



Factors affecting employee performance improvement: A survey study based on work performance theory

Nurchayono^{1*}, Bambang Hariadi², Endang Mardiaty³

¹ Post Graduate Student, Faculty Economic and Business, Brawijaya University, Indonesia

²⁻³ Faculty Economic and Business, Brawijaya University, Malang, Indonesia

Abstract

This study discusses the factors that influence employee performance using work performance theory. The variables used in this study were education level, job redesign, job satisfaction and remuneration. Using 215 samples of employees working in the Directorate General of Tax (DGT) of East Java III, the method of data analysis used SEM-PLS with the help of the WarpPLS 6.0 application. The results showed that the level of education, job redesign and remuneration had a positive effect on employee performance, job satisfaction was able to mediate the relationship between work redesign and employee performance and remuneration was able to strengthen the education level relationship with job redesign.

Keywords: education level, job redesign, remuneration, job satisfaction and employee performance

1. Introduction

Performance is one measure of the success of each company, so that every company always conducts employee development studies on a regular basis to increase productivity. One strategy carried out by the Indonesian Ministry of Finance to increase tax revenues by issuing a Minister of Finance Decree No. 454 of 2011, which provides direction on improving performance through Key Performance Indicators (KPI) and Employee Performance Target (EPT).

The Directorate General of Tax (DGT), is one of the vertical agencies under the Ministry of Finance that has a very large role in collecting state revenues in the tax sector. The Directorate General of Taxes (DGT) is one of the vital institutions in Indonesia, because 80% of state revenues are from the tax sector (Suryanto, *et al.*, 2017)^[38]. In addition to the decision of the finance minister, efforts to improve the performance of DGT employees were also carried out by changing the remuneration scheme by revising the Presidential Regulation No. 37 of 2015 concerning the provision of remuneration based on the realization of work unit tax revenue, which was then revised with Presidential Regulation No. 96 of 2017 concerning remuneration based on employee workload and performance.

This change in the remuneration scheme is expected to increase productivity of employee performance so that it will have an impact on organizational work performance, because based on the two factor theory, reward given by the company becomes motivation for employees to increase productivity performance (Robins and Judge, 2017: 157)^[40]. The change in the remuneration scheme is one form of government strategy in improving organizational performance that can be seen from the realization of tax revenues, this is because the DGT has not been able to realize the tax targets set in the design of Indonesia Budget for the past five years, and based on annual reports tend to decline every year. Based on data from the realization of tax revenues in 2013 - 2017: 92.59%, 91.87%, 81.97%, 81.54%,

89.20% (Annual Report, 2017)^[27].

In 2017, the Regional Office of the Directorate General of Taxes (DJP) of East Java III was one of the DGTs capable of realizing the tax target with the realization of 101.3%, and as many achievements. The Regional Offices of East Java III DGT got the first rank of national, the performance of Malang Middle Tax Office was the best national middle tax office, and the performance of the KPP Pratama Batu is the best National Pratama KPP for 2017, but in 2018 Tax revenue realization decreased (realization of 93.67%) and was unable to realize the tax target (www.suaraindonesia.co.id, 2019). In addition, the target for submitting Annual Tax Return (ATR) through e-filing is still relatively low at 73% of the target set.

Based on the results of a survey conducted by the Ministry of Finance in collaboration with Gajah Mada University, the DGT in the East Java Region should have a better performance and be able to realize the performance targets set out in the EPG contained in the employment contract, because it received the best predicate based on the aspect of "satisfaction service" with an index of 4.49 (Ministry of Finance, 2018: 150). Through the satisfaction index conceptually, taxpayers should be more happy in paying taxes, but the realization in 2018 that the DGT East Java of III should be able to realize the tax target as in the previous year, but experienced a 7.63% decrease in tax revenue realization.

The maximum performance of the DGT of East Java III based on the realization of tax revenues and ATR through e-filing was caused by several factors. Kim (2015)^[20] revealed that the performance of employees and organizations is not optimal yet, mainly influenced by internal factors; quality of human resources, work environment and internal control system. Work performance theory (Blumberg and Pringle, 1982)^[5] reveals that employee performance is influenced by three dimensions, namely the dimensions of capacity, motivation and opportunity. Capacity dimensions refer to physiological and

cognitive abilities that allow individuals to carry out tasks effectively and best. The dimensions of motivation refer to psychological and emotional characteristics that influence individuals in carrying out their duties. The dimension of opportunity is the opportunity to do something and have characteristics that cannot be controlled by individuals.

