

The Influence of Employee Incentives and Work Motivation on Employee Performance

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Abstract

This study aims to analyze the influence of employee incentives and work motivation on employee performance, focusing on courier employees at JNT Kota Batu, East Java. The research employs a quantitative method with an explanatory approach to identify the direct and indirect effects of incentives on motivation and employee performance. The population consists of 235 couriers, and the sample size was determined using the Slovin formula with a 5% margin of error, resulting in 148 respondents. Data were collected through structured questionnaires and analyzed using path analysis. The results reveal that employee incentives significantly influence work motivation and employee performance, both directly and indirectly through motivation. Motivation plays a key mediating role in strengthening the relationship between incentives and performance. These findings suggest that enhancing work motivation through effective incentive programs can substantially improve courier performance. This research contributes theoretically by emphasizing the mediating role of motivation in the relationship between incentives and performance and offers practical insights for JNT managers to design strategies that optimize employee performance.

Keywords: employee incentives, work motivation, employee performance, human resources management.

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INTRODUCTION

Incentives are one of the critical factors in motivating employees to enhance their performance. In logistics service companies like JNT in Indonesia, couriers play a strategic role as they are the frontline representatives directly delivering services to customers. With increasing competition in the logistics industry, companies must ensure that courier performance remains optimal to maintain customer satisfaction. One effective way to achieve this is by providing appropriate incentives, both financial—such as bonuses based on target achievement—and non-financial, like recognition or awards for hard work. Properly designed incentives can encourage couriers to work harder, improve productivity, and sustain their commitment to high service standards.

However, incentives must be carefully structured to focus not only on the quantity of work but also on the quality of service delivered. For example, an incentive scheme that solely emphasizes the number of deliveries without considering customer satisfaction could potentially reduce the quality of couriers' interactions with customers. Therefore, incentive components should encompass (1) pay for people, (2) pay for position, and (3) pay for performance.

According to Dessler (2009), incentives are salary increases awarded to employees at specific times in the form of higher basic pay, usually based exclusively on individual performance. Incentives are typically implemented as a strategy to enhance company productivity and efficiency by leveraging employee behavior, which tends to settle for minimum effort without proper motivation. The primary goal of providing incentives is not only to boost performance but also to foster work motivation

Employees with strong motivation contribute significantly to enhancing their performance. Hasibuan (2007) defines work motivation as the drive to encourage subordinates to work

productively to achieve established goals. Furthermore, McClelland (as cited in Aritonang, 2003) outlines the characteristics of individuals with high achievement motivation, including personal responsibility for tasks and challenges, a strong sense of accomplishment, optimism about success, readiness to face failure, and a greater need for achievement than affiliation. Such individuals are often innovative, creative, realistic, aware of their strengths and weaknesses, and possess a strategic mindset with a high threshold for satisfaction. Both incentives and motivation aim to improve employee performance.

Robbins (2008) defines performance as the outcomes achieved by employees in their work based on specific job-related criteria. Similarly, Bangun (2012) states that performance refers to the results achieved by an individual based on job requirements, while Mangkunegara (2011) describes it as achievements reflected in the quality and quantity of work performed by an employee in fulfilling their responsibilities.

Research on the role of incentives in employee performance has been extensively conducted, particularly in the banking sector and other service industries. However, studies specifically exploring the impact of incentives on courier performance in logistics companies, especially JNT, remain scarce. Most research in banking focuses on the effects of incentives on administrative productivity, customer service quality, and sales target achievements. In contrast, the courier industry involves high mobility, tight deadlines, and direct customer interactions, presenting a unique context for evaluating the effectiveness of incentives.

This creates a significant research gap to explore further. Moreover, differences in research locations are also crucial. Studies on courier incentives often focus on multinational companies in urban areas or developed countries, which may not fully represent local conditions in Indonesia. Unique factors such as delivery density, regional accessibility, and diverse customer expectations create specific challenges for JNT couriers. Therefore, this study provides a novel scientific contribution by investigating the relationship between incentives and courier performance in the local Indonesian context, which has been underexplored in existing literature.

