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**The Effect of Compensation on Loyalty, Work Ethics, and Productivity of Contract Labour (Case Study on Polinema)**

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**Abstract**

This study aims to analyze the direct and indirect effects of compensation on loyalty, work ethic, and productivity of contract workers (a case study on Polinema). The population in this study were all administrative staff of the academic section of Polinema, which amounted to 209 employees. The sampling technique used in this study was purposive sampling with a total sample of 39 respondents. The data analysis used is path analysis with the help of Smart Partial Least Square (PLS) software. The results of this study indicate that 1) Compensation has a positive and significant effect on productivity. 2) Compensation has a positive and insignificant effect on loyalty. 3) Compensation has a positive and significant effect on work ethic. 4) Loyalty has no significant effect on productivity. 5) Work ethic has a positive and significant effect on productivity. 6) Loyalty does not mediate the relationship between compensation and productivity. 7) Work ethic mediates the relationship between compensation and productivity.

**Keywords:** Compensation, Loyalty, Work Ethic and Productivity

**1. Introduction**

A company or institution must have an organization in which there are human resources to carry out its vision and mission. Because the success of a company is largely determined by the quality of its human resources. Quality resources can be seen from the results of maximum employee performance, the level of employee welfare increases, employee productivity, and employee income levels also increase. One measure of the quality of the workforce can be seen from the point of view of productivity, the higher the productivity, the better quality of work (Noegroho, 2002). (Rigby & Ryan, 2018) argues that the way to improve the quality of the company's human resources is by increasing employee productivity. (Raziq & Maulabakhsh, 2015) stated that employee work productivity is the ability to obtain the maximum benefit from the available facilities and infrastructure by producing optimal outputs and inputs. The way to increase employee productivity is to provide appropriate and fair rewards to employees. This reward is in the form of compensation which aims to make employees more enthusiastic at work so that

ultimately employee productivity increases. Research conducted by (Ekhsan et al., 2019; Munawir & Kadir, 2015; Munthe, 2018; Pawirosumarto & Iriani, 2018; Sodikin & Sipayung, 2017; Sumarsid, 2016; Wardoyo, 2016) concluded that compensation has an effect on employee productivity.

Effective compensation can increase loyalty and have an impact on work ethic so that it can increase employee productivity. Loyalty is loyalty reflected by the willingness of employees to maintain and defend the organization inside and outside of work from the undermining of irresponsible people (Arrasyid et al., 2019). Low employee loyalty to the company will cause attitudes and behaviors that are contrary to company goals, such as the absence of employee morale, high absenteeism, and tardiness, low work discipline, decreased work performance, and can even lead to work strikes (Sageer et al., n.d.). Therefore, the company or agency must be able to create a comfortable and safe work environment so that it can lead to work loyalty and a feeling of success in employees.

One measure of employee quality can be seen from the point of view of their work ethic, the higher the work ethic, the better the quality of employees. A high work ethic can be seen from a positive assessment of work results, placing the view of work as a very noble thing and work as a meaningful activity (Guest, 2017). Thus, good quality employees will realize a high employee work ethic as well. Employees who have a low work ethic will have an impact on many aspects, including economic, social, and cultural issues. So to improve the work ethic, interpersonal skills are needed. Interpersonal skills include habits and attitudes. Employees who have interpersonal skills will have a commitment to work hard. Employee commitment to work hard will foster satisfaction with their work. Employee satisfaction is due to the success of a company which is determined by the quality of its human resources.

This research has two main objectives. First, analyze the direct effect of compensation on productivity. Second, analyze the indirect effect of compensation on productivity through loyalty and work ethic.

## **Literature Review**

### **Compensation**

Compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company (Hameed et al., 2014). Compensation is everything that employees receive in return for their work (Liyana et al., 2014). Based on the understanding of the experts, it can be concluded that compensation is everything that is received by the employee or given by the company and or institution as a reward for the contribution of energy and thoughts for the advancement of the company and or institution. Each company has different indicators in the process of providing compensation for employees. There are two indicators proposed by (Rivai, 2011), namely direct compensation consisting of salaries, bonuses, incentives and indirect compensation consisting of insurance, benefits, pensions, and others.