The capacity dimension used in this study to improve employee performance is the level of education. The higher the level of education of an employee, the higher the competence so that it will do work effectively (Kawedar, 2015) [18]. The dimensions of motivation used in this study are remuneration, because remuneration is one of the goals to be desired for employees who work and according to Robins and Judge (2017: 278) [40] the remuneration provided by companies, both financial and non-financial, can increase productivity employee performance. The opportunity dimension used in this study is job redesign. Job redesign is one of the management strategies to avoid employees from over routine that will result in work saturation and will ultimately reduce employee loyalty to the company (Robins dan Judge 2017: 238) [40].

3. Literatur review and hypotheses development

Work performance theory arises from criticism of motivation theory developed by Maslow which revealed that employee performance is only influenced by ability and motivation (Blumberg and Pringle, 1982) [5]. Bumberg and Pringle revealed that these two dimensions cannot explain the work environment for employees, because the work environment has a large influence on performance because it is not under individual control and will affect job satisfaction. So that work performance theory describes three dimensions that influence employee performance, namely capacity, willingness and opportunity.

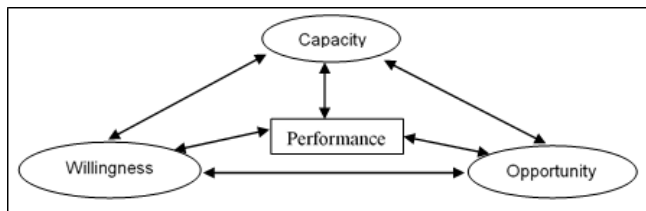


Fig 1: Interaction work performance theory

The capacity dimension describes physiological and cognitive abilities. Capacity is the effect of individual abilities, knowledge, skills, level of education, health, age, intelligence, skills and expertise. Capacity dimension is a driving factor for someone doing work in accordance with his ability and if an employee works not according to his capacity then it will tend to have low productivity, so that in increasing employee productivity, the company must spend to increase the capacity of the employee through training workshops and seminars.

Dimension of will refers to psychological and emotional characteristics that affect the degree of an individual to perform tasks and willingness is the effect of behavior on motivation, job satisfaction, personality, sikap, norms, characteristics and values that are carried. Willingness is one dimension that is strongly influenced by motivation, so that the higher the motivation of an employee in working, the goals to be achieved by the company will be easily

achieved. Dimensions of opportunity in doing a job, this dimension is strongly influenced by environmental factors surrounding it, so that this dimension cannot be controlled by individuals. The dimension of opportunity greatly influences employee performance, this is due to the fact that employees are closely related to technical work. Variables related to the dimensions of opportunity are work design, systems and work procedures, relationships with colleagues, information systems and organizational policies (Kawedar, 2015) [18].

Employee Performance

Performance is the result or achievement achieved by individuals and/or organizations in carrying out a predetermined plan relating to the realization of the goals, vision, mission and objectives of an organization (Moehariono, 2012: 95) [29]. Employee performance is a function of the interaction of abilities, motivation and opportunities (Robbins and Judge, 2017: 35) [40]. Employee performance is an achievement shown through financial or non-financial results that has a direct relationship with organizational performance and its success (Johlke and Iyer, 2013) [17]. The performance of the employees of the Directorate General of Tax (DGT) is assessed from the realization of the Employee Performance Target (EPT) contained in the employment contract, which is a comparison of the Key Performance Indicators (KPI).

Level of Education

The level of education is one aspect of the demographic characteristics of employees in a company. The level of education reflects the competence of employees, the higher the level of education, the higher the competence and skills (Kotur and Anbazhagan, 2014) [21]. Competence is one of the most important in a company, because the higher the level of competence possessed by employees will increase the productivity of its performance which has an impact on the level of output produced by the company (Sodikin *et al.* 2018) [36]. Cheng, *et al.* (2010) [7], Syaffril and Uli (2010) [39] and Martin and Liusar (2018) [25] revealed that the education level of employees influences work productivity, the higher the level of education of employees, the higher their competency so that they do work effectively.