The incentive dimension in this study is measured by two main components: direct and indirect incentives. Direct incentives refer to monetary rewards received by courier employees, such as wages, salaries, and specific performance-based bonuses. On the other hand, indirect incentives encompass non-financial rewards, including allowances, security guarantees, health insurance, and recognition awards, as highlighted in the studies by Dessler (2010), Davis (1995), Bangun (2012), and Hasibuan (2014). According to Dessler (2011), incentives are categorized into two groups: Individual Incentives: These are additional earnings given to individual employees beyond their base salary when they meet specific individual performance standards. Group Incentives: These are additional earnings provided to all members of a team or group when they collectively meet a specific performance, productivity, or behavior-related standard.

Mondy (2008) emphasizes the importance of making incentives objective by establishing clear goals to ensure employee satisfaction. Motivation, although not the sole factor influencing performance, plays a pivotal role in determining employee output, as explained in the model of the relationship between motivation and performance (Robert Kreitner & Angelo Kinicki, 2001). The interplay between motivation and performance involves the processes of arousal, direction, and persistence of effort. Employees are more likely to be motivated when they believe that their performance will be acknowledged and rewarded appropriately. Motivated behavior is directly influenced by individual abilities, knowledge/skills, and the contextual factors that either enable or constrain work processes. For example, motivation is difficult to sustain if employees face challenges such as poor-quality materials or inadequate equipment. Conversely, motivated behavior can be enhanced when managers provide sufficient resources, effective coaching, and

a supportive environment. Ultimately, performance is shaped by motivated behavior, demonstrating the interconnectedness of these factors in achieving organizational goals.

Based on this relationship, this study develops the hypothesis:

H1: Insentif employee has significant effect toward Work Motivation

The impact of employee incentives on job performance indicates that incentives are a primary factor influencing employee performance. When employees are satisfied with an organization that offers attractive incentives, they are more likely to be highly motivated, leading to better performance (Robbins, 2001; Mubsher Kahn, 2013). Mubsher Kahn (2013) further argues that employees who are happy with the incentives they receive are more motivated to work and consequently exhibit higher performance. Cameron and Pierce (1996) contend that many organizations utilize pay, promotions, and benefits to foster trust and enhance performance. Organizational management also anticipates a reliance on different levels of power, responsibility, and expectations among employees across organizations. Edwin Locke (1980), as cited in Mangkunegara (2005), concluded that "monetary incentives, when tied to the achievement of specific tasks, have a significant impact on improving employee performance." Additionally, Rivai (2004) suggests that incentives are a form of direct compensation beyond base salary and wages, constituting a performance-based compensation system.

Based on this relationship, hypothesis was developed:

H2: Employee Insentif has significant effect toward Employee Performance

The relationship between work motivation and employee performance is evident, as motivation significantly influences performance, although it is not the sole determinant. This is explained through the model of the relationship between motivation and performance (Robert Kreitner and Angelo Kinicki, 2001). These factors are interrelated, including the processes of arousing, directing, and sustaining motivation. Employees are more likely to be motivated if they believe their performance will be recognized and rewarded. Motivated behavior is directly influenced by an individual's abilities and knowledge/skills, as well as by the work context, which may enable or constrain performance. For instance, it is challenging to sustain a project when working with poor-quality materials and inadequate equipment. Conversely, motivated behavior can be enhanced when managers provide sufficient resources and effective coaching to their employees. Motivation-driven behavior, in turn, directly impacts performance. Employees with access to adequate tools, resources, and supportive management are more likely to demonstrate high levels of motivated behavior, which subsequently leads to better performance outcomes.

The relationship between work motivation and employee performance has been extensively studied, showing a significant positive correlation. Employees with high motivation are more likely to exhibit enthusiasm, dedication, and effort in completing their tasks. Herzberg's Two-Factor Theory (1966) highlights that motivators such as recognition, achievement, and rewards play a crucial role in improving job satisfaction, which ultimately enhances employee performance. Several studies support this connection. Robbins & Judge (2013) emphasize that both financial and non-financial incentives significantly boost productivity. Deci & Ryan's Self-Determination Theory (1985) underscores the importance of intrinsic motivation, such as autonomy and mastery, in improving engagement and performance. Sudarmo (2018) found that intrinsic and extrinsic motivation contributed 68% to employee performance in a manufacturing company, while Mangkunegara (2017) concluded that motivation and ability are critical determinants of performance. In practice, organizations that prioritize motivation often implement strategies such as reward programs, training, and open communication to drive

employee engagement and productivity. These findings demonstrate that enhancing work motivation directly impacts individual performance and organizational success. Based on this relationship, hypothesis was stated:

H3: Work Motivation has significant effect toward employee performance.

