The Influence of Compensation and Benefits on Employee Performance at Aston Batam Hotel and Residence

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Article Info	ABSTRACT
Article history: Received August 14, 2025 Revised August 17, 2025 Accepted August 18, 2025 *Keywords:* Compensation, Benefits, Employee Performance, Aston Batam Hotel, Hospitality Industry	This study investigates the influence of compensation and benefits on employee performance in the hospitality industry, with a case study at Aston Batam Hotel and Residence, Indonesia. A quantitative approach with a causal-associative design was employed, involving 82 employees selected using convenience sampling. Data were collected through a structured questionnaire measured on a five-point Likert scale and analyzed using multiple linear regression with SPSS 26.0, including validity, reliability, and classical assumption tests. The results reveal that compensation and benefits, both individually and simultaneously, do not have a significant effect on employee performance, with a coefficient of determination (R^2) of only 0.030. This finding suggests that compensation and benefits explain merely 3% of performance variance, while 97% is influenced by other factors such as motivation, leadership, organizational culture, and workplace environment. The study highlights the need for hotel management to adopt a more comprehensive human resource strategy that integrates financial and non-financial rewards with leadership development and organizational support to enhance employee performance and sustain competitiveness in the hospitality industry.

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1. INTRODUCTION

The hospitality industry has emerged as one of the most dynamic service sectors, significantly contributing to global tourism and economic growth. In highly competitive environments such as Batam City, Indonesia, hotels must sustain service excellence to attract and retain customers. Human resources remain a critical determinant of success, as employees are directly responsible for delivering service encounters that shape guest experiences and organizational reputation [1]. Therefore, effective human resource management strategies, particularly in relation to compensation and benefits, are essential for enhancing employee motivation, job satisfaction, and overall performance.

Compensation is generally defined as the financial and non-financial rewards granted to employees in exchange for their contributions to organizational objectives. It may include wages, salaries, incentives, allowances, and recognition-based rewards [2]. Previous studies emphasize that fair and transparent compensation systems enhance employee engagement and organizational commitment, thereby improving productivity and service quality [3], [4]. In parallel, benefits—such as healthcare, insurance, retirement plans, and flexible working arrangements—serve as indirect compensation mechanisms that promote employee well-being and retention [5]. These elements are particularly important in service-intensive industries like hospitality, where employee performance is directly linked to customer satisfaction and loyalty [6].

Despite the theoretical consensus on the strategic importance of compensation and benefits, empirical findings in the hospitality context remain inconclusive. Some studies confirm a strong positive correlation between compensation packages and employee performance outcomes [7], while others report limited or insignificant effects, suggesting the presence of mediating variables such as work motivation,

organizational culture, or leadership style [8], [9]. This inconsistency highlights the need for further investigation within specific cultural and organizational settings.

In Indonesia, where the hospitality sector is experiencing rapid expansion, understanding the dynamics between compensation, benefits, and employee performance becomes increasingly relevant. The Aston Batam Hotel and Residence provides a suitable case study to examine this relationship, considering its competitive operational environment and reliance on service excellence as a driver of customer loyalty. This study, therefore, aims to analyze the influence of compensation and benefits on employee performance within this hospitality institution, contributing to the broader discourse on human capital management strategies in emerging tourism markets.

2. METHOD

This study employed a quantitative approach with a causal-associative research design to examine the influence of compensation and benefits on employee performance at Aston Batam Hotel and Residence. The research population comprised all hotel employees, with a total sample of 82 respondents selected using a non-probability convenience sampling technique, which is appropriate for exploratory studies in organizational and hospitality contexts [10]. Data were collected through a structured questionnaire designed based on validated indicators of compensation, benefits, and employee performance, using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). To ensure the validity and reliability of the measurement instrument, preliminary tests were conducted before the main survey administration, following recommended procedures for psychometric evaluation in management research [11]. In addition, secondary data from company records were incorporated to strengthen measurement accuracy. The data analysis was performed using multiple linear regression with the assistance of SPSS version 26.0, supported by a series of classical assumption tests, including normality, multicollinearity, and heteroscedasticity, to confirm the robustness of the regression model. Furthermore, hypothesis testing was carried out using t-tests and F-tests to evaluate the significance of individual and joint effects, while the coefficient of determination (R^2) was employed to assess the explanatory power of the independent variables.

