THE MEDIATING ROLE OF WORK MOTIVATION IN ENHANCING EMPLOYEE PERFORMANCE AT THE DEPARTMENT OF HOUSING AND SETTLEMENT AREAS, SAMARINDA CITY

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ABSTRACT

This study examines the mediating role of Work Motivation in the relationship between Compensation and Employee Performance. The research was conducted on 80 employees working at the Department of Housing and Settlement Areas in Samarinda City, East Kalimantan Province, Indonesia. A quantitative approach using Structural Equation Modeling (SEM) was employed. The results show that Compensation has a positive ($\beta = 0.28$) and significant effect on Work Motivation, and a positive ($\beta = 0.30$) and significant effect on Employee Performance. Furthermore, Work Motivation also has a positive ($\beta = 0.76$) and significant effect on Employee Performance. The findings indicate a full mediating role of Work Motivation in the relationship between Compensation and Employee Performance. Theoretically, this reinforces motivation theories such as Herzberg's Two-Factor Theory and Vroom's Expectancy Theory, which emphasize the critical role of motivation as a bridge between organizational factors and individual performance. Practically, the study suggests that improving employee performance requires more than just providing competitive compensation. It also requires strategies that enhance motivation, such as recognition, career development opportunities, and meaningful task assignments. Therefore, a balanced approach that integrates both compensation and motivation strategies will be more effective in driving employee performance in the public sector.

Keywords: Work Motivation, Compensation, Employee Performance, Mediation, Public Sector, SEM.

1. INTRODUCTION

Employee performance remains a central focus in public sector organizations, where effectiveness and service quality are critical to meeting public expectations. Human resource factors such as compensation and work motivation are widely acknowledged as key drivers of employee performance. Compensation, which encompasses financial and non-financial rewards, is traditionally viewed as a primary incentive mechanism. However, recent studies have shown that compensation alone does not always lead to improved performance unless it is accompanied by increased intrinsic motivation (Kim & Kang, 2023; Rahman et al., 2024).

Work motivation, defined as the internal psychological drive to perform work-related tasks, has garnered increasing attention in the context of public administration. Theories such as Herzberg's

Two-Factor Theory and Vroom's Expectancy Theory emphasize the mediating role of motivation in linking compensation to performance outcomes. A recent meta-analysis by Lee & Choi (2023) confirms that motivation significantly mediates the relationship between compensation and performance across various sectors, especially in government institutions where standardized pay scales are implemented.

In Indonesia, the performance of civil servants continues to be a strategic issue, particularly in local government institutions such as the Department of Housing and Settlement Areas in Samarinda City, East Kalimantan. Although compensation structures in this agency are regulated by national standards, variations in individual performance remain observable, suggesting that other psychological mechanisms, like motivation, may explain performance disparities (Budianto & Sari, 2023).

This study aims to empirically test the mediating role of work motivation in the relationship between compensation and employee performance using Structural Equation Modeling (SEM). The findings are expected to enhance theoretical understanding of motivation's function in public sector performance and provide practical insights for designing effective HR policies in regional government settings.

2. LITERATURE
2.1. Compensation and Employee Performance
Compensation is a key determinant in shaping employee performance. According to the Equity Theory (Adams, 1965), employees compare their compensation to that of others and adjust their performance to achieve fairness. In the public sector, where compensation structures are often standardized, the relationship between compensation and employee performance remains an essential area of study. Previous studies have consistently shown that compensation is positively related to employee motivation and performance (Deci, Koestner, & Ryan, 1999; Miao, 2020). However, the effects of compensation on performance are not always straightforward, and other factors, such as motivation, mediate this relationship (Spector, 2017).

2.2. Work Motivation and Its Theoretical Foundations
Work motivation is an internal force that drives employees to achieve organizational goals. Motivated employees are more likely to show commitment, effort, and higher productivity (Robinson, 2019). Theories of work motivation, such as Herzberg's Two-Factor Theory (Herzberg, 1959) and Vroom's Expectancy Theory (Vroom, 1964), argue that motivation is a result of both intrinsic and extrinsic factors. Herzberg's model suggests that intrinsic factors like recognition and achievement lead to job satisfaction and higher performance, while extrinsic factors, such as compensation, only prevent dissatisfaction. Vroom's theory, on the other hand, emphasizes that employees are motivated by the belief that their efforts will lead to desirable outcomes, such as promotion or bonuses.

