

# The Impact of Compensation Schemes on Improving Employee Performance of Universitas Lampung

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**Abstract.** This study focuses on investigating how compensation schemes affect the performance of lecturers and staff at Lampung University, exploring their views on existing and upcoming compensation policies, and evaluating how well these policies drive performance enhancement. The aims of the study include examining how compensation influences performance, assessing compensation policies, and suggesting ways to enhance the performance of lecturers and employees by implementing suitable compensation policies. This study utilizes a qualitative method. Data was gathered through detailed interviews with important sources, specifically professors and staff members from Lampung University. The findings from the interview indicate that the compensation policy at Lampung University is perceived as appropriate and equitable for both lecturers and administrative staff with civil servant status, contributing to enhanced performance and fulfilling family obligations. Nevertheless, the compensation given to non-civil servants remains insufficient and needs further consideration. Some informants have also indicated that the compensation provided does not adequately meet their living requirements. This research demonstrates that the compensation systems at Lampung University are typically just and viable, effectively incentivizing lecturers and education staff to enhance their performance and fulfill their day-to-day necessities.

**Keywords:** Compensation Schemes, Performance, Lampung University, Lecturer.

## 1 Introduction

Employees are the most important asset in an organization and play a strategic role in structuring and managing various activities to achieve company goals [1]; [2]. Employee performance reflects the work done by individuals in carrying out the assigned tasks, and high performance is expected to encourage the achievement of organizational goals [3]. Performance, in this context, is the result of work achieved by a person in an effort to meet predetermined goals. Thus, employee performance is one of the determining factors for the success of a company or organization in achieving its targets [4]. Work performance assessment, or employee performance, serves as an important tool for evaluating the effectiveness of the work performed [5], assessing the success of the company [6], and becoming the basis for making decisions regarding employee promotions, dismissals, and transfers [7]. In addition, this assessment also provides constructive feedback for employees for future improvement [8]. This, performance evaluation is not only important for the growth of the company but also for the professional development of the employees themselves [9].

As a prominent state university in Indonesia, Universitas Lampung plays a vital role in both individual development and national progress [10]. The dedication of its faculty and staff is instrumental in achieving the institution's mission of cultivating globally competitive graduates. By fostering a conducive academic environment and promoting continuous improvement, Universitas Lampung aims to solidify its position as a world-class university.

Effective integration between performance appraisal and performance compensation is the key to creating a productive and results-oriented work environment [11]. The relationship between performance appraisal and compensation is very important in human resource management [12], where performance appraisal serves as the basis for determining the level of compensation given to employees, the problem of work performance appraisal system becomes very important when the company pursues profit / profit, because each employee is highly demanded for his performance and it is common knowledge that employees who have better achievements will get different compensation when compared to those who have less achievement, this will encourage each employee to compete sportively to improve their performance [13]. At the University of Lampung, for example, performance compensation has proven to be one of the main factors that can improve the performance of lecturers and employees. The implementation of transparent and fair performance appraisals not only helps in attracting and retaining top talent but also creates a results-oriented work culture [14]; [15]. Forms of compensation that can be provided by organizations include commissions, bonuses or incentives, facilities, and allowances, each of which is categorized into a different type of compensation.

Compensation systems typically comprise two primary categories: financial and non-financial compensation. Financial compensation, as the name suggests, involves monetary rewards, which can be further categorized into direct and indirect components. Direct compensation encompasses base salaries and wages, while indirect compensation includes benefits such as health insurance, retirement plans, and paid time off. Non-financial compensation, on the other hand, refers to non-monetary rewards that aim to enhance job satisfaction and employee morale. These can range from recognition programs and promotions to flexible work arrangements and opportunities for professional development.

The strategic implementation of a well-designed compensation system is crucial for attracting, motivating, and retaining talented employees [14]. Adequate compensation can significantly impact employee performance, job satisfaction, and overall organizational effectiveness. By aligning compensation with individual and organizational goals, organizations can foster a positive work environment and achieve sustainable success [16]; [17]. Conversely, inadequate or inequitable compensation may lead to decreased employee morale, increased turnover, and diminished productivity [18].

Previous research has consistently demonstrated a significant positive correlation between compensation and employee performance [19]; [20]; [21]. These findings underscore the pivotal role of compensation in influencing employee motivation, job satisfaction, and ultimately, overall performance. Given this established link, it is evident that the quality and adequacy of compensation packages can directly impact the level of effort and productivity exhibited by employees. By optimizing the allocation of human resources through competitive compensation, organizations can maximize employee productivity and, consequently, overall organizational performance. Effective compensation strategies can foster a stable work environment, boost employee morale, and ultimately contribute to the long-term growth and success of the institution. This study aims to investigate the specific impact of compensation

on the performance of lecturers and employees at the University of Lampung, providing valuable insights to inform policy decisions aimed at enhancing institutional performance.

