THE EFFECT OF TRAINING AND DEVELOPMENT, COMPENSATION AND ORGANIZATIONAL POLICIES ON THE PERFORMANCE OF EMPLOYEES OF THE REGIONAL REVENUE AGENCY OF RIAU ISLANDS PROVINCE

Mira Yunita\textsuperscript{1,} \textsuperscript{1}, Muhammad Donal Mon\textsuperscript{2,}\textsuperscript{2}

\textsuperscript{1,2} Universitas Internasional Batam, Kepulauan Riau, Indonesia

*Email: 2144044.mira@uib.edu, Muhammad.Donal@uib.ac.id

Korespondensi: 2144044.mira@uib.edu

\textbf{Abstract}

The purpose of this study was to determine the effect of training and development, compensation, and organizational policies on employee engagement and to determine the mediating role of employee engagement in the relationship between training and development, compensation, and organizational policies on employee performance. The number of samples used was 201 employees spread across 7 districts/cities in the working area of the Riau Island Regional Revenue Agency. Data collection was carried out using a questionnaire that was distributed via Google form using the Partial Least Square (PLS) data analysis method. The results of the study reveal that training and development, compensation, and organizational policies have a positive and significant impact on employee engagement. Employee engagement mediates the relationship between the independent variables and have a positive and significant impact on employee performance.

\textbf{Keywords:} Compensation, Employee Engagement, Employee Performance, Organizational Policies, Training Development

\textit{History Article} \textit{Received:} 19 June 2023 \textit{Revised:} 04 July 2023 \textit{Accepted:} 02 August 2023
INTRODUCTION

Improvement in bureaucratic management, including the performance of government apparatus which is often associated with negative stigmas such as low productivity and low service, is still a concern in the era of Joko Widodo's administration (Yuningsih, 2018). Various problems related to employee performance are still being found despite bureaucratic reform efforts. Bureaucratic reform does not run according to the Grand Design of Bureaucratic Reform and its implementation is still moving slowly because it is only an administrative formality. The bureaucracy is expected to be a motivator and at the same time a catalyst for rolling development, able to carry out its role that not only prioritizes the ability to carry out tasks and the function of the organization is only but also able to respond to public aspirations into organizational activities and programs and can give birth to innovations that aim to facilitate organizational performance and as part of the form of a professional apparatus (Rosmaini, T. & Tanjung, 2019).

Bureaucratic reforms pioneered by the government in building the quality of professional Human Resources continue to be revolutionarily improved. The urgency of HR competency development programs that are carried out on an ongoing basis is needed by every government agency (Setiadiputra, 2017). Lack of employee involvement due to poor compensation programs, and lack of training and development opportunities tend to result in narrative of defensive behavior by employees (Koodamara, N. K.; & Thomas, 2016). According to (Sendawula et al., 2018) organizations that want improved employee performance must provide training as a top priority. Meanwhile, according to (Wahyudi, 2014) employee performance can be achieved if an organization has employees who have competence in both knowledge, understanding, and attitude towards work.

Compensation is a very important part of HR management, where the compensation system greatly affects organizational performance, and a good system can increase employee motivation and achievement (LAN RI, 2020). Appropriate compensation is important for HR management because it can retain competent employees (Yani, 2012).

Organizational policies, procedures, structures, and systems determine the extent to which employees are involved in the organization (Anita, 2014). Important policies and procedures can include fair recruitment and selection, flexible timing, assistance in balancing work and life, and fair promotion policies. Organizational policies in the form of recruitment of talented employees in the right place show a higher level of performance (Abdullahi et al., 2022). Employee recruitment policy is not only an effort to fill empty formations with workers who can meet the required qualifications but also must be responsible, highly committed, transparent, and accountable (Daraba et al., 2019).

The Regional Revenue Agency (Bapenda) of Riau Islands Province is an organization that provides public services to the community, therefore Human Resources (HR) with a good work ethic and professional employee performance are needed because employee performance is related to the achievement of the goals of Bapenda Kepri Province as a professional, transparent and accountable organization in the context of increasing Regional Original Revenue (PAD). As an organization responsible for collecting taxes from the community, Bapenda strives to provide maximum service to the community by making various efforts and innovations to ensure excellent service for taxpayers. Of course, achieving the goals that have been set will be a challenge if employees do not have professional and responsible performance.