RESEARCH METHODS

Based on the objectives of this study, the research employed an explanatory approach to verify the relationships between various variables within the study's scope (Indrawan and Yaniawati, 2014). The questionnaire utilized a Likert scale ranging from 1 to 5. To measure incentives, the study adopted measurement frameworks from Dessler (2010), Davis (1995), Bangun (2012), and Hasibuan (2014), focusing on two indicators: direct and indirect incentives. For work motivation, the study developed measurements based on Herzberg's (2012) framework, which includes two main indicators: the Hygiene Factor, consisting of physical working conditions, organizational policies, supervision, and salary, and the Motivator Factor, which includes job achievement, recognition, responsibility, and growth potential. The dependent variable, employee performance, was measured using the basis developed by Gomes (2010), encompassing eight indicators: quantity of work, quality of work, job knowledge, creativity, cooperation, dependability, initiative, and personal qualities. This study utilized a quantitative method with an explanatory approach to analyze the effect of incentives on motivation and the performance of J&T couriers in Batu City. The population consisted of 235 couriers, and the sample size was determined using the Slovin formula with a 5% margin of error, resulting in a sample of 148 respondents. These respondents were J&T couriers in Batu City, East Java.

This study use path analysis according to Pedhazur in Winarsunu (2004), path analysis is a method used to discover direct and indirect effect of a variable as the cause toward a variable as the impact/results. Variables in this path analysis were divided into two parts, exogenous or causal variables and endogenous or impacted/resulted variables (Sarwono, 2006). Path analysis was done to discover explanation about direct and indirect relationship pattern based on theoretical consideration and author's knowledge displayed in figures (path diagram) to help in conceptualizing complex problems and to identify empirical implication of the tested theory. Reason of using path analysis was to discover direct and indirect effect of each tested variables. This study develop concept model shown in figure 1 as follows:

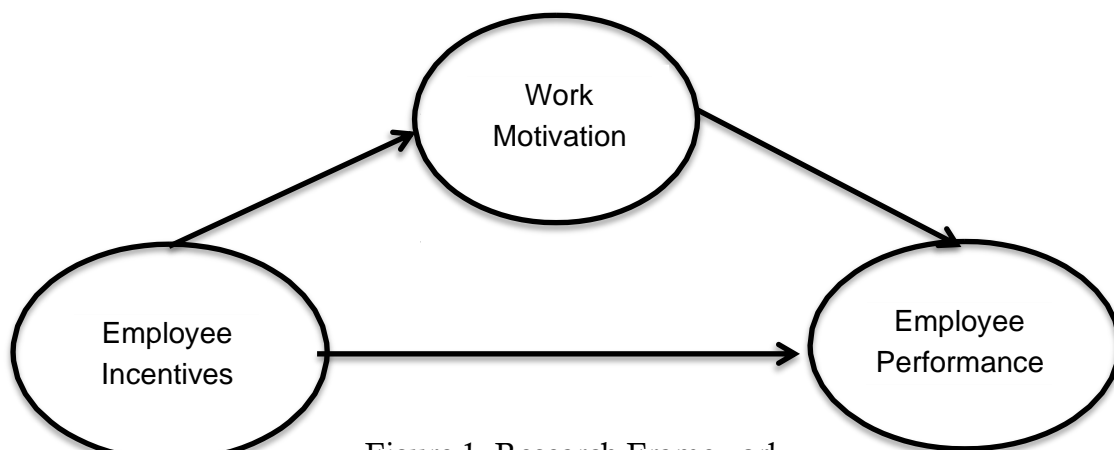


Figure 1. Research Framework

RESULTS AND DISCUSSION

Below is the summary of study result using Path Analysis by testing direct and indirect relationship as explained in Table 1.

Table 1. Summary of Path Analysis Result

Exogenous variable	Endogenous variable	Direct Effect	Indirect Effect	Total Effect	t test	Sig.	Category
X	Z	0,472	-	0,472	5,493	0,000	Significant
X	Y	0,356	0,468* 0,307	0,499	4,705	0,000	Significant
Z	Y	0,309	-	0,309	7,520	0,000	Significant

Source: Processed primary data, 2024

X: Employee Incentives

Z: WorkMotivation

Y: Employee Performance

The Effect of Incentives on Motivation ($X \rightarrow Z$)

Employee incentives have a direct impact on motivation, with a direct effect value of 0.472. The t-test result of 5.493 with a significance level of 0.000 indicates that this effect is significant. Thus, providing incentives directly enhances employee motivation.