## **2 Literature Review**

### **2.1. Compensation**

Compensation is a reward that employees receive in relation to the work they have done for an organization or organization, the compensation that is given can be financial or non-financial. Compensation can also be interpreted as all receipts that can be in the form of money or can also be in the form of physical goods, which are given by the organization to employees as compensation or as a form of gratitude (return) for individual performance in the organization [22]. Meanwhile, [23] defines compensation is a provision of equal remuneration and is distributed fairly to employees of an organization because they have contributed to efforts to achieve organizational goals. Another opinion [24] states that compensation is a form of reward given directly or indirectly which can be in the form of financial or non-financial, and the compensation is distributed appropriately and fairly for all employees, this compensation is interpreted as a form of recompense for the contribution or service they have done to achieve organizational goals. Based on several definitions of compensation, it can be concluded that compensation is a reward or award received by employees because they have completed a certain job and have achieved targets previously set by the organization.

The objectives of providing compensation include retaining employees; improving employee performance; obtaining quality human resources; helping organizations achieve targets through the performance of their employees; creating justice both internally and externally; To reduce costs, especially those related to labor costs; complying with government regulations regarding labor welfare [22]. Compensation provided by the organization can increase employee work productivity. Employees certainly hope to receive compensation that is in accordance with the performance they have done for the organization. By providing compensation, the organization will gain many benefits, including retaining quality employees, becoming an attraction when recruiting new employees, and motivating individuals in the organization to try harder and achieve many achievements [25]; [26]; [27].

There are two principles of compensation that must be considered, namely the principle of fairness and the principle of fairness and reasonableness. When an organization provides compensation to its employees, the benchmark for providing fair compensation is that it is adjusted to the workload, job responsibilities, position, job risk, position or type of job, and so on. Through the principle of fairness, a healthy work atmosphere, high levels of discipline, high work enthusiasm and loyalty will be created. This means that the principle of fairness referred to here does not mean that employees receive the same amount of compensation. As for the principle of fairness and reasonableness, it must be relative. This means that in determining the amount of compensation to be given, it is based on the minimum wage limit which has been regulated and set by the government. In addition, this compensation must also be adjusted to the external conditions of consistency in the labor market [22].

### **2.2. Performance**

[28] define performance as a measure of an employee's achievement relative to predetermined organizational objectives. This achievement can be quantified in terms of quantity or quality of work output. [29] further elaborates, suggesting that performance is a

function of an individual's willingness and ability to complete tasks aligned with specific targets. [30] provides a broader perspective, viewing performance as an overall level of success or achievement in fulfilling organizational responsibilities. In essence, performance is the outcome of an individual's efforts within an organizational context, measured against established standards.

A strong organizational culture, characterized by positive employee-leadership relationships, is crucial for fostering high performance. Improved employee performance directly contributes to organizational progress [31]. To enhance individual performance, organizations often implement various strategies, including competitive compensation packages. Conversely, low performance can lead to detrimental consequences such as absenteeism, tardiness, decreased productivity, and poor interpersonal relationships, ultimately impacting organizational efficiency. Recognizing the significant influence of compensation on employee performance, organizations must carefully consider compensation strategies to optimize employee motivation and productivity [32].

### **3 Research Method**

This research employs a qualitative research methodology with an interpretive approach. This approach is particularly suitable for delving into the subjective experiences and perceptions of the study participants. Primary data was collected through in-depth interviews with key informants (7 people) representing a diverse range of perspectives, including both lecture and administrative staff at the University of Lampung.

The research sought to answer the following key questions:

1. What are the primary sources of income, both monetary and non-monetary, received by lecturers and academic staff at the University of Lampung over the past five years? (for example basic salary, rice allowance, health allowance, remuneration, lecturer certification, grants, etc.).
2. Do the current income schemes align with the expectations and needs of academic staff, particularly in terms of meeting family obligations.
3. Does the current compensation system effectively motivate academic staff in daily duties?
4. Which specific elements of the compensation package have the greatest motivational impact on the job?
5. What recommendations can be made to enhance the University of Lampung's compensation scheme to optimize long-term performance?

### **4 Discussion**

#### **4.1 Providing Comprehensive Judgment**

Based on in-depth interviews conducted with informants, most informants stated that policies related to compensation and income schemes are considered fair and appropriate overall in meeting their needs.

1) "For me as a civil servant lecturer, the income and compensation scheme is enough to fulfill my needs because with it we will get benefits in the form of connections, trust, and skills." (Second Respondent/ Lecturer)

2) "The income and compensation currently received are fair and reasonable." (Third respondent/lecturer)

3) "Income earned is enough to fulfill daily needs" (Fifth respondent/lecturer)

4) "Income and compensation are sufficient to support daily life" (Sixth respondent/academic staff).

The explanations from several informants indicate that the income and compensation scheme implemented at Lampung University is sufficient to fulfill daily needs fairly and adequately as a whole. However, there are also other informants who provide different views, including:

1) "Current income and compensation schemes are unfair" (First Respondent/ academic staff).