2.3. The Mediating Role of Motivation
Several studies have examined the mediating role of motivation in the relationship between compensation and performance. Mediation occurs when a variable (in this case, work motivation)

explains the mechanism through which one variable (compensation) affects another variable (employee performance). For instance, Latham & Pinder (2005) found that the motivation of employees mediates the relationship between rewards and job performance. Similarly, Kim & Kang (2023) assert that motivation acts as a critical mediator between compensation and performance, especially in public-sector organizations, where intrinsic motivators are necessary to overcome limitations in salary structures.

2.4. Empirical Studies on Compensation, Motivation, and Performance

A recent study by Lee & Choi (2023) analyzed employees in the public sector and found that while compensation is an important factor for attracting employees, it is motivation that ultimately drives performance. They also noted that the impact of compensation on performance is significantly enhanced when employees are intrinsically motivated. In line with these findings, Rahman et al. (2024) discovered that, in Southeast Asia, the interaction between compensation and motivation significantly influences employee productivity in government agencies.

Moreover, Budianto & Sari (2023) examined the motivational factors affecting civil servant performance in East Kalimantan, highlighting that employees who are motivated by factors beyond financial compensation, such as job satisfaction and career development opportunities, perform better in public sector roles.

2.5. Research Gap and Hypotheses

Despite the growing body of research on compensation, motivation, and performance, there is limited empirical evidence on the full mediation of motivation in the relationship between compensation and employee performance in public sector institutions in Indonesia. This study aims to fill this gap by focusing on the Department of Housing and Settlement Areas in Samarinda, East Kalimantan. Based on the literature reviewed, the following hypotheses are proposed:

• **H1:** Compensation positively affects work motivation.
• **H2**: Compensation positively affects employee performance.
• **H3:** Work motivation positively affects employee performance.
• **H4:** Work motivation fully mediates the relationship between compensation and employee performance.

Conceptual Framework

Based on the literature review and the formulated hypotheses, a conceptual framework has been developed to guide the testing of these hypotheses. Figure 1 illustrates the proposed relationships that will be examined in this study.
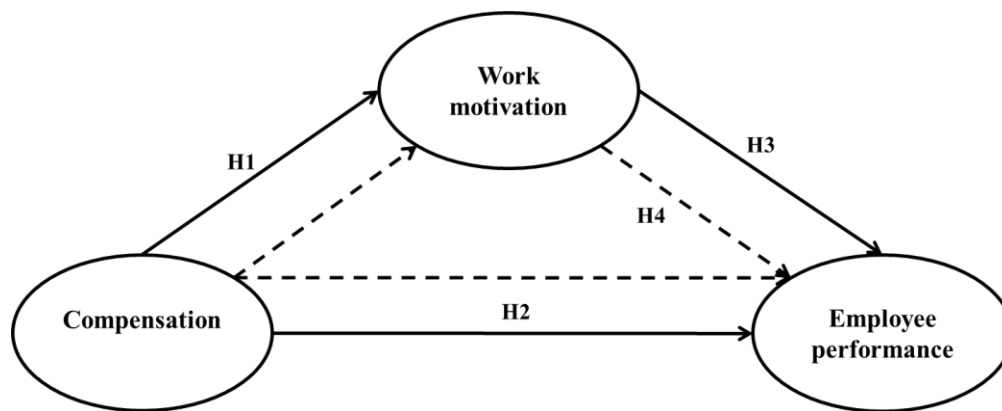
3. MATERIALS AND METHODS

3.1 Study Area

This study was conducted at the Department of Housing and Settlement Areas (Dinas Perumahan dan Kawasan Permukiman) of Samarinda, East Kalimantan, Indonesia. Samarinda is the capital city of East Kalimantan Province, with a growing population and urban development. The Department of Housing and Settlement Areas is responsible for managing housing policies, settlement areas, and urban planning, making it an ideal setting to study compensation, motivation, and employee performance. This department consists of a diverse workforce, including civil servants who perform various administrative and planning tasks.