### **Loyalty**

Loyalty is an employee's self-awareness which is shown by his loyalty to the company even though the company is in the best and worst conditions (Lee et al., 2012). According to (Balouch & Hassan, 2014), stated that loyalty is one of the elements used in employee assessment which includes loyalty to his work, position, and organization. Another thing was conveyed by Steers & Porter (1983) who stated that company loyalty is an attitude, namely the extent to which an employee identifies the workplace by trying his best, and second, loyalty to the company as behavior is a process where an employee makes a decision not to leave the company if the company doesn't make extreme mistakes. Aspects of loyalty put forward by (Steers et al., 1979), where the loyalty indicator used is the desire to remain in the organization, the desire to try as much as possible is marked by being willing to work beyond ordinary conditions, full acceptance of organizational values which is marked by accepting whatever is become organizational policy and loyal to the company.

### **Work Ethic**

Work ethic is the character or character of a particular group. The work ethic in a company or agency does not just appear but must be pursued in earnest through a controlled process involving all human resources. Meanwhile, according to (Tasmara, 2002) stated that work ethic gives meaning to his attitude, personality, character, beliefs, and personality totality and gives meaning to something that encourages him to act and achieve optimal income so that the pattern of relationships between himself and others can be established well.

(Tasmara, 2002) stated that the indicators of work ethic are 1) respecting time as measured by a) discipline is the attitude of a person or group who intends to follow the rules that have been set, b) efficiency is the best comparison between input (input) and output (outcome between profits and the resources used) as well as optimal results achieved with the use of limited resources, c) work effectiveness is a timely completion as previously determined. 2) Tough and unyielding as measured by a) working hard is a maximum effort to meet the needs of life accompanied by an attitude of optimism, b) tenacity means not giving up hope accompanied by a willingness to work hard to achieve goals and ideals, c) consistent has the meaning of having a strong stance/commitment in defending the values and fighting for their consistent enforcement. 3) The desire to be independent is measured by a) curiosity is a feeling that arouses human curiosity, b) broad insight is a person's view/binoculars in seeing and describing the existence of a particular field as a whole, c) critical is a mental process to analyze or evaluate information. This information can be obtained from observation, experience, common sense or communication. 4) Adjustment as measured by a) adjustment to superiors, b) adjustment to co-workers, c) adjustment to environment.

### **Work Productivity**

Productivity is a comparison between the results achieved (outputs) with the overall resources (inputs) used (Hasibuan, 2003). Meanwhile, according to (Pawirosumarto & Iriani, 2018) defines productivity as a comparison between the totality of expenditure at a certain time divided by the totality of inputs during a certain period. (Simamora, 2006) states that the indicators used in measuring work productivity include 1) This work quantity includes; accuracy, thoroughness,

skill and work success. 2) The quality of this work includes: output, and it is also necessary to pay attention to not only routine output, but also how quickly he can complete extra work. 3) Punctuality includes: working hours and cooperation.

## **Theoretical Framework and Hypothesis Development**

### **The Effect of Compensation on Productivity**

Companies must be able to provide support to employees who can develop and improve their skills optimally. Satisfactory compensation is a method used by companies to retain employees so that productivity increases. The results of research conducted by (Ekhsan et al., 2019; Munawir & Kadir, 2015; Munthe, 2018; Sodikin & Sipayung, 2017; Sumarsid, 2016; Wardoyo, 2016). (Pawirosumarto & Iriani, 2018) concluded that compensation has an effect on employee productivity.

H1: Compensation affects productivity

### **The Effect of Compensation on Loyalty**

Compensation is one of the important elements that motivates employees to do work, with equal compensation, employees will be motivated to improve performance and loyalty to the company (Ikhrum & Sudjatno, 2017). (Akhigbe & Ifeyinwa, 2017) concluded that employee compensation and loyalty have been a very concerning issue in organizations for many years. Research conducted by (Hwang & Wen, 2009) shows that unfair compensation practices tend to lead to customer disloyalty in the future. Compensation describes employee payments by the organization for services rendered. Compensation has a strong influence on employee loyalty. When employees are well rewarded, they are willing to stay with the organization.

H2: Compensation affects loyalty

### **The Effect of Compensation on Work Ethic**

Work ethic is something that must be owned by an employee where he works. Agencies are required to provide remuneration for the hard work that has been given by employees in form of energy, time, and thoughts to carry out company activities. Compensation given to employees with the aim of increasing their work ethic. The results of research conducted by (Mussner et al., 2017) and Maretasari & Nuraini (2018) stated that compensation has an effect on employees' work ethic.

H3: Compensation affects work ethic

### **The Effect of Loyalty on Productivity**

Research conducted by (Gholampoor & Zaree, 2016) found that loyalty affects employee productivity in construction and installation companies in Shiraz.