3. RESULTS AND DISCUSSION
3.1. Result
3.1.1. Respondent Demographics

The respondents in this study consisted of 82 employees of Aston Batam Hotel and Residence, representing a diverse workforce profile in terms of gender, age, educational background, and length of service. The demographic distribution shows that male employees constituted a slightly larger proportion compared to females, reflecting the gender composition commonly found in hospitality operations. In terms of age, the majority of respondents were between 25–35 years old, indicating a relatively young workforce that is still in the productive stage of their careers. Regarding educational background, most employees held a senior high school (SMA/SMK) or diploma qualification, followed by a smaller proportion with bachelor's degrees, highlighting the reliance of the hospitality industry on vocational and technical education. With respect to work experience, employees with 1–3 years of service represented the largest group, followed by those with more than three years, while employees with less than one year of tenure accounted for the smallest portion. These demographic characteristics provide an important context for interpreting the findings, as workforce composition can influence employee perceptions of compensation, benefits, and performance outcomes.

Tabel 1. Demographic Characteristics of Respondents

Characteristics	Category	Frequency (n=82)	Percentage (%)
Gender	Male	45	54.9
	Female	37	45.1
Age	< 25 years	18	22.0
	25–35 years	42	51.2
	> 35 years	22	26.8
Education	Senior High School	34	41.5
	Diploma	28	34.1

Characteristics	Category	Frequency (n=82)	Percentage (%)
	Bachelor's Degree	20	24.4
Work Tenure	< 1 year	12	14.6
	1–3 years	40	48.8
	> 3 years	30	36.6

3.1.2. Descriptive Statistics of Variables

The descriptive analysis provides an overview of the main research variables, namely compensation, benefits, and employee performance. For the compensation variable (X1), the overall mean score was 3.50 with a respondent achievement rate (TCR) of 70%, which falls into the "good" category. Indicators with the highest scores were pay level (4.55; 91%) and pay structure (4.05; 81%), while the lowest was individual pay (2.56; 51%), suggesting that employees perceive basic pay to be relatively fair, although individualized rewards remain weak. For the benefits variable (X2), the average score reached 2.75 (55%), categorized as "sufficient." The indicators revealed that benefits related to employee retention (2.93; 59%) were relatively better, while comprehensiveness of benefits (2.60; 52%) was the weakest aspect, indicating that benefits provided by the hotel are limited and not fully aligned with employees' needs. Meanwhile, the employee performance variable (Y) achieved an overall mean score of 3.87 (77%), categorized as "good." Among the performance dimensions, discipline (3.99; 80%) and responsibility (3.95; 79%) were rated the highest, while attitude (3.68; 74%) was rated the lowest, though still within the good category. These results highlight that while employees generally demonstrate strong performance, the relatively lower ratings of benefits and individualized compensation may limit their overall job satisfaction and long-term motivation.

Tabel 2. Descriptive Statistics of Compensation, Benefits, and Employee Performance

Variable	Indicator	Mean	TCR	Category
	Pay Level	4.55	91%	Very Good
	Pay Structure	4.05	81%	Good
Compensation (X1)	Individual Pay	2.56	51%	Poor
	Perceived Fairness	2.73	55%	Fair
	Performance-Based Reward	3.60	72%	Good
	Average	3.50	70%	Good
	Benefit Comprehensiveness	2.60	52%	Poor
	Relevance to Work Needs	2.79	56%	Fair
Benefits (X2)	Program Flexibility	2.66	53%	Fair
	Retention Impact	2.93	59%	Fair
	Cost Effectiveness	2.76	55%	Fair
	Average	2.75	55%	Fair
	Discipline	3.99	80%	Good
	Responsibility	3.95	79%	Good
Employee Performance (Y)	Attitude	3.68	74%	Good
	Competence	3.85	77%	Good
	Average	3.87	77%	Good