The Effect of Incentives on Employee Performance ($X \rightarrow Y$)

Incentives also have a direct impact on employee performance, with a direct effect value of 0.356. Additionally, there is an indirect effect of 0.468 through motivation, bringing the total effect (direct + indirect) to 0.499. The t-test result of 4.705 with a significance level of 0.000 confirms that incentives improve performance not only directly but also by increasing motivation.

The Effect of Motivation on Employee Performance ($Z \rightarrow Y$)

Employee motivation has a direct effect on performance, with a direct effect value of 0.307. A t-test result of 7.520 and a significance level of 0.000 indicate a highly significant influence. This means that higher motivation leads to better performance. Motivation serves as a strong mediator in the relationship between incentives and employee performance. Incentives influence performance both directly and indirectly through motivation. Therefore, an effective strategy for improving employee performance is to provide incentives that drive work motivation.

DISCUSSION

This study highlights the significant influence of incentives on work motivation among couriers. The beta coefficient of 0.472 with a probability of 0.000 ($p < 0.05$) supports the conclusion that better incentives result in higher work motivation among J&T couriers. These findings align with St-Onge et al. (2009), who stated that incentives are a key tool for increasing employee motivation. Similarly, Khamis (2018) and Khan and Jabbar (2013) found that both financial and non-financial incentives effectively boost motivation.

Motivation is the willingness to act, driven by underlying needs, desires, and impulses. Maslow's hierarchy of needs (1934) provides a framework for understanding and predicting motivation. In the case of J&T couriers, this study shows that incentives play a critical role in enhancing work motivation. Incentives at J&T include direct financial bonuses paid in two stages. Additional salary is provided every two months, while a second bonus is paid based on

performance. On average, couriers with at least one year of service receive direct cash bonuses of IDR 1,100,000. These bonuses significantly improve income, motivating couriers to meet performance targets and complete tasks within the allotted time.

This study confirms that motivation positively affects employee performance, supporting findings by Mustapha (2013) and Khamis (2018). The beta coefficient of 0.499 ($p < 0.05$) indicates a significant and positive relationship. Porter and Lawler's (1968) dual model of intrinsic and extrinsic motivation explain this relationship. Intrinsic motivation arises from interest and satisfaction in performing a task, while extrinsic motivation stems from external rewards such as wages or bonuses. Both types of motivation contribute to performance, satisfaction, and well-being in the workplace.

In the J&T work environment, motivation significantly affects employee performance. Intrinsic factors, such as personal goals and responsibility, enhance motivation. Extrinsic factors, such as a comfortable and supportive work environment, further boost motivation. When motivated by rewards like bonuses based on timely deliveries, couriers optimize routes, maintain good customer relationships, and ensure timely and intact deliveries. Intrinsic motivation, such as pride in doing a job well, also plays a vital role. Motivated couriers are more disciplined, proactive, and solution-oriented, addressing challenges like traffic or weather effectively. High motivation ensures consistent quality of work, ultimately improving the company's overall performance and reputation.

CONCLUSION

The results of the study indicate that incentives have a significant impact on work motivation and employee performance. Motivation also acts as a mediator, strengthening the relationship between incentives and performance. Overall, employee performance can be improved through a combination of adequate incentives and enhanced motivation, making work motivation a key factor that bridges the effect of incentives on performance. Practical and Theoretical Implications, for managers or logistics company administrators is Implement fair and transparent incentive schemes, such as performance-based bonuses or monthly awards, to boost employee motivation. Provide training and self-development opportunities to enhance employees' intrinsic motivation and foster a sense of appreciation. For human resource management: Focus on creating a supportive work environment, such as providing verbal or non-financial recognition, to strengthen motivation. This is crucial for maintaining long-term productivity and employee morale. From a theoretical perspective, this study highlights the critical role of motivation as a mediating variable. Future research can explore other factors influencing the relationship between incentives and performance, such as organizational culture or leadership styles. Subsequent studies are also encouraged to adopt longitudinal approaches to understand how motivation and incentives evolve over time, especially in high-pressure sectors like logistics. By applying these findings, companies can design more effective management strategies to support employee performance while contributing to the scientific understanding in this field.

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