H4: Loyalty affects productivity

**The Effect of Work Ethic on Productivity**

Having productive employees is a must to achieve the goals that have been set. Research conducted by (Halasz & Ph, 2012) concluded that work ethic must be enforced to achieve work productivity. So that a good work ethic will produce a productive workforce.

H5: Work ethic affects productivity

**The Effect of Compensation on Productivity Through Loyalty**

Effective compensation can increase work loyalty so that it can increase employee performance productivity. Research conducted by (Arab et al., 2017) found that staff loyalty has an important mediating role in increasing productivity.

H6: Compensation affects productivity through loyalty

**The Effect of Compensation on Productivity Through Work Ethic**

Research conducted by (Sarmedi, 2017) about compensation on employee work productivity through work ethic. The research was conducted by a pharmaceutical company at PT Bio Farma (Persero) Bandung. The results of the descriptive analysis show that the compensation, work ethic, and employee performance of PT Bio Farma (Persero) are generally good. The results showed that work ethic was able to mediate the effect of compensation on performance. This means that good performance is based on employees who have productivity. If employees are productive, performance will increase.

H7: Compensation affects productivity through work ethic

**Research Conceptual Model**

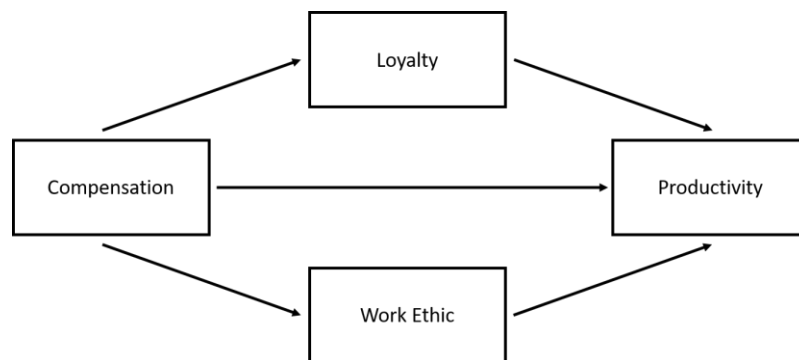


Figure 1. Research Conceptual Model

**2. Method**

*2.1 Selection and Collection of Data*

The type of research used in this study is a type of quantitative research. Quantitative research is research that focuses on hypothesis testing so that it can find the truth of the hypothesis which is then carried out by statistical tests to provide explanatory information in the form of accurate

data so that it can be analyzed further so as to obtain valid results. The type of research used in this study is explanatory research, namely research aimed at explaining causal relationships between research variables and testing the formulated hypotheses.

The population in this study were all administrative staff of the academic section of Polinema, totaling 209 employees in 2020.

There are two types of employees at Polinema, namely permanent and contract employees. Contract employees are employees with a certain time contract agreement, while permanent employees are employees who are not bound by a contract. The sampling technique used in this study was purposive sampling with the following criteria:

Table 1. Population and sample

<b>Descriptions</b>	<b>Amount</b>
Total number of administrative contract employees in 2020	209
Administrative contract employees at least 2 years of work (2018)	(170)
Sample Used	<b>39</b>

*Source: Secondary data processed*

In table 1 it can be explained that the researcher took a sample of contract employees because contract employees have the same duties as permanent employees but the wages received are different. In addition, permanent employees receive remuneration while contract employees do not receive remuneration. Sometimes contract employees work for an unspecified time limit, so this is the reason the researcher chose contract employees as the research sample. Total contract of the employees until 2020, there are 209. However, the sample selected is based on the criteria of employees who have worked for at least 2 years because those with less than 2 years of service are considered as new employees. Based on this explanation, the sample in this study amounted to 39 samples.

### *2.2 Operationalization and Measurement Variables*

The operational definition of the variables used in this study can be described as follows:

#### 1. Compensation Variable (X)

Compensation is all income in the form of money, goods directly or indirectly received by employees in return for services rendered to the company. Relevant dimensions/indicators are: Direct financial compensation and indirect financial compensation.

#### 2. Productivity Variable (Y)

Productivity is a comparison between the results achieved (output) with the overall resources (inputs) used. Relevant dimensions/indicators are: quantity of work, quality of work, and timeliness.

#### 3. Loyalty Variable (Z1)

Loyalty is an employee's self-awareness which is shown by his loyalty to the company even though the company is in the best and worst conditions. Relevant dimensions/indicators are:

Desire to stay in the organization, Desire to try as much as possible, Full acceptance of organizational values, Loyal to the company.