Based on the description above, it can be concluded a problem whether training and development, compensation, and organizational policies influence employee engagement and
whether employee involvement mediates the relationship between training and development, compensation, and organizational policies on employee performance of the Riau Islands Provincial Revenue Agency.

Research on employee engagement over the years has attracted considerable attention with a focus on several workplaces and individual characteristics (Ahmed, 2015). The employees involved play an important role in the achievement of organizational goals. Therefore, employee involvement is an important factor in measuring and evaluating employee performance in the organization.

Employee performance is very influential on the success of an organization and can be an advantage and also a source of problems for the organization (Donal Mon, 2022). Research on employee performance has been widely conducted in various sectors both in developing and developed countries. (Abdullahi et al., 2022) examined talent management practices consisting of recruitment policies, compensation, and training for employees and their impact on employee performance at public universities in Malaysia. The results showed that the three independent variables had a significant influence on employee performance and the employee involvement variable mediated partially which influenced the independent variable on employee performance.

Research (Anita, 2014) examined the determinants of employee engagement and their impact on performance in small-scale organizations in India. The results of the study found that all independent factors such as work environment, leadership, team and colleagues, training, compensation, organizational policies, and a good work environment had a significant effect on employee engagement. The impact affects the performance of employees in the organization.

(Senpeter et al., 2018) Specifically, examine the effect of training on employee performance with employee involvement as a variable that mediates the relationship between the two variables. Research conducted in the health sector in East Africa shows a positive correlation between training and employee engagement on employee performance.

(Wushe & Shenje, 2019) examines that employee engagement antecedents such as leadership, training and career development, compensation programs, and organizational policies and procedures strongly influence employee engagement in the public sector were tested on employees of Zimbabwean government departments. The results of the study provide a clear message about the importance of employee engagement in the public sector. Antecedents of employee engagement strongly influence employee engagement and have and have a significant impact on the level of employee engagement in the public sector.

**Employee Performance**

Performance is the result or overall success rate of a person during a certain period in carrying out a task with various possibilities such as work standards, targets, or criteria (Rivai, V., & Basri, 2005). So that employee performance is defined as the level of success of a person in carrying out his work. (Anita, 2014) states that employee performance is the results achieved and achievements made at work. Performance refers to keeping the plan while aiming for results.

**Employee Engagement**

Employee engagement is the level of involvement and commitment that an employee has to the organization and its values (Saxena & Srivastava, 2015). An engaged employee does what is expected of him and has a clear focus and purpose in bringing success to the organization. Opinion (Truss et al., 2013) defines employee engagement as individuals being able to become personally involved in their work, investing positive emotional and cognitive energy into their
performance. Engaged employees show passion for their work, understand the importance of their work, and portray loyalty to their organization compared to disengaged employees.

**Training and Development**

Employee training is defined as an organizational effort used as a short-term performance-focused and performance-oriented learning tool for members to expand individuals ability to take on their job responsibilities (Scott, 2013). Meanwhile, according to Sangurde (2009), Development is a related process that not only includes activities that improve work performance but also that bring personality growth, helps individuals progress towards maturity, and actualize potential capacities so as not only to be good employees but also trains someone to have high responsibility.

Training and development are also defined differently by (Handoko, 2001). Training is intended to improve the mastery of various skills and techniques of carrying out certain work, detailed and routine. While development has a wider scope to improve and improve knowledge, abilities, attitudes, and personality traits. According to (Millena &; Donal Mon, 2022), many employees do the same thing every day, so this training and development program is expected to help employees to explore the potential that lies within them.

**Compensation**

Compensation or remuneration is an important attribute in employee engagement that motivates an employee to achieve more and employees will focus more on work and self-development (Uppal et al., 2021). Compensation is said to have a major influence on employees' conceptions of their employment relationships (Sundaray, 2011). Compensation can be in the form of financial rewards such as salaries, bonuses, and other financial benefits or in the form of non-financial rewards such as holiday vouchers, wealth assistance programs, subsidized cafeterias, and so on. The organization must have a proper compensation management system so that employees are motivated to work in the organization.

**Organization Policy**

Organizational policies are defined as rules, regulations, and frameworks determined by top management and are not in the hands of middle or lower-level employees (Gupta et al., 2015). While (Qadir &; Salih, 2020) defines organizational policies described through talent recruitment practices as the process by which organizations find and attract individuals to fill job openings.

