The Effect of Competence, Traınıng, and Compensatıon to Employment Performance

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Abstract:

Working staff at PT Asuransi Jiwa Bringin Jiwa Sejahtera (BRI life) achieved satisfactory and less than satisfactory assessment based on Performance Management Unit (SMK), thus it needs to be improved.

The purpose of this study is to understand and analyze the effect of competence, training, and compensation variables to the staff performance at headquarter level either partially or simultaneously.

The population used in this research is all of the staff at headquarters with the status of permanent employee or pattern contract 2. The sampling technique is probability sampling with Simple Random Sampling method using the slovin approach and 120 staff were taken as a sample.

Data analysis consisted of Multiple Linear Regression. The results of the study showed that competence, training, and compensation partially and simultaneously have a positive and significant effect on performance variables. Compensation variable was shown as the most dominant effect. The authors suggested that the company gives a chance to the staff to improve social competence, giving qualified and required training facilities, as well as providing non-financial rewards. It can be one of the considerations in reviewing the compensation to improve performance and to achieve company goals.

Keywords:: Competence, Training, Compensation, Performance.

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1. Introduction

The insurance industry in Indonesia is growing rapidly because of several regulations that encourage this growth. On the other hand, the awareness of the Indonesian community of the importance of insurance also encourages this growth. This growth has impacted the tough business competition in the insurance industry. The lack of reliable human resources is a common problem faced by the insurance industry.

PT Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) under the Bringin Life trademark, was founded by Dana Pensiun Bank Rakyat Indonesia on October 28, 1987, and is a life and health insurance company with a vision to be a leading life insurance company in Indonesia. To achieve the targeted vision, the company has established a target for each staff member in accordance with guidance on the determined Objective Performance Goal (SKO) at the beginning of the year. Employee appraisal will be calculated based on the success or the failure in achieving the determined target in the Staff Performance Management Unit (SMK) assessment of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) from 2013 to 2015:

Figure 1. *Performance Management Unit (SMK) Assessment from 2013 to 2015 of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).*
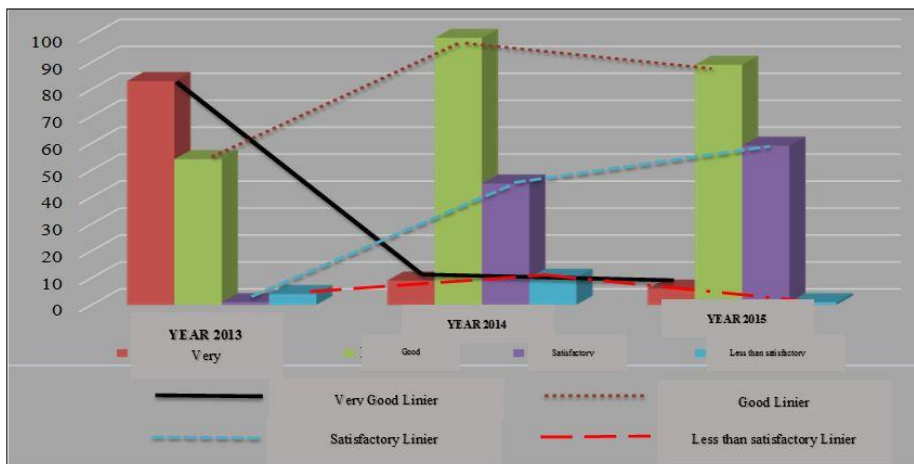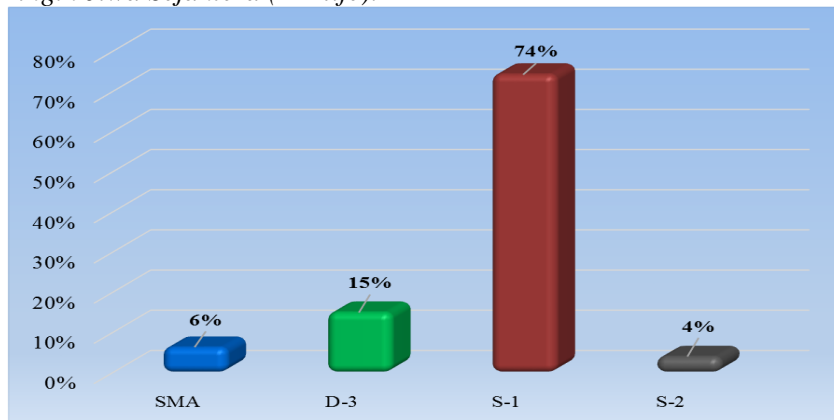

