

## ANALYSIS OF SALARY INFLUENCE ON EMPLOYEE PERFORMANCE THROUGH MEDIATION MOTIVATION AND WELLBEING VARIABLES

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### Abstract

*The purpose of this study was to determine and analyze the effect of salary on employee performance by mediating motivation and wellbeing. The object of research is factory employees in Purwakarta Regency, with 250 respondents in the research sample. The method used is the regression with Mediation from Andrew F. Hayess with Two Serials of Mediation. The results of the study indicate that salary affects Employee Performance, Motivation Mediates the Effect of Salary on Employee Performance. Wellbeing Does not mediate the Effect of Salary on Employee Performance, and Motivation and Wellbeing mediated the Effect of Salary on Employee Performance.*

**Keywords:** Salary, performance, motivation, and employees welfare

### 1. INTRODUCTION

Salary is a fixed payment in the form of money received by an employee from a company or organization. In our society today, salaries given by companies tend to determine the standard of living and social position in the community, the salary received by employees, very influential on their behavior and performance. Therefore, companies are now demanded to pay more attention to employee salaries in order to attract employees to come to work on time, motivate employees to work hard, be disciplined, and develop their competencies so that employees feel satisfied because their business is valued. In addition, the leader also needs to conduct proper supervision so that employees feel valued, feel responsible for their work. For employees, supervision is expected to be an assessment of their work and can cause feelings of satisfaction in themselves. They feel that in this way their work is valued by the company appropriately and at the same time the weaknesses that exist in individual employees can be known. These weaknesses can be consciously accepted by employees as a reality and will eventually lead to encouragement in the hearts of employees to improve themselves. Considering that without a qualified workforce, certainly it is not possible for company goals to be achieved to the full. Likewise, if a company is large and has sophisticated equipment, large capital, and a good organizational structure, there is no benefit if it is not supported by employees or workers who are truly reliable in their field. So with a reliable workforce planning is expected to be achieved. Good performance and reliable workforce are closely related to salaries which basically arise due to the aim of increasing a larger company. Therefore, companies must also pay attention to the principle of fairness in providing salaries to their employees. Because the higher the leader is concerned with employees by providing appropriate rewards it will be in accordance with what will be obtained by the company. But if employees are filled with dissatisfaction with salaries provided, the impact on the company will be very negative. Salary is the most important part for employees

as individuals because the amount of salary received reflects the measure of the value of their work, family and community. Salary is also the most important thing in a company including salary, so the company maintains and attracts qualified human resources. Therefore the authors are interested in analyzing the "Effect of Salary Against Employee Performance Through Motivation and Welfare Mediation Variables".

Linear regression analysis is not just a relationship between the dependent variable and the independent variable. The variables that act as an intermediary relationship between the independent and dependent variables, so that the independent variables do not directly affect the change or emergence of the dependent variable referred to as a mediating or intervening variable [1]. In this study, making motivation and welfare as variables that allegedly can mediate the relationship between salary and the performance of factory worker employees in Purwakarta district.

### **1.1 Problem Formulation**

Based on the description above that underlies this research, the formulation of the problem that becomes the object of study is as follows :

- 1) What is the Effect of Salary on Factory Employee Performance in Purwakarta Regency?
- 2) What is the Indirect Effect of Motivation on the relationship between Salary and Performance of Factory Employees in Purwakarta Regency?
- 3) What is the indirect effect of Wellbeing on the relationship between Salary and Factory Employee Performance in Purwakarta Regency?
- 4) What is the Indirect Effect of Motivation and Wellbeing on the relationship between Salary and Factory Employee Performance in Purwakarta Regency?

### **1.2 Research Objectives**

Based on the description above that underlies this research, the objectives of the object of study are as follows :

- 1) Analyzing the Effect of Salary on Factory Employee Performance in Purwakarta Regency
- 2) Analyzing the Indirect Effect of Motivation on the relationship between Salary and Performance of Factory Employees in Purwakarta Regency
- 3) Analyzing the Indirect Effect of Wellbeing on the Relationship between Salary and Performance of Factory Employees in Purwakarta Regency
- 4) Analyzing the Indirect Effect of Motivation and Wellbeing on the Relationship between Salary and Performance of Factory Employees in Purwakarta Regency

## **2. LITERATURE REVIEW**

In this literature review researchers will discuss literature related to the topic or problem of the researcher. The literature to be discussed is a reference regarding the effect of salary on employee performance through mediating variables of motivation and welfare. This researcher uses several published books relating to the problem to be studied and also uses relevant research results.