Remuneration

Remuneration is a form of reward received by employees of the company for the achievements given by workers to the company (Pora, 2011: 3). Remuneration provided by the company has a goal to improve employee welfare, so that it will create employee loyalty to the company. The remuneration provided by the company must fulfill the principle of pay for 3 pays: pay for position, pay for performance and pay for people (Pora, 2011). Performance-based remuneration will provide motivation for employees to improve their competency and skills. Reward-based remuneration that considers aspects of work time, seniority and light weight work makes employees not motivated to increase their competency and performance (Moehariono, 2010). Kawedar (2015) [18], revealed that the success of employees in realizing their performance targets is affected by remuneration. The study conducted by Kyule (2016) revealed that remuneration was able to strengthen work life policy (job redesign) relations with employee performance.

Job Redesign

Job redesign is an activity of designing or reconstructing plans that have been made about the work tasks of employees in accordance with the needs and abilities of individuals (Siengthai *et al.* 2016) [35]. Job redesign includes activities or changes related to work that improve the quality of employee work and employee productivity (Wood, *et al.*, 2012) [42]. The purpose of job redesign is to design a job that must always be oriented towards the company's goals, so it must always conform to changes in the business environment and allow a worker to feel personally responsible for a meaningful part of his work. Morrow *et al.* (2012) [30], conducted a study of employee performance in financial companies in America, revealing that job redesign in the form of work rotation was able to improve employee performance. Maxwell (2008) [26] and Ali and Rehman (2014) [2] reveal that job redesign increases employee work productivity, because it avoids work that causes over routine.

Job Satisfaction

Job satisfaction can be defined as measuring a person's work or experience in terms of positive emotions or pleasure in work (Locke, 1976) [23] and people's feelings (likes or dislikes) in work (Spector, 1997) [37]. Davis (1985: 96) [8] reveals job satisfaction is a feeling that drives employees related to their work and their condition. Job satisfaction becomes a very important thing, because it has a big influence on the organization. A person's job satisfaction has an impact on the organization, among others, namely the turnover rate, employee attendance level, employee health level, effectiveness of work completion, idea development and innovation, error rate, pride in the company that is manifested in commitment and loyalty. Syaffril and Uli (2010) [39] state that job satisfaction arises from an evaluation of an experience, or a psychological statement due to an expectation associated with what they get. Farooqui and Nagandra (2014) [9], Riana (2015) [41] and Zaheer (2017) [43], the results of his research show that job satisfaction has an effect on employee performance and the study of Seingthai *et al.* (2016), found that job satisfaction was able to be a mediator for job redesign with employee performance.

Conceptual Framework and Hypotheses

Based on the literature review, this study put forwards the conceptual framework of this study as depicted in Figure 1.

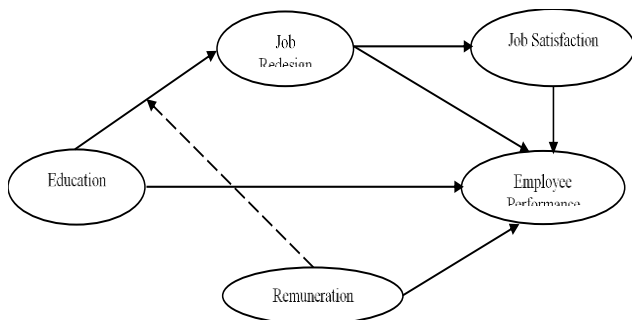


Fig 2: Conceptual Framework study

Following the literature review and the conceptual framework, this study proposed five major hypotheses as follows:

- Hypothesis 1:** Educational level has a positive effect on employee performance
- Hypothesis 2:** Job redesign has a positive effect on employee performance
- Hypothesis 3:** Job satisfaction has a positive effect on employee performance
- Hypothesis 4:** Remuneration has a positive effect on employee performance
- Hypothesis 5:** Job redesign mediates the relationship between education level and employee performance
- Hypothesis 6:** Job satisfaction mediates the relationship between job redesign and employee performance
- Hypothesis 7:** Remuneration strengthens the relationship between education level and job redesign.