3.1.3. Validity and Reliability Testing

The instrument used in this study was tested for validity and reliability to ensure its accuracy and consistency in measuring the constructs of compensation, benefits, and employee performance. Validity testing was conducted using the Pearson Product Moment correlation between each item score and the total score. The results showed that all items had correlation coefficients (r values) greater than the critical r table value at the 5% significance level, indicating that each indicator is valid. Reliability testing was carried out using Cronbach's Alpha, with results showing values of 0.812 for compensation,

0.796 for benefits, and 0.841 for employee performance, all exceeding the recommended threshold of 0.70 [11]. Furthermore, the analysis of Composite Reliability (CR) and Average Variance Extracted (AVE) confirmed that each construct met the minimum requirements, with CR values above 0.70 and AVE values above 0.50, thus demonstrating adequate internal consistency and convergent validity [11]. These findings confirm that the research instrument is both valid and reliable for assessing the relationships among the studied variables.

Table 3. Validity and Reliability Testing Results

Variable	Item Validity (r value > r table)	Cronbach's Alpha	Composite Reliability (CR)	AVE	Result
Compensation (X1)	All items valid	0.812	0.87	0.56	Valid & Reliable
Benefits (X2)	All items valid	0.796	0.83	0.54	Valid & Reliable
Employee Performance (Y)	All items valid	0.841	0.88	0.58	Valid & Reliable

3.1.4. Assumption Testing

The classical assumption testing was carried out to ensure the robustness of the regression model, covering normality, heteroscedasticity, and multicollinearity tests. The normality test using the One-Sample Kolmogorov–Smirnov method on the unstandardized residuals produced a test statistic of 0.071 with a significance value of 0.200, which is greater than the 0.05 threshold, indicating that the residuals are normally distributed. The heteroscedasticity test, conducted using the Glejser method, showed significance values of 0.236 for compensation and 0.994 for benefits, both exceeding 0.05, confirming that the regression model does not exhibit heteroscedasticity and that the variance of residuals is constant across all levels of the independent variables. Furthermore, the multicollinearity test revealed tolerance values of 0.408 and Variance Inflation Factor (VIF) values of 2.454 for both compensation and benefits, which are within acceptable limits (tolerance > 0.10 and VIF < 10), suggesting that no multicollinearity exists. These results collectively demonstrate that the regression model satisfies the assumptions of normality, homoscedasticity, and multicollinearity, thereby validating its suitability for hypothesis testing.

Table 4. One-Sample Kolmogorov–Smirnov Normality Test Results

Variable	Statistic / Value
N	82
Mean	0.0000000
Std. Deviation	1.73139757
Most Extreme Differences	Absolute = 0.071; Positive = 0.065; Negative = –0.071
Test Statistic	0.071
Asymp. Sig. (2-tailed)	0.200c,d (> 0.05)
Decision	Residuals normally distributed

Table 5. Heteroscedasticity Test (Coefficientsa)

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.	Decision
(Constant)	-0.563	1.292	–	-0.436	0.664	–
Compensation	0.055	0.046	0.206	1.193	0.236	No heteroscedasticity
Benefits	0.000	0.017	-0.001	-0.008	0.994	No heteroscedasticity

Table 6. Multicollinearity Test Results

Variable	Unstandardized Coefficients (B)	Std. Error	Beta	t	Sig.	Tolerance	VIF	Decision
(Constant)	12.188	2.143	–	5.687	0.000	–	–	–
Compensation	0.120	0.076	0.273	1.576	0.119	0.408	2.454	No multicollinearity
Benefits	0.034	0.028	-0.207	-1.192	0.237	0.408	2.454	No multicollinearity

3.1.5. Hypothesis Test

The hypothesis testing results indicate that compensation and benefits do not significantly affect employee performance either individually or simultaneously. The partial test (t-test) shows that compensation has a regression coefficient of 0.120 with a t-value of 1.576 and a significance level of 0.119 (> 0.05), while benefits have a regression coefficient of –0.034 with a t-value of –1.192 and a significance level of 0.237 (> 0.05), confirming that neither variable exerts a significant individual effect. The simultaneous test (F-test) further reveals an F-value of 1.242 with a significance level of 0.294 (> 0.05), demonstrating that compensation and benefits together also do not significantly influence employee performance. Moreover, the coefficient of determination (R^2) is 0.030, with an adjusted R^2 of 0.006 and a standard error of estimate of 1.753, indicating that only 3% of the variance in employee performance can be explained by compensation and benefits, while the remaining 97% is influenced by other factors such as motivation, organizational culture, leadership, and work environment. These findings highlight that compensation and benefits are not the primary determinants of employee performance at Aston Batam Hotel and Residence.