Figure 1. Thinking Framework
The hypotheses in this study are:
H₁: Training and development have a significant effect on employee engagement.
H₂: Compensation has a significant effect on employee engagement.
H₃: Organizational policies have a significant effect on employee engagement.
H₄: Employee engagement has a significant effect on employee performance.

RESEARCH METHODS

This research is analytical descriptive research, using quantitative approach methods. Data collection techniques use primary data, namely data carried out through observation, interviews, and questionnaire distribution. This study contained:
a. Three independent variables, including:
   1. Training and Development Variables (X₁)
      Training and Development is an important dimension that measures the extent to which training needs are identified on the basic needs of individuals and organizational needs, views of the training programs provided, and the extent to which training is related to employee performance.
   2. Compensation Variable (X₂)
      Compensation is an important attribute in measuring the extent to which compensation is related to performance and respondents' views on the value of compensation provided.
   3. Organization Policy Variable (X₃)
      Organizational Policy identifies views on the recruitment system used by the organization to get the right candidate to occupy a position.
b. One variable that acts as a mediator is Employee Engagement (X₄)
   Employee engagement is a commitment identified from a view of engagement through the viewpoints of strength, dedication, and absorption.
c. One dependent variable is the Employee Performance Variable (Y)
   Employee performance is a work result that is measured through views on task point of view, adaptive and contextual performance.

All variables in the questionnaire were measured by questions adapted from the study (Abdullahi et al., 2022). Respondents' responses to the questions in the questionnaire were measured using a 5-point Likert scale (with a range of 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, 5 is strongly agree).
The population of this study is all employees of the Riau Islands Provincial Revenue Agency totaling 411 people spread across 7 regencies/cities. The number of samples used was 201 employees. The sample size was obtained using the sample number table (n) based on the population (N) by Krejcie and Morgan (1970) in Uma Sekaran (1992). Krejcie in calculating the sample size is based on a 5% error. So the sample obtained has 95% confidence in the population. The data analysis used is Structural Equation Modeling (SEM) with the Partial Least Square (PLS) approach method. In PLS, there are 3 stages of data analysis techniques, namely outer model test, inner model test, and hypothesis test.

RESULTS AND DISCUSSION

![Figure 2. PLS Model Test Results](image)

The figure above shows the influence of each variable (Training and Development, Compensation, and Organizational Policy) on Employee Performance through the mediator variable Employee Engagement.

1. **Outer Model Testing**

   In testing the outer model using outer loading, discriminant validity factor, and composite reliability. The validity of the discriminant is highest if the square root coefficient of AVE or Fornell Larcker is ideally greater than the correlation coefficient between latent variables. The validity of the discriminant is considered good if it has a coefficient number of >0.70.

   ![Table 1. Average Variance Extracted (AVE)](image)

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1_PELATIHAN AND DEVELOPMENT</td>
<td>0.744</td>
</tr>
<tr>
<td>X2_KOMPENSASI</td>
<td>0.762</td>
</tr>
<tr>
<td>X3_KEBIJAKAN ORGANIZATION</td>
<td>0.727</td>
</tr>
<tr>
<td>X4_KETERLIBATAN EMPLOYEES</td>
<td>0.786</td>
</tr>
<tr>
<td>Y_KINERJA EMPLOYEES</td>
<td>0.784</td>
</tr>
</tbody>
</table>
AVE test results for Training and Development variables (X1) as much as 0.744, Compensation variables (X2) as much as 0.762, for Organizational Policy variables (X3) as much as 0.727, for Employee Engagement variables (X4) as much as 0.786, and Employee Performance variables (Y) as much as 0.784. These five variables require a > number of 0.7, which can be concluded that overall the variables can be considered good validity.

Reliability Test
Reliability tests aim to measure research variable indicators (Calvin et al., 2020). Questionnaire answers are considered reliable if the time to time remains the same. Set the Cronbach alpha number > 0.70 means realistic and vice versa if the Cronbach alpha number shows < 0.70 then it means unreliable.