4. Research Methodology

This study is a type of comparative causal research. Comparative causal research is research whose characteristic problem is a causal relationship between variables (Indriantoro and Soepomo, 2016: 27) [16]. This study analyzes the factors that influence employee performance based on work performance theory through dimensions of capacity, motivation and opportunity. The object of this research is the Directorate General of Tax (DGT) of East Java III, who works in the account representative, billing, inspection, data and information processing, tax bailiffs and general parts. The sampling method used in this study is cluster sampling. Cluster sampling is used because elements of the population are geographically dispersed so it is difficult to arrange sampling frames (Ghazali, 2011) [10]. Measurement of variables in this study uses indicators that have been used by previous researchers. Education level is measured on a nominal scale. Remuneration is measured by indicators based on Presidential Regulation No. 96 of 2017, namely remuneration based on organizational performance, employee performance and workload. Job Redesign is measured by job rotation indicators and job enlargement (Seingthai, *et al.* 2016). Job satisfaction variables as mediating variables are measured by indicators of intrinsic and extrinsic satisfaction (two factor theory).

This study uses primary data, data collected through questionnaires. The distributed questionnaire has three possibilities, the respondent responds, responds incompletely and does not respond, so that there are weaknesses in the response bias (Sholihin and Ratmono, 2013) [34]. To overcome this problem, an independent sample t test was carried out for 30% of the initial and final samples, using a significance of 5%. The data analysis method of this study uses Partial Last Square (PLS). According to Hair, *et al.* (2010) [14] PLS is precisely used to reduce data, namely by determining the minimum number of factors needed to calculate the maximal proportion of the total variance represented.

Model evaluation based on SEM-PLS is done in two stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The measurement model is carried out to test the validity and reliability of the instrument in the research model. A valid instrument if it has a loading factor and AVE values above 0.07 for a reflective construct and has a p value below 0.05 and a VIF value below 3.3 for a formative construct

(Ghazali and Latan, 2015)^[11]. An instrument is reliable if it has a value of Cronbach's Alpha and Composite Reliability above 0.7 (Ghazali and Latan, 2015)^[11]. Inner model testing to test the relationship between latent variables. The hypothesis is accepted if it has a path (β) coefficient > 0 and p -value < 0.05 . Testing the mediation hypothesis by looking at the total effect value and p value for total effect. Job satisfaction can be said to mediate if it has a total effect value > 0 and p -value for total effect < 0.05 .

5. Analisis, Results and Discussion

Respondents of this study were all employees of the Directorate General of Tax (DGT) of East Java III. The questionnaires distributed amounted to 200 and those returned 151 (75, 5%). Based on the results of the analysis,

the respondent characteristics in this study are shown in table 1.

In table 1, can seen a comparison of the demographics of the study respondents. At the education level the research sample working in the representative account field is dominated by employees with post graduate education (61%), but the Tax Bailiffs section is dominated by employees with high school education (71%). Data of respondents based on work experience, research respondents were dominated by employees with experience under 7 years. Employees who work in the account representative section are dominated by male employees with a percentage of 70%, but for the tax bailiffs section, female employees are dominated by 80% presentation.

Table 1: Respondent characteristic

Characteristic	Job Position					
	AR	BL	I	PD I	TB	GP
Gender						
Male	71%	62%	47%	27%	20%	35%
Female	29%	38%	53%	73%	80%	65%
Education						
Low level high school	35%	33%	50%	55%	71%	80%
High level high school/BSc	61%	44%	30%	35%	20%	7%
High School/MSc	4%	23%	20%	10%	9%	13%
Age						
Below 31 years (Gen-Y)	24%	27%	51%	52%	26%	41%
32-45 years (Gen-X)	46%	41%	23%	37%	57%	37%
46-65 years (Baby Boom)	30%	32%	26%	11%	17%	22%
Experiance						
Below 7 years	69%	70%	75%	67%	61%	65%
8-14 years	19%	20%	7%	23%	30%	30%
over 15 years	12%	10%	17%	10%	9%	5%

Account Representative (AR), Billing (BL), Inspection (I), Processing Data and Information (PDI), Tax Bailiffs (TB), General Parts (GP).