3.2 Research Approach and Design

This study adopted a quantitative research approach with a structural equation modeling (SEM) design to examine the relationships between compensation, work motivation, and employee performance. The research design involves testing a set of hypothesized relationships based on existing theories and empirical studies. The design is cross-sectional, meaning that data was collected at a single point in time. This approach allows for the analysis of direct and indirect effects between variables, particularly focusing on the mediating role of work motivation in the compensation-performance link.

Following data collection, statistical analysis, including Partial Least Squares Structural Equation Modeling (PLS-SEM), was employed to quantify relationships between the studied variables. This rigorous approach not only facilitated the derivation of objective and data-driven conclusions but also aimed to generate findings that could be generalized across similar institutional settings

3.3 Population and Sampling

The population for this study consists of 121 employees working at the Department of Housing and Settlement Areas (Dinas Perumahan dan Kawasan Permukiman) of Samarinda. A simple random sampling technique was used to select a sample of 80 employees, which is considered adequate for structural equation modeling (SEM) analysis. The sample size of 80 respondents was determined based on guidelines suggesting that a minimum of 100 respondents is suitable for SEM,

and considering practical limitations, a sample size of 80 is acceptable for this study. The respondents included civil servants in various roles within the department, ensuring that the sample represents a diverse cross-section of the workforce. This sample is expected to provide a comprehensive understanding of the relationships between compensation, work motivation, and employee performance in the public sector context.

3.4 Data Analysis
The data were analyzed using Structural Equation Modeling (SEM), a statistical technique that allows the examination of complex relationships between multiple variables. SEM is particularly suitable for testing the hypothesized mediating role of work motivation in the relationship between compensation and employee performance.

The data for this study were collected through a structured questionnaire, which was distributed to the selected employees at the Department of Housing and Settlement Areas in Samarinda. The questionnaire included items measuring compensation, work motivation, and employee performance, all of which were assessed on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The collected data were then analyzed using Structural Equation Modeling (SEM), a robust statistical technique for testing complex relationships between variables. SEM was used to assess both the direct and indirect effects of compensation on employee performance, mediated by work motivation.

In addition to these indices, Quality Indices based on Kock (2010, 2014, 2015) were applied to assess the reliability and validity of the SEM model. These indices helped ensure that the model adequately represented the data and the hypothesized relationships among the variables. The hypotheses were tested at a significance level of $p < .01$.

3.5 Ethical Considerations
Ethical considerations were of paramount importance throughout this study. The research followed ethical guidelines to ensure that participants' rights and privacy were protected. Informed consent was obtained from all respondents, and they were informed about the study's purpose, the voluntary nature of their participation, and their right to withdraw at any time without consequence. Data collected were kept confidential, with all personal information anonymized before analysis. Furthermore, no participants were exposed to harm or discomfort during the study, and the findings were used solely for academic purposes. The study was approved by the Institutional Review Board (IRB) of the Universitas 17 Agustus 1945 Samarinda.

4. RESULTS FINDINGS AND DISCUSSION
4.1 Demographic Information of Respondents
The characteristics of 80 respondents who participated in the study are summarized and presented in bar charts and pie charts. Specifically, the study considered respondents' gender, age distribution, highest education level, working institution, occupation (academic or supporting staff), and working experience in the current university. The findings are presented in the following

subsections.

Table1: Demography Information of Respondents

Labels	Count of Gender	Count of Employee Status	Count of Last education	Count of Age
Female	**32**	**32**	**32**	**32**
Non-Civil Servant	**26**	**26**	**26**	**26**
Diploma/Bachelor	22	22	22	22
21-30	8	8	8	8
31-40	12	12	12	12
41-50	2	2	2	2
S2/S3	2	2	2	2
41-50	2	2	2	2
Senior High School	2	2	2	2
21-30	1	1	1	1
31-40	1	1	1	1
PPPk	**2**	**2**	**2**	**2**
Diploma/Bachelor	2	2	2	2
31-40	1	1	1	1
41-50	1	1	1	1
State Civil Apparatus Group III	**4**	**4**	**4**	**4**
Diploma/Bachelor	3	3	3	3
41-50	3	3	3	3
S2/S3	1	1	1	1
41-50	1	1	1	1
Male	**48**	**48**	**48**	**48**
Non-Civil Servant	**23**	**23**	**23**	**23**
Diploma/Bachelor	10	10	10	10
21-30	2	2	2	2
31-40	5	5	5	5
41-50	3	3	3	3
Senior High School	13	13	13	13
>20	1	1	1	1
>50	1	1	1	1
21-30	2	2	2	2
31-40	6	6	6	6
41-50	3	3	3	3
PPPk	**2**	**2**	**2**	**2**
Senior High School	2	2	2	2
31-40	2	2	2	2
State Civil Apparatus	**4**	**4**	**4**	**4**