Source: *MSDU Division of MSDM Field (2016).*

Figure 1 shows the decline in the performance in 2014 and 2015 comparing to 2013 and an increase in the performance for good category in 2014 comparing to 2013. But there is another decline in 2015. There is an improvement for satisfactory category every year and there is an increase for less than satisfactory category in 2014 comparing to 2013. Based on the data above, the staff performance at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) needs to be

improved. The achievement of good performance needs competence supported with a decent educational background. The educational background of the staff at the headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) is shown in Figure 2 below:

Figure 2. *The Education Background of the Staff at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).*

Source: *MSDU Division of MSDM Field (2016).*

Figure 2 shows that more than 70% of the staff have a bachelor's degree (S1), but there are several employees with less suitable majors which lend nothing to the environment of the company engaging in the insurance industry, for example Agronomy, French Language, Biology, Philosophy, Government, Chemistry, Animal Husbandry, Fisheries, Mechanical Engineering, Geological Engineering and some staff are high school graduates.

Performance is supported by the ability of the employees. Training is required in order to obtain a high-quality skills in accordance with the standard set by the company. Results of interviews with the work unit of Education and Training Division (Diklat) of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) stated that the training is regularly held every year, either done with the internal office in the PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) or with anexternal party who conducts training as required. Constraints during the realization of the training in PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife), include among others: 1) The training has not been precisely targeted; 2) The lack of existing instructors in the internal company; 3) The training materials handed out have not been entirely covered; 4) The training for the employees is not focused because the Education and Training Division also provides the training to the salespeople.

The training conducted in the company will help the employee to improve their competence to improve the employee performance. It is expected that the target will be achieved every year with the performance improvement, which will also impact

the distribution of bonus, incentives and other benefits. PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) provides direct and indirect compensation to the employee. One of the compensations given to improve performance and professionalism, is the allowance of certification and professional titles given to thoes employees who are already accredited. The amount of allowance is adjusted to the level of difficulty in obtaining the certification and the allowance has been set in the Decree of the Boards of Directors enacted in 2016.

2. Literature Review

Each study has a point of departure or fundamental thought in solving or highlighting a problem. Thus, it is necessary to draw up a theoretical framework containing issues that focus on the research problem and how this will be highlighted or observed. The theory relevant to this research will be described in the following sections

2.1 Performance

Performance is derived from the word job performance or actual performance which means the actual work performance or achievement obtained by someone. Performance is an actual achievement of the employee compared with the employee performance expected by the company (Dessler, 2011). Performance is a function of motivation and ability. To complete a task or a piece of work, someone should have a certain level of willingness and ability. Someone's willingness and ability are not effective enough to do a task without a clear understanding of what to do and how to do it.

Furthermore, Kaplan in Onyango and Wanyoik, (2014) states that performance is the link between behaviour and outcome. Where behaviour comes from performance and work transformation derived from abstraction as the reason for action. Behaviour is not only an instrument to achieve the result but also a result of the effort of mental and physical implementation in the task and can be assessed separately from the result.

According to Moeheriono (2012) performance is a working result achieved by someone or a group of people in an organization, both quantitatively and qualitatively, with the authority and responsibility respectively. This in order to achieve the organizational goals legally appropriate, not abusing any law and in accordance with morals and ethics. Moeheriono (2012) reveals several dimensions in measuring the employee performance individually, among others: 1) Quality of work; 2) Efficiency; and 3) Effectiveness.