#### 4. Work ethic variable (Z1)

The work ethic gives meaning to his attitude, personality, character, character, beliefs, and the totality of his personality and gives meaning to something that encourages him to act and achieve optimal income. Relevant dimensions/indicators are: Respect for time, Tough and unyielding, Desire to be independent, Self-adjustment.

### 2.2 Analysis Method

This research uses data analysis method using SmartPLS software version 3.0 which is run on computer media. PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the structural model. The measurement model is used to test the validity and reliability, while the structural model is used to test causality (testing hypotheses with predictive models).

## 3. Results

### Respondent's Background

Table 2 below presents the demographic profile of the 39 respondents who participated in this study, which includes age, gender, education level, and length of employment.

Table 2. Respondent Profile

Description	Total	Percentage
Age		
20-29 Years	8	20,5%
30-39 Years	22	56,4%
40-49 Years	6	15,4%
50-59 Years	3	7,7%
Total	39	100%
Gender		
Laki-laki	27	69,2%
Perempuan	12	30,8%
Total	39	100%
Last Education		
Elementary/ Middle School/ High School	9	23,1%
Diploma/ Academy	7	17,9%
Bachelor Degree (S1)	21	53,8%
Postgraduate (S2/S3)	2	5,1%
Total	39	100%

Length of Employment		
2-4 Years	8	20,5%
5-7 Years	27	69,2%
8-10 Years	4	10,3%
Total	39	100%

Source: Processed Data

Table 2 above shows that the majority of respondents are aged between 30-39 years by 56.4%, while the number of male respondents is more than female with a ratio of 69.2% compared to 30.8%. Most of the respondents had the latest education at the Bachelor level (S1) by 53.8% and the largest length of work of respondents was between 5-7 years at 69.2%.

**Hypothesis Test**

Hypothesis testing aims to analyze the relationship measured by calculating the path coefficients for each path (path analysis). Relationship analysis is carried out after resampling by using the bootstrapping method on the sample so that abnormalities in the research data can be minimized. The basis that will be used in testing the hypothesis on Smart PLS version 3.0 is the value of the output path coefficient. For hypothesis testing using statistical values, the ttable value for 5% alpha is 2.02. Thus, the hypothesis is accepted if tstatistics>ttable.

Table 3. Coefficient Path Value, Mean, STDEV, T-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	T Table	Sig
<b>Work Ethic -&gt; Productivity</b>	0,579	0,587	0,142	4,069	<b>2,02</b>	<b>0,000</b>
<b>Compensation -&gt; Work Ethic</b>	0,888	0,895	0,034	26,308	<b>2,02</b>	<b>0,000</b>
<b>Compensation -&gt; Loyalty</b>	0,206	0,253	0,264	0,783	<b>2,02</b>	<b>0,434</b>
<b>Compensation -&gt; Productivity</b>	0,923	0,925	0,029	31,429	<b>2,02</b>	<b>0,000</b>
<b>Loyalty -&gt; Productivity</b>	0,088	0,068	0,084	1,040	<b>2,02</b>	<b>0,299</b>

Source: Data processed by Smart PLS 3.0

In table 3. From the results of the Path Coefficients above, it can be seen that the t-statistics value shows different results, so the analysis of each hypothesis is as follows:



### **Compensation Affects Productivity**

The output path coefficient in Table 3 shows that the relationship between compensation and productivity has a significant effect on the t-statistical value (31.429) > t-table (2.02) and a significant level of  $0.000 < 0.05$  ( $\alpha = 5\%$ ). The original sample estimate value is 0.923 which indicates that the direction of the relationship between compensation and productivity is positive.

Thus, H1 in this study is **accepted**.

### **Compensation Affects Loyalty**

The output path coefficient in Table 3 shows that the relationship between compensation and loyalty has no significant effect with the t-statistical value (0.783) <t-table (2.02) and a significant level of  $0.434 > 0.05$  ( $\alpha = 5\%$ ). The original sample estimate value is 0.206 which indicates that the direction of the relationship between compensation and loyalty is positive.

Thus, H2 in this study is **rejected**.

### **Compensation Affects Work Ethic**

The output path coefficient in Table 3 shows that the relationship between compensation and work ethic has a significant effect on the t-statistical value (26.308) > t-table (2.02) and a significant level of  $0.000 < 0.05$  ( $\alpha = 5\%$ ). The original sample estimate value is 0.888 which indicates that the direction of the relationship between compensation and work ethic is positive.

