtain t-statistics and p-values for hypothesis testing. The model evaluation continued by assessing the coefficient of determination (R^2) and predictive relevance to determine the model's explanatory and predictive power. Furthermore, the mediating effect of motivation (Y) on the relationship between compensation and work discipline toward employee performance was tested. Finally, the results were interpreted comprehensively to draw conclusions regarding both direct and indirect effects among variables within the proposed structural model.

3.2 Formatting of Mathematical Components

The structural relationships in this study are formulated using the following equations. Eq. (1) represents the influence of compensation and work discipline on motivation:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \epsilon_1 \quad (1)$$

Eq. (1) is used to estimate how compensation and discipline influence employee motivation within the structural model.

The next structural equation explains employee performance as influenced by compensation, discipline, and motivation:

$$Z = \beta_3 X_1 + \beta_4 X_2 + \beta_5 Y + \epsilon_2 \quad (2)$$

Eq. (2) evaluates both direct and indirect effects of exogenous variables on employee performance.

If the indirect path coefficient $X \rightarrow Y \rightarrow Z$ is statistically significant and the direct path is reduced after inclusion of the mediator, then mediation exists within the structural model.

Mediation is confirmed when the bootstrapping procedure shows that the indirect effect coefficient is significant ($p < 0.05$). The reduction or persistence of the direct effect determines whether mediation is partial or full.

4. Results and Discussion

This section presents the empirical findings obtained from SEM-PLS analysis, followed by an analytical discussion linking statistical results to the proposed hypotheses and theoretical framework. The analysis was conducted using SmartPLS software for structural modeling and statistical evaluation, supported by spreadsheet software for data preprocessing and descriptive statistics. The dataset was obtained through a structured questionnaire distributed to employees in a public sector institution, using a Likert scale to measure Compensation (X1), Work Discipline (X2), Motivation (Y), and Employee Performance (Z).

Initial data screening confirmed completeness, normal distribution tendencies, and suitability for SEM-PLS analysis. The measurement model evaluation showed that all indicators met convergent validity requirements (loading factor > 0.70 , AVE > 0.50) and reliability standards (Composite Reliability > 0.70 , Cronbach's Alpha > 0.70). Discriminant validity was also satisfied based on the Fornell–Larcker criterion, confirming that each construct was empirically distinct.

The structural model was evaluated using coefficient of determination (R^2), path coefficients, and bootstrapping significance tests. The R^2 value for Motivation indicated moderate explanatory power, meaning Compensation and Work Discipline jointly explain a substantial portion of motivational variance. The R^2 value for Employee Performance also demonstrated moderate-to-strong predictive capacity, indicating that Compensation, Discipline, and Motivation collectively contribute to performance improvement.

Hypothesis testing revealed that Work Discipline significantly influences Employee Performance, while Compensation does not directly affect Performance. However, Compensation significantly influences Motivation, and Motivation significantly improves Performance. These results indicate that compensation affects performance indirectly through motivational mechanisms rather than through direct behavioral reinforcement. Furthermore, mediation testing confirmed that Motivation significantly mediates both Compensation $\rightarrow$ Performance and Discipline $\rightarrow$ Performance relationships.

From a theoretical perspective, these findings support motivational and behavioral theories stating that structured discipline enhances performance through behavioral consistency, while compensation operates primarily as a motivational stimulus rather than a direct productivity driver in public sector contexts. The results highlight that psychological

engagement plays a central role in transforming managerial practices into measurable performance outcomes.

4.1. Direct Effect Path Coefficients

Table 1. Direct Effect Path Coefficients

Path	Path Coefficient	Std. Deviation	T-Statistic	P-Value	Result
Compensation (X1) → Employee Performance (Z)	0.152	0.104	1.458	0.145	Not Significant
Work Discipline (X2) → Employee Performance (Z)	0.481	0.096	4.987	0.000	Significant
Compensation (X1) → Motivation (Y)	0.483	0.098	4.934	0.000	Significant
Work Discipline (X2) → Motivation (Y)	0.372	0.087	4.257	0.000	Significant
Motivation (Y) → Employee Performance (Z)	0.286	0.101	2.831	0.005	Significant

The results in Table 1 show that Work Discipline has the strongest direct influence on Employee Performance, followed by Motivation. Compensation does not significantly influence performance directly, indicating that financial rewards alone are insufficient to enhance performance without motivational engagement.

4.2. Indirect Effect (Mediation)

Table 2. Indirect Effect (Mediation) Results

Relationship	Path Coefficient	T-Statistic	P-Value	Decision	H0 Status
X1 → Y → Z	0.138	2.421	0.016	Accepted	Rejected
X2 → Y → Z	0.106	2.310	0.021	Accepted	Rejected

The mediation results confirm that Motivation plays a significant intermediary role. Compensation influences performance indirectly through Motivation, while Discipline influences performance both directly and indirectly. This indicates partial mediation, where motivation strengthens behavioral and psychological pathways leading to improved performance.

Overall, the findings emphasize that employee performance improvement in public sector organizations is driven more by discipline and psychological motivation than by direct financial incentives alone. These results contribute to organizational behavior literature by clarifying the mediating mechanism linking managerial practices to performance outcomes.

5. Comparison

Comparison with state-of-the-art research is essential to position the contribution of this study within existing human resource management and organizational behavior literature. Prior empirical studies generally report that compensation, work discipline, and motivation are important determinants of employee performance; however, their relative influence and structural relationships vary across organizational contexts, particularly between private and public sector institutions.

Compared to existing structural model studies, this research offers several measurable contributions. First, it provides empirical evidence that compensation is not always a direct determinant of performance in public sector settings. Second, it demonstrates that work discipline is the most dominant predictor of performance within the tested structural framework. Third, it confirms the strategic role of motivation as a mediating variable linking managerial factors to performance outcomes. These findings refine the behavioral-performance mechanism proposed in previous studies and extend its applicability to public sector organizational contexts.

Overall, the comparison with state-of-the-art literature indicates that this study does not merely replicate prior findings but provides contextual and structural insights into how

managerial variables interact to influence employee performance. The results emphasize the importance of integrating behavioral control and motivational mechanisms rather than relying solely on financial incentives to improve organizational performance.

6. Conclusions

This study analyzed the relationships among compensation, work discipline, motivation, and employee performance using the PLS-SEM approach in a public sector context. The results show that compensation does not directly affect employee performance, while work discipline has a strong and significant positive effect. Both compensation and work discipline significantly influence motivation, and motivation significantly improves employee performance. Mediation analysis confirms that motivation partially mediates the effects of compensation and discipline on performance, highlighting the important role of psychological and behavioral mechanisms in shaping performance outcomes.

The findings support the research objectives by demonstrating that work discipline is the most dominant determinant of performance, whereas compensation mainly influences performance through motivation rather than directly. Practically, organizations should not rely solely on financial incentives but also strengthen discipline systems and enhance motivation to achieve sustainable performance improvement. The study contributes to behavioral-performance theory by confirming the mediating role of motivation in public sector organizations.

However, this study is limited to a single organizational setting and a cross-sectional design, which may restrict generalizability and long-term causal interpretation. Future research should incorporate additional variables such as leadership, organizational culture, and job satisfaction, apply longitudinal approaches, and test the model across different institutional contexts to strengthen theoretical and empirical robustness.

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