Group II				
Diploma/Bachelor	1	1	1	1
31-40	1	1	1	1
Senior High School	3	3	3	3
>50	1	1	1	1
31-40	2	2	2	2
State Civil Apparatus Group III	**19**	**19**	**19**	**19**
Diploma/Bachelor	14	14	14	14
31-40	4	4	4	4
41-50	10	10	10	10
S2/S3	3	3	3	3
>50	2	2	2	2
41-50	1	1	1	1
Senior High School	2	2	2	2
41-50	2	2	2	2
Grand Total	**80**	**80**	**80**	**80**

Source; Filed Data (2025)

4.2 Analysis Results

4.2.1. Model Fit and Quality Indeces

- Average path coefficient (APC)=0.387, P<0.001
- Average R-squared (ARS)=0.287, P=0.003
- Average adjusted R-squared (AARS)=0.273, P=0.004
- Average block VIF (AVIF)=1.039, acceptable if <= 5, ideally <= 3.3
- Average full collinearity VIF (AFVIF)=1.978, acceptable if <= 5, ideally <= 3.3
- Tenenhaus GoF (GoF)=0.442, small >= 0.1, medium >= 0.25, large >= 0.36
- Sympson's paradox ratio (SPR)=1, acceptable if >= 0.7, ideally = 1
- R-squared contribution ratio (RSCR)=0.927, acceptable if >= 0.9, ideally = 1
- Statistical suppression ratio (SSR)=1.000, acceptable if >= 0.7
- Nonlinear bivariate causality direction ratio (NLBCDR)=1.000, acceptable if >= 0.7
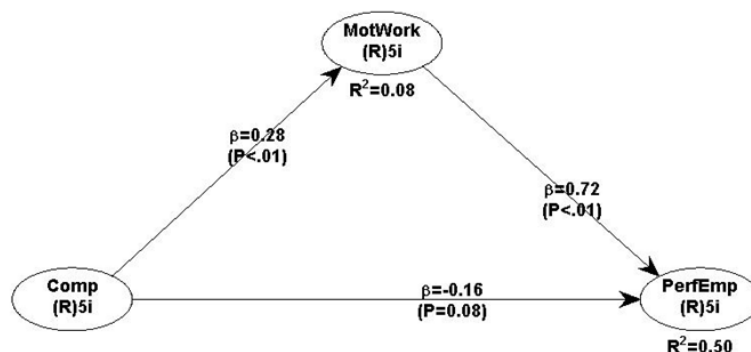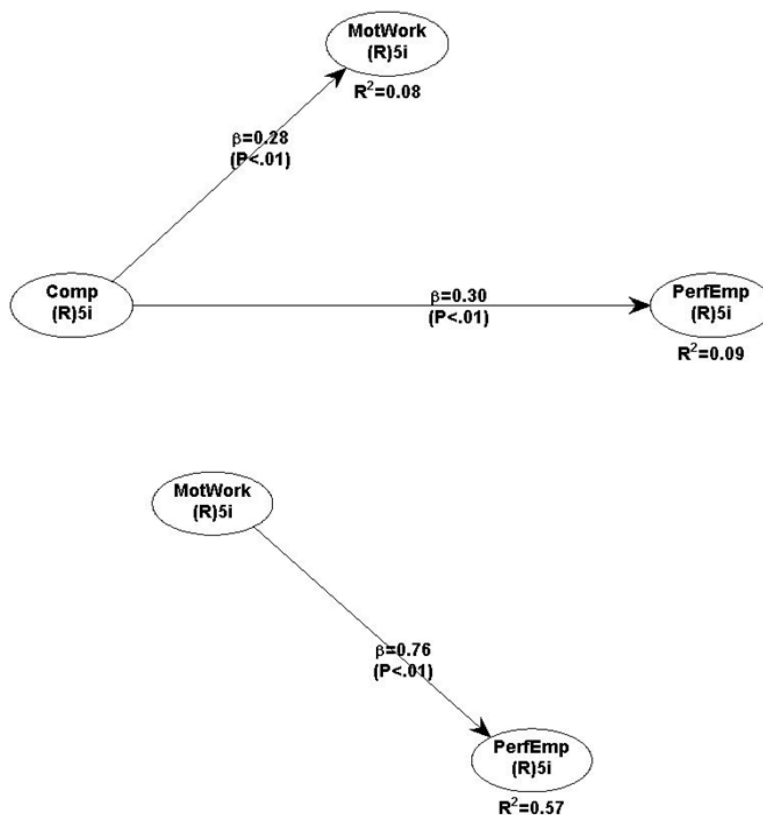
Notation