2) "Not enough to meet daily needs because the price of basic commodities has increased, because according to him the salary is below the minimum wage, in terms of eligibility according to him it is quite standard." (Seventh respondent/academic staff).

Based on several interviews that have been conducted, it can be concluded that the compensation and income scheme policy at Lampung University for education personnel (staff) and civil servant lecturers who have worked long enough is considered feasible and fair. However, a notable disparity emerges for non-civil servant academic staff, whose compensation packages may require further refinement. To ensure a more equitable and motivating compensation system, it is recommended that the university re-evaluate the allocation of funds [33] for non-civil servant academic staff, with the aim of implementing a scheme that fosters job satisfaction and incentivizes performance.

#### **4.2 Improving Performance Motivation**

To assess the motivational impact of the current income compensation scheme, participants were asked, "Do you believe the current income compensation scheme effectively motivates you to perform your daily tasks?" A selection of responses is presented below.:

1) "There is self-motivation, namely getting a basic salary for family needs" (First Respondent/ academic staff)

2) "For me, there is motivation because with motivation at work I get rewards from the university." (Second Respondent/ Lecturer)

3) "There is motivation from income and performance" (Third Respondent/ Lecturer)

4) "There is motivation from income and performance in addition to the career path that must be achieved and the rewards that are awaited" (Fourth Respondent/ Lecturer)

5) "There is no motivation to work because some schemes are still lacking to fulfill needs" (Fifth Respondent/ Lecturer)

6) "There is motivation and many factors for children and family needs" (Sixth respondent/academic staff).

7) “Quite motivating, especially the 13th salary for honorarium is quite helpful” (Seventh respondent/academic staff).

From the answers of several informants, it can be concluded that the compensation and income scheme at the University of Lampung as a whole has provided motivation for education personnel (academic staff) and lecturers in carrying out their daily duties. The scheme helps improve the quality of individual performance and supports the fulfillment of family needs [34]. However, there were also informants who stated that the compensation and income schemes were not enough to motivate them, because they were still considered insufficient to meet their living needs.

#### **4.3 Implement an Effective Performance System**

Based on in-depth interviews conducted with informants, most informants stated that policies related to compensation and income schemes can implement an effective performance system such as a reward and punishment system in meeting needs, namely:

1) “A reward and punishment system is applied in the distribution of workload. With the reward and punishment system, it can increase motivation at work..” (First Respondent/ academic staff).

2) “Pay more attention to reward and punishment in all circles.” (Second Respondent/ Lecturer).

3) “The compensation provided must be equal and the provision of rewards and punishments in order to improve performance.” (Third Respondent/ Lecturer).

Based on the insights gleaned from multiple informant responses, the University of Lampung's compensation and income scheme appears to be an effective mechanism for incentivizing educational personnel and faculty to fulfill their duties. The scheme, as implemented, appears to positively influence individual performance metrics and contribute to the overall well-being of employees by addressing their financial needs [35].

#### **4.4 Policy impact on staff and lecturers**

1) “The current compensation scheme is quite appropriate, it's just that more attention should be paid to the target target of assistance,” (First Respondent/ academic staff).

2) “The impact of the policy on the equal division of work duties and functions, an increase in remuneration for non-civil servants to make it fairer because they are more focused on teaching and more prosperous.” (Second Respondent/ Lecturer).

3) “Compensation policy More attention should be paid to the target of assistance and others to the academic staff in the UNILA environment, especially for children's education.” (Third Respondent/ Lecturer).

4) “According to him, the compensation target for now is not in accordance with the target of people in need” (Fourth Respondent/ academic staff)

From several informants' answers, it can be concluded that the impact of the compensation and income scheme policy at the University of Lampung for education personnel (staff) and lecturers in carrying out their daily tasks. The scheme helps improve the quality of individual performance and supports the fulfillment of family needs. However, there are also informants who state that the compensation and income scheme is not yet on target

assistance and on target, because it is still considered insufficient to meet the needs of life and those in need.

## 5 Conclusion

Based on the qualitative research conducted, the compensation and income schemes implemented for academic staff and lecturers at the University of Lampung are generally perceived as equitable and adequate, fulfilling both motivational and basic needs. However, certain areas require further attention, particularly the allocation of benefits, such as child education support, and the transparency of workload distribution. A more equitable approach to compensation necessitates a clearer and more balanced allocation of tasks and responsibilities. Additionally, the implementation of a robust reward and punishment system can further incentivize performance and promote fairness within the institution.

It is important to acknowledge the inherent limitations of this research, including potential biases from the researcher and participants. The findings are derived from a relatively small sample size and may not fully represent the broader population. Future research could benefit from a larger sample and the incorporation of secondary data for comparative analysis. Furthermore, exploring additional factors that may influence the effectiveness of human resource management policies could provide a more comprehensive understanding of the issue.

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