2.2 Competence

Francoise and Winterton in Islamai *et al.,* (2010), explain that competence and skill are one and the same thing. It's a concept of bringing together the knowledge and skills of various important elements. According to Morley *et al.* (2015) competence is one set of observational dimensions including individual knowledge, skill, attitude and behaviour, teamwork, process and organizational skill associated with high performance, providing competitive and sustainable superiority to the organization.

Spencer and Spencer in Moeheriono (2010) explained that competence is the underlying characteristic of a person relating to the effectiveness of the individual's performance in his work or the fundamental characteristic of an individual with causal relationship. Alternatively, it can bea cause with the criteria used as a reference, effective or excellent or superior performance in his working environment or in certain situations. According to Francoise and Winterson in Ismail (2010:28), the dimensions of competence are divided into three dimensions: 1) cognitive; 2) functional; and 3) social.

2.3 Training

Dessler (2011) states that training is the process of teaching skills required for the new employee to do his or her work. Rivai (2009) states that training is part of education concerning learning processes to obtain and improve skills outside of the educational system prevailing in a relatively short period with methods that prioritize on the practice rather than the theory. Training in a short period is defined as one of the activities to improve the current and future performance. Hasibuan (2010) states that training is one of the efforts to improve technical, theoretical, conceptual and moral skills of the employee according to the work and position requirements. Mangkunegara (2009) states that training is a short-term educational process using systematic and organized procedures in which the non-managerial employees learn the technical knowledge and skills in their limited purpose. From these definitions, it can be concluded that training is firmly inseparable from effort. That is an effort to technically improve the skills or knowledge of the employee. Rivai (2009) explains several training dimensions as follows:

a. *Training schedule:*
   The indicators used are the precision and appropriateness of time with the training participant, compatibility of the training with the materials and execution time in accordance with the requirements of program stages.
b. *Place/facility:*
   The indicators used are a place to support the training process, sufficient refreshments and the availability of supporting facilities.
c. *Materials:*
   The indicators used are the compatibility with working requirements, systematic compilation of the materials, easy to use and interesting materials/modules for the participant.
d. *Instructor/Guide:*

The indicators used are the ability of the instructor/guide in managing the training, the communication capability and skill in encouraging the trainees to participate and being able to implement adult learning method (POD).

e. *Participant:*
The indicators used are active participation in the training, quick in learning the given materials and the availability of supporting facilities.

f. *Method:*
The indicators used are training method using adult learning method (POD), the training method helping the absorption of the material by the participant and improving the skills.

2.4 Compensation

Mutiara Pangabean in Subekhi (2012) states that compensation is any form of reward given to the employee as reciprocal services of the contribution they have given to the organization. According to Garry Dessler in Subekhi (2012), employee compensation is any form of payment or reward given to the employee and arising from the employee being hired. According to Sastrohadiwiryo (2003), reward or reciprocal services are given by the company to the employees because they have contributed their energy and mind for the improvement of the company to achieve designated goals. There are several forms of compensation systems given by an organization to their employee. Gary Dessler in Gaol (2014) divides the compensation into three components, namely:

a. Direct financial payment in the form of salary, incentives, commission, and bonus.
b. Indirect payment in the form of benefits such as insurance or vacation funded by the company or organization.
c. Non-financial reward is a form of compensation not easily quantified, such as assigning more challenging work, flexible working hours, or a more prestigious office.

Figure 3: *The Framework*
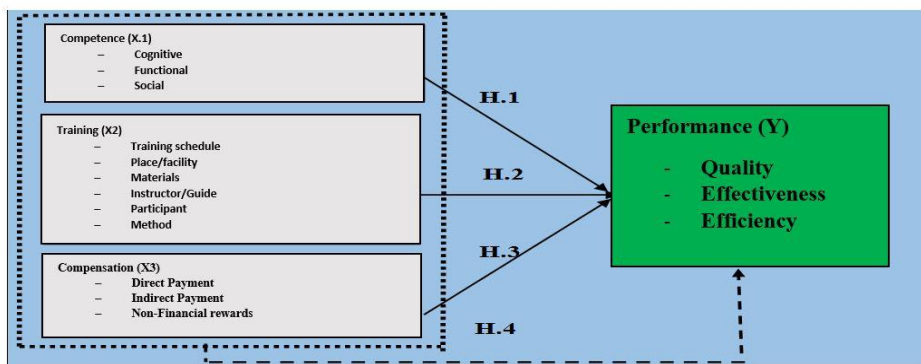
2.5 Research Hypotheses