Table 2. Composite Reliability

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1_PELATIHAN AND DEVELOPMENT</td>
<td>0.931</td>
</tr>
<tr>
<td>X2_KOMPENSASI</td>
<td>0.937</td>
</tr>
<tr>
<td>X3_KEBIJAKAN ORGANIZATION</td>
<td>0.906</td>
</tr>
<tr>
<td>X4_KETERLIBATAN EMPLOYEES</td>
<td>0.961</td>
</tr>
<tr>
<td>Y_KINERJA EMPLOYEES</td>
<td>0.965</td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2022

When looking at the results, the Composite Reliability test explains that the Training and Development variable (X1) is 0.946, the Compensation variable (X2) is 0.950, the Organizational Policy variable (X3) is 0.930, the Employee Engagement variable (X4) is 0.967, and the Employee Performance variable (Y) is 0.970. The test results explain where the Composite Reliability number > 0.7 which can be concluded that all variables are reliable.

2. Inner Model Testing
The R-Square value can be used to see structural model testing. Based on research data, the inner model can be tested with R-Square.

Table 3. R-Square

<table>
<thead>
<tr>
<th>R-Square</th>
<th>R-Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYEE ENGAGEMENT</td>
<td>0.482</td>
</tr>
<tr>
<td>EMPLOYEE PERFORMANCE</td>
<td>0.708</td>
</tr>
</tbody>
</table>

Source : Primary data processed, 2022

According to the results of the R-Square test above, it can be found that the R2 number of Employee Involvement is 0.482 which means that Employee Involvement is influenced by Training and Development Variables, Compensation, and Organizational Policy as much as 48.2%, while the remaining 51.8% is influenced by other variables outside the model. While the results of the R2 test of Employee Performance are as much as 0.708 which means that as much as 70.8% of Employee Performance is influenced by the variables of Training and Development,
Compensation, Organizational Policy, and Employee Engagement, while on the other hand, 29.2% is influenced by other variables.

3. Hypothesis Testing
Further testing is carried out by hypothesis testing which can be done with T-Statistical tests. If the outer model is significant, this shows that the indicator can be used as a variable measuring instrument.

Table 4. Path Coefficients (Mean, STDEV, T-Value, P-Value)

<table>
<thead>
<tr>
<th>Path</th>
<th>Original Sample Mean (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T-Statistic (O/STDEV)</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Development -&gt; Employee Engagement</td>
<td>0.222</td>
<td>0.227</td>
<td>0.086</td>
<td>2.574</td>
<td>0.010</td>
</tr>
<tr>
<td>Compensation -&gt; Employee Engagement</td>
<td>0.235</td>
<td>0.233</td>
<td>0.079</td>
<td>2.991</td>
<td>0.003</td>
</tr>
<tr>
<td>Organizational Policy -&gt; Employee Engagement</td>
<td>0.335</td>
<td>0.334</td>
<td>0.070</td>
<td>4.820</td>
<td>0.000</td>
</tr>
<tr>
<td>Employee Engagement -&gt; Employee Performance</td>
<td>0.841</td>
<td>0.837</td>
<td>0.031</td>
<td>26.759</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2022

H$_1$: The Effect of Training and Development on Employee Engagement
The results of the analysis show that training and development shows a positive and significant influence on employee engagement. The test results showed a path coefficient of 0.222, and a T-test number of 2.574 $> 1.96$ (related to the table number $Z_{\alpha} = 0.05$). With a p-value result of 0.010 $< 0.05$, it can be considered that the first hypothesis is accepted.

This research is in line with research conducted by (Wushe & Shenje, 2019), (Kumar Praida & Kumar Sundaray, 2020), (Sendawula et al., 2018), (Abdullahi et al., 2022), and (Gaddafi & Lestari, 2022). The five research groups revealed that there was a significant positive influence between training and development on employee engagement. Training is an important dimension that must be considered in the employee engagement process because it helps employees to concentrate on the focused work dimension (Anita, 2014). As employees undergo training programs, confidence builds in their confidence, motivating them to become more involved in their work. Therefore, training can improve service accuracy so that it has an impact on employee performance and engagement (Paradise, 2008).

H$_2$: The effect of compensation on employee engagement
The results of the analysis show that compensation shows a positive and significant influence on employee engagement. The test results showed a path coefficient of 0.235, and a T-test number of 2.991 $> 1.96$ (related to the table number $Z_{\alpha} = 0.05$). With p-values of 0.003 $< 0.05$, it can be considered that the second hypothesis is accepted.