Non-response testing is biased with a T-test, because the data are normally distributed and the number of samples is small. Basic decision making by looking at significance $p >$

0.05 (Ghazali, 2011)^[10]. The results of the Non-response bias can be seen in Table 2:

Table 2: Independent t test

Variabel	Independent t test						
	t-Value	Sig	Mean_early	Mean_end	Mean Differen-ce	90% Convident of Interval	
						Uper	Lower
RM_early - end	-2.548	0.130	18.91	20.53	-1.622	-2.888	-0.357
JR_early - end	2.009	0.480	24.91	26.13	-1.222	-2.991	-0.013
JS_early - end	0.198	0.840	22.80	22.91	-0.111	-1.227	1.005
EP_early - end	1.140	0.250	19.67	20.24	-0.578	-1.585	0.429

The results show a significance level of probability above 0.05 (remuneration: sig. 0.13, job redesign: sig. 0.48, job satisfaction: sig. 0.84 and employee performance: sig 0.25). All constructs in this study are insignificant, meaning that respondents who respond, respondents who respond but are incomplete and respondents who do not respond to the questionnaire, have the same answer to the research questionnaire. Based on these tests, the data used in this study was able to explain the research conclusions.

Measurement model analysis

Evaluation of measurement models is used to view instruments in a valid and reliable study. This study uses

two types of variables namely reflective and formative types. Endogenous constructs are employee performance using formative variable types and all exogenous variables and mediating variables using reflective variable types.

Based on table 3, test convergent and discriminant validity for formative type variables. Convergent validity for formative constructs has a p value < 0.001 and has a VIF value of 3.034 (< 3.3) and for discriminant validity the formative construct has a p value < 0.001 and has an AVE value of 0.675 (0.5). So that it can be concluded that the formative construct has fulfilled the validity test of convergent and discriminant validity.

Table 3: Validity (convergent and discriminant) and reliability

Instrumen	Validity						Reliability	
	P Value	VIF	AVE	Outer Loading Factor	Cross Loading	AVE Square	Composite Reability	Cronbach Alpha
Education	<0.001	0.000	1.000	1.000	0.000	1.000	1.000	1.000
Remuneration	<0.001	1.75	0.587	0.771	-0.136	0.766	0.876	0.824
Job Redesign	<0.001	1.48	0.564	0.702	0.082	0.639	0.806	0.806
Work Satisfactor	<0.001	1.776	0.681	0.732	-0.197	0.749	0.865	0.817
Employee Performance	<0.001	1.412	0.562	0.789	-0.203	0.675	0.864	0.801

Convergent validity test for reflective construct can be seen from the value of outer loading factor, p value and AVE. Based on the results of the research in table 3, all reflective constructs have an outer loading value above 0.7 (education: 1,000, remuneration: 0.771, job redesign: 0.702, work satisfactor: 0.732 and employee performance: 0.789), p value for all constructs below 0.001 and AVE value, for all constructs above 0.5 (education: 1,000, remuneration: 0.587, job redesign: 0.564, work satisfactor: 0.681 and employee performance: 0.562). The discriminant validity test for the reflective construct is seen from the value of cross loading factor and square root AVE. Based on table 3 the value of all cross loading is smaller than the value of the outer loading factor and the value of quadrad AVE is greater than the correlation between variables. So it can be concluded that the refractive construct has fulfilled the test of convergent and discriminant validity.

Reliability testing is used to assess the consistency of respondents' answers to each indicator in the research instruction. The construct reliability test that is formative and reflective type is measured using the composite reliability and cronbach alpha. Based on table 3 the composite reliability and cronbach alpha values for all constructs have values above 0.7, so that all constructs in this study have met the reliability test.

Structural model analysis

Evaluation of structural models or inner models is used to predict latent variable relationships. The results of testing the structural model (inner model) can be seen in the value of R-Square (R2) and the path coefficient value. The results of testing structural models using WarpPLS are shown in table 4. Testing of direct effects shows that education levels have a positive effect on employee performance (path coefficient: 0.13, p 0.05 and R2 0.12), so hypothesis 1 is accepted. The results of this study are in line with the research conducted by Cheng, *et al.* (2010) [7] and Shaffril and Uli (2010) [39], which revealed that the level of education had an effect on performance. Gurbuz (2007) [13], Bartocho (2016) [6] and Abdulrahamon, *et.al* (2018) [1], the results of the study show that the level of education has a significant influence on employee performance, the higher

the level of education of employees it has good skills, responsiveness in receiving instruction and easy to adapt to technological changes and always innovate in doing work. The higher a person's education is, the more motivated they are in increasing their productivity (Robins dan Judge, 2017: 280) [40].