Thus, H3 in this study is **accepted**.

### **Loyalty Affects Productivity**

The output path coefficient in Table 3 shows that the relationship between loyalty to productivity has no significant effect with the t-statistical value (1.040) <t-table (2.02) and a significant level of  $0.299 > 0.05$  ( $\alpha = 5\%$ ). The original sample estimate value is 0.088 which indicates that the direction of the relationship between loyalty and productivity is positive.

Thus, H4 in this study is **rejected**.

### **Work Ethic Affects Productivity**

The output path coefficient in Table 3 shows that the relationship between work ethic and productivity has a significant effect on the t-statistical value (4.069) > t-table (2.02) and a significant level of  $0.000 < 0.05$  ( $\alpha = 5\%$ ). The original sample estimate value is 0.579 which indicates that the direction of the relationship between work ethic and productivity is positive.

Thus, H5 in this study is **accepted**.

### **Compensation on Productivity Through Loyalty**

Based on the path coefficient in Table 3, shows that compensation on loyalty has a significant effect on the t-statistical value (0.783) <t-table (2.02) and a significant level of  $0.434 > 0.05$  ( $\alpha = 5\%$ ). Furthermore, loyalty on productivity has a significant effect on the t-statistical value (1.040). <t-table (2.02) and a significant level of  $0.299 > 0.05$  ( $\alpha = 5\%$ ). Since both paths are not significant, it can be said that loyalty does not act as a mediating variable. These results indicate

that compensation has no effect on productivity either directly or through the mediating variable of loyalty.

Thus, H6 in this study is **rejected**.

### **Compensation For Productivity Through Work Ethic**

Based on the path coefficient in Table 3, shows that compensation for work ethic has a significant effect with the t-statistical value (26.308) > t-table (2.02) and a significant level of  $0.000 < 0.05$  ( $\alpha = 5\%$ ). Furthermore, work ethic on productivity has a significant effect with the t-statistical value (4.069) > t-table (2.02) and a significant level of  $0.000 < 0.05$  ( $\alpha = 5\%$ ). Because both paths are significant, it can be said that work ethic acts as a mediating variable. These results indicate that compensation has an effect on productivity either directly or through the mediating variable of work ethic.

Thus, H7 in this study is **accepted**.

## **4. Discussion**

### **The Effect of Compensation on Productivity**

Based on the results of the analysis shows that compensation has an influence on productivity. Compensation has become an obligation in an organization as well as in Polinema. With this compensation, the organization can retain employees. Satisfactory compensation also greatly influences the work results of employees, makes employees more productive and has high morale. Satisfactory compensation is one thing that the employees look at. This satisfactory compensation factor can influence in increasing work productivity, work performance, and employee satisfaction. The results of this study are consistent with research by (Akhigbe & Ifeyinwa, 2017; Ekhsan et al., 2019; Munawir & Kadir, 2015; Munthe, 2018; Pawirosumarto & Iriani, 2018; Sodikin & Sipayung, 2017; Sumarsid, 2016; Wardoyo, 2016) which show that compensation has a positive effect on productivity.

### **The Effect of Compensation on Loyalty**

This finding shows that compensation has no effect on loyalty. The compensation provided by Polinema is not able to create a sense of loyalty from employees. Compensation needs to be a concern for the management of Polinema so that employee loyalty can arise and work productivity can increase. The findings show that there are differences in the compensation received by permanent employees and contract employees.

This means that the compensation received by employees is not appropriate, causing a sense of dissatisfaction in employees which in the end does not lead to employee loyalty. The results of this study support the research conducted by (Utami & Dwiatmadja, 2020). However, the results of the study do not support the research conducted by (Akhigbe & Ifeyinwa, 2017; Hwang & Wen, 2009) which show that compensation has a positive effect on loyalty.

### **The Effect of Compensation on Work Ethic**

This finding also show that compensation has an influence on work ethic. This means that the compensation given by the Polinema is able to improve the work ethic of employees. The high

work ethic of employees will have a positive impact on the assigned tasks so that the specified targets will be met. A good compensation system is a compensation system that is able to guarantee employee satisfaction, the higher the compensation received by the employee, the higher the satisfaction he feels (Ikhrum & Sudjatno, 2017). Malang State Polytechnic has implemented a compensation system in accordance with the provisions of the Labor Law which applied. In addition to increasing material compensation, Polinema also provides spiritual compensation such as outings or family gatherings for employees because these activities are able to provide refreshment of mind after a long period of work. The results of this study are consistent with the research of Maretasari & Nuraini, (2018) and Sarmedi (2017) which show that compensation has a positive effect on work ethic.