The hypotheses that can be drawn based on the elaboration in the problem formulation and theories are as follows:

H1 : *Competence has a positive and significant influence on the staff performance at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).*

H2 : *Training has a positive and significant influence on the staff performance at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).*

H3 : *Compensation has a positive and significant influence on the staff performance at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).*

H4 : *Competence, Training, and Compensation collectively influence the staff performance at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).*

3. Methodology

This study uses two types of research, descriptive and research. The descriptive research aims to obtain a description of variables characteristics of competence, training, compensation related to staff performance. Verification research aims to understand the relationship between variables through hypothesis testing.

Research population is selected from all of the staff population at headquarter with the status of organic employee or pattern contract 2. The whole population consisted of 172 members of staff. The number of perosns chosem is adjusted with the sampling limitation by a degree of inaccuracy of 5%. Therefore, a sample of 121 members of staff is obtained by using slovin formula. However, only 120 replies were used because of a corrupted/incomplete condition in one answer.

The instrument used in this study to gather information is a questionnaire designed using a five point Likert scale. In Likert scale procedures, a set of statements are arranged with the respondent's answer in one continuum between strongly agree and strongly disagree. The five options/answers are divided into five categories with different scores as follows:

1 Strongly disagree (1 score);
2 Disagree (2 scores);
3 Somewhat agree (3 scores);
4 Agree (4 scores);
5 Strongly agree (5 scores).

The research variables are operational concerning the effect of competence, training, and compensation to the staff performance at headquarter of PT (Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife)).

In this research, several tests are performed using statistical tools such as Validity Test, Reliability Test, F Test and T Test. Meanwhile, the analysis model using multiple regression, uses the formulation as follows:

$$Y= \beta0 + \beta1\ X1 + \beta2\ X2 + \beta3\ X3 + \varepsilon$$

where:

Y	=	StaffPerformance
X1	=	Competence
X2	=	Training
X3	=	Compensation
$\beta1,k$	=	Regressioncoefficient
ε	=	Randomerror
$\beta0$	=	Constant Value

4. Fındıngs and Arguments

4.1 Validity and Reliability Test

Validity indicates the extent to which measurement tools can measure the intended variables. The method used in instrument validity testing is product moment correlation approach with conditions of the validity of the instrument if the value of r $_{count}$> value of r $_{table}$ at N = 25. It can be seen in the calculation result (Appendix 2) that all statement items in the questionnaire have met the validity requirement, that is the value of r count > r table and Sig. < 0,05. It can be concluded that the existing instrument can be continuously used to discuss the problems in this research. Reliability testing is used to measure the accuracy and clarity of an instrument. A measurement instrument is reliable when it gives consistent score result on each measurement. Instrument reliability test method uses *Cronbach Alpha* correlation formula, with *Cronbach Alpha* conditions value > 0,6. It can be seen in the calculation result (Appendix 2) that all of these research variables are considered reliable. Thus, the data in this research is feasible to be used for the next analysis.

4.2 Classic assumption test

a) Multicollinearity test:

Multicollinearity testing aims to examine if a correlation between independent variables can be found in the regression model. In a good regression model, the correlation between independent variables should not exist. Multicollinearity test is done by observing tolerance value and variance inflation factor (VIF). The result of multicollinearity test is summarized in Table 1.