Based on table 4 job redesign has a positive effect on employee performance (path coefficient: 0.15 and p 0.03), hypothesis 2 is accepted. Job redesign conducted by the company on job rotation and job enlargement can prevent employees from over routine. The results of this study support the research conducted by Morrow *et al.* (2012) [30], Maxwell (2008) [26] and Ali and Zia-ur-Rehman (2014) [2]. Al-Ahmadi (2009) [3] and Aroosiye and Ali (2015) [4] revealed that job redesign can improve employee performance, through experience and understanding of the complexity of the company.

Job satisfaction has a positive effect on employee performance (path coefficient: 0.15, p 0.03), hypothesis 3 is accepted. The results of this study are in line with the research of Farooqui and Nagandra (2014) [9], Riana (2015) [41] and Zaheer (2017) [43], showing job satisfaction has an effect on employee performance. Job satisfaction is one of the most important factors in a job, because when employees are not satisfied with their performance, there will be deviant behavior for the company. Robins and Judge (2017: 119) [40], if an employee has felt job satisfaction it will create loyalty so that it will always increase work productivity.

Remuneration has a positive effect on employee performance (path coefficient: 0.16, p 0.02), hypothesis 4 is accepted. The results of this study support the study of Gungor (2011) [12] and Karatepe (2013) [19] found that remuneration or gifts given by companies are factors that drive employees to improve productivity performance. Hameed, *et al.* (2015) [15], conducted a research on the banking sector in Pakistan, using the questionnaire method, revealing that indirect compensation and rewards for employees will improve individual performance, because employees feel that every job done is valued well by the organization.

Table 4: PLS Result (Path Coefficient, t statistic and R2)

Variable	Direct Effect			Mediation Effect			Mederation Effect	
	Path Coef	p value	R ²	Total effect	p value	R ²	Path Coef	p value
Education	0.13	0.05	0.13					
Job Redesign	0.15	0.03						
Job Satisfaction	0.16	0.02						
Remuneration	0.16	0.02						
Edu → JR → EP				-0.045	0.290	0.04		
JR → WS → EP				0.487	<0.001	0.24		
RM * Edu							0.016	0.008

JR; Job Redesign, RM; Remuneration, WS; Work Satisfies, Edu; Education

Testing the effect of mediation shows that job redesign is not able to be a mediator of the relationship between the level of education and employee performance, empirically proven in table 4 with a total effect value of 0.225 and p value for the total effect of 0.290 (hypothesis 5 rejected). The results of this test indicate that employees who have a high level of education and have the opportunity to be routinely given work rotation and expansion of work do not affect employee performance. The results of this study contradict the work performance theory which explains the higher level of employee education if the company continues to provide opportunities to develop through job rotation and job enlargement so it will improve productivity performance. Work performance theory explains through the dimension of opportunity, employees who are given the opportunity to continue to develop so that they have an understanding of the complexity of their business environment, thus creating loyalty and avoiding employees from over routine.

In table 4, describing job satisfaction is the mediator of the job redesign relationship with employee performance. Empirically indicated by the total effect value of 0.487 and p value for total effect <0.001 (hypothesis 6 is accepted). The results of this study support the study of Seingthai *et al.* (2016), who conducted a study on state-owned companies in Thailand found that job satisfaction was able to mediate job redesign with employee performance.

In table 4 shows the remuneration is able to strengthen the influence of the level of education on job redesign, indicated by the value of 0.016 path coefficient, and p value 0.008 (hypothesis 7 is accepted). Employees who have a high level of education are related to their level of competence, so that according to work performance theory will work effectively and be able to solve problems at work properly. So that if the employee has high competence in work then the company provides a remuneration scheme that is able to prosper employees so that it will improve productivity performance. The results of this study support the research conducted by Kyule (2016), the results of his research describe that remuneration is able to mediate work life policy with employee outcome.

6. Conclusions

This research investigates the factors that influence the improvement of employee performance using performance theory. Factors predicted to affect employee performance are the level of education, job redesign, remuneration and job satisfaction. Using 200 samples of employees of the Directorate General Tax (DGT) of East Java III. This study found that the level of education, remuneration and job redesign had an effect on employee performance. The higher the level of education of an employee it will work effectively, as well as job redesign carried out by companies able to eliminate the over routine work for employees and they are able to understand the complexity of the business. Job satisfaction can be a mediator of job redesign relationships with employee performance. The higher the factors that affect employee performance when added to job satisfaction will reach the maximum output and outcome. Remuneration is able to strengthen the relationship between the level of education and job redesign.

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