### **The Effect of Loyalty on Productivity**

Based on the results of the analysis, it shows that loyalty has no effect on productivity. The researcher found that most contract employees where a sense of loyalty to the agency has not emerged because there are differences such as remuneration for permanent employees so that there is an impact on employee unproductivity. The results of this study are inconsistent with research by Gholampoor & Zaree (2016) which show that loyalty has a positive effect on productivity. This means that high loyalty does not affect productivity. Loyal employees who are satisfied with their work will show their loyalty to the organization by working hard and being committed to providing services with a high level of quality (Rajput et al., 2016).

### **The Effect of Work Ethic on Productivity**

The results also show that work ethic has an influence on productivity. The interpersonal skills possessed by employees at Polinema related to attitudes and habits are good so they are able to improve work ethic. Employees have the principle not to waste time so that productivity increases. For example, employees try to improve quality, enthusiasm in work, able to develop themselves in improving abilities and efficiency at work. (Arifin & Putra, 2020) explains that the higher the level of work ethic possessed by employees, the higher their work productivity. Likewise, the lower the work ethic, the lower the productivity of employees. The results of this study are consistent with research by (Arifin & Putra, 2020; Halasz & Ph, 2012) which shows that work ethic has a positive effect on productivity. This shows that the higher the work ethic, the higher the productivity of employees. However, this study is not in line with research conducted by Sumajouw et al., (2018) which states that work ethic has no effect on productivity.

### **The Effect of Compensation on Productivity Through Loyalty**

This researcher found that loyalty was not able to mediate the effect of compensation on productivity. The results of this study indicate that the provision of compensation has no impact on employee productivity through loyalty. This is because most of the employees who work at Polinema are contract employees so that loyalty does not appear. This finding should be a special concern from the Polinema why employee loyalty does not have an impact on employee productivity. Polynema must be able to increase employee loyalty. One way that can be done is to provide opportunities for employees who excel or who have served for decades to be appointed as permanent employees so that employees will be loyal and satisfied with their work,

which is shown by their loyalty to the organization by working hard and being committed to providing high-quality service. The results of this study are not consistent with research by Arab et al., (2017) which shows that loyalty is able to mediate the effect of compensation on productivity.

### **The Effect of Compensation on Productivity Through Work Ethic**

Finally, the researcher found that work ethic was able to mediate the effect of compensation on productivity. This indicates that the better the compensation provided by the Malang State Polytechnic, the higher the work ethic will have an impact on employee productivity. Providing compensation and a good work ethic can also support the success of a Polytechnic, on the other hand if the employee's work ethic decreases, it will hinder the agency in achieving its goals. To increase productivity and work ethic, the Malang State Polytechnic can provide compensation such as bonuses and allowances as well as providing health facilities towards employees so that employees will feel more satisfied at work and can be more motivated and can improve employee performance. With the right compensation, it can foster employee love and a sense of belonging to both the work and the institution. According to (Tasmara, 2002) a high work ethic has the meaning of really moving all of his potential to achieve something, it is also said that people who have a high work ethic really value time, never feel satisfied, thrifty and have high work spirit. Work ethic is an important variable to consider in explaining employee productivity variables in carrying out the assigned tasks. There are many ways that can be applied to develop and improve work ethic, because work ethic is a basic attitude towards oneself, and is an evaluative aspect that is assessing (Ness et al., 2015), including raising awareness, so that the work ethic of employees increases so that it will increase income and prosper employee life.

### **Conclusion**

This study resulted in 7 important findings, namely (1) compensation has a positive and significant effect on productivity, 2) compensation has a positive and insignificant effect on loyalty, 3) compensation has a positive and significant effect on work ethic, 4) loyalty has no significant effect on productivity, 5) work ethic has a positive and significant effect on productivity, 6) loyalty does not mediate the relationship between compensation and productivity, and work ethic mediates the relationship between compensation and productivity.

State Polytechnic of Malang, it is necessary to consider the welfare of contract employees by providing remuneration as well as permanent employees so as to increase employee loyalty and increase employee productivity. It is highly recommended for larger respondents, so that the results of the research are more objective and can be generalized. Data collection methods need to be developed using other data collection methods, such as in-depth interviews and observation. For further research, this model should be developed further by adding other variables which are still closely related, for example the variables of work motivation, employee performance, desire to move, organizational commitment or with other indicators.

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