The results of this study are in line with research conducted by (Sudiardhita et al., 2018) which shows a positive and significant influence between compensation and employee involvement that is praised in the private banking sector in Indonesia. Research (Antony, 2019) examines the effect of compensation on employee engagement tested in the hospitality sector.
which shows a positive and significant influence on both variables. Another study conducted by two variables in service companies in the United States and found positive and significant results between compensation and employee engagement.

In order to improve employee performance, the organization must emphasize payment in accordance with the work done (Dreher, 2001). (Indriyani, A. U.; &; Ignatius, 2016) mentioned in their study that employee engagement will increase if employees are satisfied, meaning that employee involvement arises from the feeling that employees feel they are properly compensated for what they have done. According to this description, it can be concluded that the better the compensation given to employees, the more employee involvement will increase.

H₃: The Effect of Organizational Policy on Employee Engagement

The results of the analysis show that organizational policies show a positive and significant influence on employee engagement. The test results showed a path coefficient of 0.335, and a T test number of 4.820 > 1.96 (related to the table number Zα = 0.05). With a p-value of 0.000 < 0.05, it can be considered that the third hypothesis is accepted.

The results of this study are in line with research conducted by (Gupta et al., 2015) and (Tharanya, V., and Vijayakumar Gajenderan., 2020) which examined the relationship between the two variables in employees in India in the financial and banking sectors. The results of the two researchers' study showed a positive and significant relationship between organizational policies and employee engagement.

(Six & Sorge, 2008) Empirically prove that favorable organizational policies build trust in the organization because they are key to employee engagement in every organization. According to (Nasir, 2020), most researchers believe that comfortable company rules and regulations are necessary to achieve employee engagement and overall business goals. Organizational procedures, processes, frameworks, and systems determine the number of staff involved in the company. Examples of some organizational policies according to Nasir include fair recruitment and selection, impartial assessment processes, reasonable work-life balance, and so on. Following this description, it can be concluded that the better the organizational policy, the better employee involvement will be.

H₄: The Effect of Employee Involvement on Employee Performance

The results of the analysis show that employee involvement shows a positive and significant influence on employee performance. The test results showed a path coefficient of 0.841, and a T-test number of 26.759 > 1.96 (related to the table number Zα = 0.05). With p-values of 0.000 < 0.05, it can be considered that the fourth hypothesis is accepted. Employee engagement variables successfully mediate the relationship between training and development, compensation, and organizational policies on employee performance.

The results of this study are in line with research conducted by (Sendawula et al., 2018) which found a significant positive correlation between employee engagement and employee performance in private hospital employees in Uganda. Another study conducted (Ngaocchai &; Amara, 2021) found a significant positive relationship between the two variables in employees of multinational companies in Thailand. (Abdullahi et al., 2022) revealed a significant relationship between employee engagement and employee performance in Malaysian private university employees. (Tharanya, V., Vijayakumar Gajenderan., 2020) also concluded that employee engagement had a significant positive effect on the performance testing on private bank employees in Chennai India. Thus, these four research groups agreed that there is a significant positive influence between employee engagement and employee performance.
According to (Sundaray, 2011) employee engagement is a positive attitude possessed by employees towards the organization and this attitude will impact the organization in many ways. Therefore, organizations must recognize employees more than any other variable. Sundaray explained that companies that have high employee engagement will bring benefits to the organization such as good productivity, high customer satisfaction, and lower employee turnover. Under the results of the research and description, it can be concluded that the greater the involvement of employees, the better employee performance will be.

CONCLUSION

Continuous training and development is crucial for employee competency development, which in turn enhances employee engagement. This can result in improved employee and organizational performance and subsequently better public services. Adequate compensation for duties and responsibilities also contributes to employee satisfaction and involvement. Organizational policies play a significant role in employee engagement, and it is necessary to have fair, comfortable, and balanced policies to achieve overall organizational goals. Employee engagement is crucial for employee performance, as it cultivates a positive attitude towards the organization, ultimately leading to increased productivity and better performance. This positive impact is reflected in the provision of excellent community services.

Government agencies need to encourage employee engagement through the provision of sound training and career development programs, appropriate compensation of duties and responsibilities, and fair and impartial policy procedures. Researchers hope that this analysis can be useful to be a reference for further research in other organizations. The variables studied to determine the effect on employee engagement and employee performance are limited to training and development, compensation, and organizational policies. Researchers may then consider examining other variables that can affect employee engagement and performance.

REFERENCES