Table 1. *Result of Multicollinearity Test*

Variable	Collinearity Statistic		Decision
	Tolerance	VIF	
Competence (X_1)	,759	1,318	No Sign of Multicollinearity
Training (X_2)	,744	1,345	No Sign of Multicollinearity
Compensation (X_3)	,976	1,024	No Sign of Multicollinearity

All the independent variables in this research do not show signs of multicollinearity because the value of tolerance is approaching 1 and VIF value is around 1. It means that independent variables have met the requirements of regression analysis.

b)   Heteroscedasticity Test:
Heteroscedasticity test is an assumption in the regression where variances from residuals are not the same from one observation to the other. In other words, variances of residual from one observation to other observation do not have a specific pattern. The result of heteroscedasticity test can be seen in Figure 4.

*Figure 4.* Heteroscedasticity test
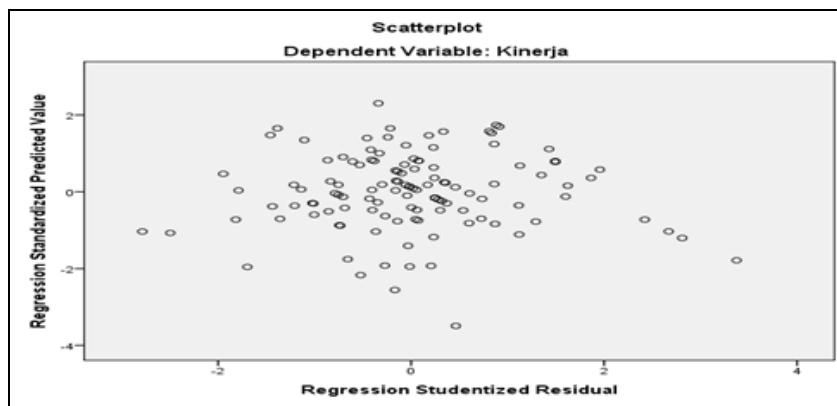
Residual spots are randomly distributed and do not form a clear pattern. Their pattern is wavy, widened and thetightened . In addition, these spots are spreading above and below the number on the Y axis. It means that there is no sign of heteroscedasticity found in this research resulting in good regression equation.

c)   Normality Test:
The data distribution should be normal or close to normal to fulfil the assumption of normality. It will be shown on the distribution of data around the diagonal line and follow the direction of the diagonal line. The result of normality test can be seen in Figure 5.

The spots are spreading around the diagonal line and the distribution of these data spots are following the diagonal line. This shows that the regression equation model formed in this research has met the assumption of normality.

Figure 5. *Heteroscedasticity test*
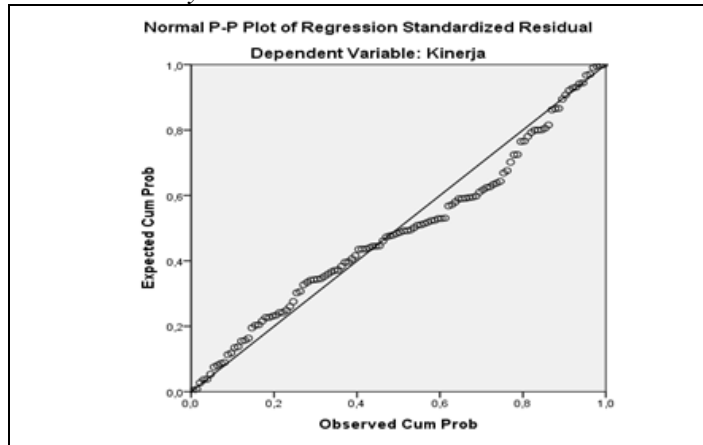
5. Multiple Linear Regression Analysis

The use of multiple linear regression analysis in this research will show if competence, training, and compensation affect staff performance. The result of multiple linear regression analysis is summarized in Table 2.