Table 7. Partial Test (t-test) Results

Variable	Unstandardized Coefficients (B)	Std. Error	Beta	t	Sig.	Decision
(Constant)	12.188	2.143	–	5.687	0.000	–
Compensation	0.120	0.076	0.276	1.576	0.119	Not significant
Benefits	–0.034	0.028	–0.207	–1.192	0.237	Not significant

Tabel 8. Simultaneous Test (F-test) Results

Source	Sum of Squares	df	Mean Square	F	Sig.	Decision
Regression	7.634	2	3.817	1.242	0.294	Not significant
Residual	242.817	79	3.074	–	–	–
Total	250.451	81	–	–	–	–

Tabel 9. Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Interpretation
1	0.175	0.030	0.006	1.753	Compensation & benefits explain 3% of performance variation; 97% influenced by other factors

3.2. Discussion

The results of this study demonstrate that compensation and benefits do not have a significant influence on employee performance at Aston Batam Hotel and Residence—individually or simultaneously—and only explain 3% of performance variance. These findings contrast with earlier theoretical perspectives which emphasize that fair compensation is a key driver of employee motivation and productivity [2], [3]. According to Dessler [2], equitable compensation fosters stronger organizational commitment, while Kossivi et al. [3] identify compensation as a critical determinant of retention and employee outcomes. In the hospitality industry, compensation has also been shown to enhance service quality and employee engagement [4], [7]. However, the absence of significance in this

study suggests that the current compensation structures may not be competitive or aligned with employees' expectations, thereby limiting their impact on performance.

Similarly, benefits have often been considered important indirect rewards that strengthen work engagement and retention [5], [6]. Yet, in this study, benefits were found to have no significant effect on performance, implying that employees may perceive them as insufficient in scope or relevance. This supports Lestari et al. [8], who argue that the effectiveness of compensation and benefits depends heavily on how well they are tailored to employee needs and job satisfaction. The descriptive findings that showed low mean scores for benefit comprehensiveness and flexibility reinforce this interpretation.

Moreover, the low explanatory power of the model ($R^2 = 0.030$) highlights the importance of other organizational and psychological factors. Studies have found that human resource practices beyond compensation, such as employee development and training, have a stronger influence on work engagement and performance [9]. Research also suggests that employee motivation, rather than financial incentives alone, is a stronger predictor of productivity [12]. Additionally, workplace environment factors—such as organizational support, service climate, and employee commitment—play critical roles in driving performance outcomes [13], [15], [16]. Leadership style is also central; transformational leadership, in particular, has been shown to inspire higher motivation and commitment among employees [14].

Taken together, these results imply that while compensation and benefits remain essential aspects of human resource management, they are insufficient on their own to drive employee performance in this context. For Aston Batam Hotel and Residence, a more holistic approach that integrates fair compensation with non-financial motivators, supportive leadership practices, organizational culture, and workplace environment improvements is likely to produce more meaningful and sustainable improvements in employee performance.

4. CONCLUSION

This study examined the influence of compensation and benefits on employee performance at Aston Batam Hotel and Residence using a quantitative approach with multiple linear regression analysis. The findings reveal that compensation and benefits, both individually and simultaneously, do not have a significant effect on employee performance, and together account for only 3% of the variance. These results suggest that compensation and benefits alone are insufficient to drive employee performance improvements in this context. Instead, other factors such as motivation, leadership, organizational culture, and workplace environment may play more decisive roles. Therefore, hotel management is encouraged to adopt a more comprehensive human resource strategy that not only addresses financial and non-financial rewards but also emphasizes leadership development, organizational support, and employee engagement to enhance overall performance and sustain competitiveness in the hospitality industry.

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