Comp : Compensation
MotWork : Work motivation
PerfEmp : Employee performance

4.2.2. Path coefficients and P values

• Path coefficients

Compensation	Work motivation	Employee performance
Work motivation	0.276	
Employee performance	-0.162	0.724

• P values

	Compensation	Work motivation
Work motivation	0.007	
Employee performance	0.079	<0.001

4.2.3. Combined loadings and cross-loadings

	Comp	MotWork	PerfEmp	Type	SE	P value
X2.1	**0.842**	-0.284	0.196	Reflect	0.091	<0.001
X2.2	**0.920**	-0.043	0.050	Reflect	0.089	<0.001
X2.3	**0.842**	0.073	-0.015	Reflect	0.091	<0.001
X2.4	**0.791**	0.106	-0.171	Reflect	0.092	<0.001
X2.5	**0.858**	0.156	-0.074	Reflect	0.090	<0.001
M1	0.040	**0.754**	0.075	Reflect	0.094	<0.001
M2	0.044	**0.724**	-0.090	Reflect	0.098	<0.001
M3	-0.099	**0.907**	0.099	Reflect	0.089	<0.001
M4	-0.082	**0.894**	-0.085	Reflect	0.089	<0.001
M5	0.141	**0.752**	-0.019	Reflect	0.094	<0.001
Y.1	0.116	0.295	**0.804**	Reflect	0.092	<0.001
Y.2	-0.000	0.011	**0.862**	Reflect	0.090	<0.001
Y.3	-0.021	-0.373	**0.837**	Reflect	0.091	<0.001
Y.4	0.069	-0.217	**0.886**	Reflect	0.090	<0.001
Y.5	-0.183	0.344	**0.750**	Reflect	0.094	<0.001

Notes: Loadings are unrotated and cross-loadings are oblique-rotated. SEs and P values are for loadings. P values < 0.05 are desirable for reflective indicators.

Notation

Comp   : Compensation

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4.2.1. Model Fit and Quality Indeces
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6. CONCLUSION AND RECOMMENDATION

This study concludes that social aspects of HRIS are crucial for improving organizational performance in public universities. The strong correlations and significant impact of these factors indicate that the success of HRIS implementation depends on both social aspects of people involvement and the organization structure. However, the usage of HRIS on public sector including the public university is still is not promising because of insufficient of HRIS infrastructure, scarcity of power, insufficient of knowledge and skills to users. However, these recommendations can be observed;

i. Improving HRIS Tasks Automation services: Efforts should be made to enhance communication and collaboration between employees by implementing policies that encourage teamwork and interaction. This could include workshops or team-building initiatives that focus on improving employee engagement with the HRIS.

ii. Continued Evaluation and Feedback: Establishing mechanisms for continual evaluation and feedback regarding HRIS usage can help universities identify areas for improvement, ensuring the system remains effective and aligned with organizational goals.

iii. The government should take sustainable initiatives toward ensuring that the public university are well equipped with HRIS infrastructure by doing so will enhance effective and efficiency in organizational performance and it will be foundation and building block for the better sustainable service delivery in Tanzania public university.

By addressing these key areas, public universities in Tanzania can improve the overall performance of their HRIS and, consequently, their organizational effectiveness

8. LIMITATION OF THE STUDY

The study is partial because it is based to the two public universities in Tanzania, so the findings obtained cannot be a general the status of whole context of Tanzania on the influence of social aspects on human resource information systems and organizational performance in public universities in Tanzania. Therefore, more research should be conducted in private and public university to investigate the influence of social aspects on human resource information systems and organizational performance in order to be able to validate the findings.

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