Table 2. *Result of Multiple Linear Regression Analysis*

Variable	Unstandardized Coefficients		t	Sig.	Description
	B	**Std. Error**			
(Constant)	-3,405	4,019	-,847		
Competence	,178	,085	2,089	,039	Significant
Training	,223	,047	4,728	,000	Significant
Compensation	,498	,087	5,700	,000	Significant

The R Square of 0.446 or 44.6% shows that the staff performance variables of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife) depend by 44.6% on competence, training, and compensation variables. The other 55.5% depend on other unexamined variables in this research (error-E value on the multiple linear regression equation) such as; the culture of the organization, discipline, work motivation, and other.

6. Hypothesis Testing

The statement of hypothesis 1 can be accepted because the value of F $_{count}$ (31,105) > the value of F $_{table}$ (2,68) with the level of Sig.0,000. It means that competence, training, and compensation variables collectively and significantly influence the staff performance at headquarter of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife).

The testing of hypothesis 2, 3, and 4 are accepted because the t-$_{count}$ value of competence, training, and compensation variables > t-$_{table}$ and Sig. < 0,05. F $_{count}$ (31,105) > value of F $_{table}$ (2,68). Compensation variable has a more dominant

influence and it gives more influence on the staff performance. This can be seen from the t-$_{count}$ value of compensation that is bigger than the t-$_{count}$ value of competence and training variables.

Empirically, this research explains that competence gives a significant influence on the staff performance of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife). This is in line with the research conducted by Ismail and Abidin (2010) in measuring the effect of competence to the performance of the private sector in Malaysia, where they state that competence is the most influential factor in improving the staff performance. Furthermore, Arifin (2015), Abbaszadeh *et al* (2012), and Hadiyatno (2013), reveal that competence affects the performance positively and significantly. The research result is not in accordance with the research conducted by Sriekaningsih *et al.* (2012) who state that competence does not have significant influence for the performance indirectly. The above explanation provides the evidence that competence has a relationship with performance and significantly influences the competence.

Empirically, this research explains that training gives a significant influence on the staff performance of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife). This is in line with the research conducted by Idrees *et al.* (2015) who proves that training has a relationship and significant influence on the performance. Other studies are also in line with this finding, Asim (2013), Ameeq *et al.* (2013), William (2015), Diad (2015), Nurwati (2012) state that training has positive influence on the staff performance. Research result from a study conducted by Hafeez (2015) in a pharmaceutical company in Karachi, Pakistan states that training influences the staff performance. Qualified training will bring the company to the better future. This research shows that training has a contribution. Therefore, a company or organization should be more focused on conducting the training to improve the staff knowledge, skills, and attitudes.

Empirically, this research explains that compensation has a significant influence on the staff performance of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife). This is in line with the research conducted by Thaief *et al.* (2015) who concludes that compensation ranks in a good level, especially on salary and complementary compensation where the compensation has a significant influence on staff working performance. Furthermore, the result of the research conducted by Widyatmini (2008) shows that competence significantly influences the performance. On the other hand, a research conducted by Idrees (2015) shows that salary, training, and motivation are related to the working performance. However, salary is more related to working performance compared with training, and motivation. Research conducted by Aslam (2015), Sasmito (2013), Supiyanto (2015) and Sanjaya *et al.* (2015) shows that compensation has a significant and positive influence on staff performance. The above explanation provides the evidence that compensation is related. It has significant influence on staff performance. Thus, the high and low of the performance can be affected by the amount of compensation given by the company.

7. Conclusions

Based on the result of the analysis, competence, training, and compensation have a positive influence simultaneously and partially to the staff performance. The result of multiple linear regression also proves that the compensation variable is the dominant influence on the staff performance.

To improve the staff performance, the leader of the company and MSDU Division of MSDM Field as a manager of SDMP of PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BRIlife), should improve the staff competence according to the company's expectation; providing training to the employee by emphasising on the hard skills and soft skills, as well as expertise skill; understand the amount of compensation in accordance with the environment of the insurance industry in Indonesia in order to help the staff in improving their performance. Thus, the organizational targets can be achieved well. The reason is that staff will be the pioneer leader of the company.

For further research, it is important to observe other factors or variables that can influence the staff performance. For example, motivation, discipline, leadership, job satisfaction, etc.

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