### **2.1 Definition of Management**

The definition of management according to experts is the definition put forward by experts in management science as a basis for us to understand what the content of such knowledge is defines management as the art of getting work done through others. This definition means that a manager is tasked with managing and directing others to achieve organizational goals [2]. Ricky W. Griffin (2012) defines management as a process of planning, organizing, coordinating, and controlling resources to achieve goals (goals) effectively and efficiently [3]. Effective means that the objectives can be achieved in accordance with planning, while efficient means that the task is carried out correctly, organized, and according to schedule.

### **2.1.1 Definition of Human Resources**

According to Hasibuan (2013) states that the function of human resource management includes: planning, organizing, directing, controlling, procurement, development, compensation, integration, maintenance, discipline, dismissal [4].

### **2.2 Salary**

Salary is one of the important things for every employee who works in a company, because with the salary a person can fulfill his life needs. Understanding Wages and salaries according is "payments received by employees monthly, weekly, or every hour as a result of their work"[5]. Meanwhile according to Suwatno and Donni Juni Priansa (2013) is "a substitute for services that have been provided by workers in their work"[6]. Then According to Mulyadi (2013), stated that "payment for the delivery of services performed by employees"[7]. In conclusion salaries are payments for services performed by employees as a substitute for work in the company to meet their needs.

### **2.3 Performance**

The effect of years of service on performance also refers to Balai Pustaka of the Ministry of Education and Culture (2013) stating that, years of service (length of work) are individual experiences that will determine growth in employment and occupation[8]. In the results of the study showed that most employees experience boredom at work, employees are still seen lazing. Problems that make employee performance less optimal become a problem that must be investigated and sought a solution so that employee performance can be optimal in accordance with company expectations that have not been achieved over time along with the presence of competing companies.

#### **2.3.1 Factors That Affect Employee Performance**

Factors that affect employee performance include:

- a. Individuals that include elements of ability, skills, self- confidence, motivation, commitment possessed by each individual employee.
- b. Leadership which includes the quality of management and team leaders in providing work encouragement to employees.
- c. The team includes work systems, work facilities, or infrastructure provided by the organization, organizational processes, and work culture in the organization.
- d. Intellectuals which include pressures and changes in the external and internal environment.

#### **2.3.2 Effects of Salary on Performance**

The effect of years of service on performance also refers to Balai Pustaka of the Ministry of Education and Culture (2013) stating that, years of service (length of work) are individual experiences that will determine growth in employment and position. In the results of the study showed that most employees experience boredom at work, employees are still seen lazing. Problems that make employee performance less optimal become a problem that must be investigated and sought a solution so that employee performance can be optimal in accordance with company expectations that have not been achieved over time along with the presence of competing companies.

### **2.4 Motivation**

Motivation is a psychological boost which directs someone towards a goal. This definition was developed based on Maslow's hierarchy of needs theory which was developed by Gordon (Henry Simamora, 2006). Meanwhile, according to Sukanto Reksohadiprodjo and T. Hani Handoko (2000) the definition of motivation is the condition in the person of a person who encourages individual desires to carry out certain activities to achieve goals. Patricia Buhler (2004) provides an opinion on the importance of motivation as follows: "Motivation is basically a process that determines how much effort will be devoted to carrying out work". Motivation or encouragement to work is crucial

for the achievement of a goal, then humans must be able to foster the highest work motivation for employees in the company.

Motivation is often interpreted as the term impulse. Encouragement or energy is the movement of the soul or body to do. Thus the motive is a driving force that moves people to behave and in their actions there are certain objectives. Kenneth N. Wexley and Garry A. Yukl (1992) set limits on motivation as "the process by which behavior is energized and directed" (a process in which behavior is given energy and direction). While other experts provide similarities between motives and needs (encouragement, needs). From these limits it can be concluded that the motive is something that lies behind the individual actions of individual acts to achieve certain goals. Understanding motivation as stated by Kenneth N. Wexley and Garry A. Yukl is the giving or building up of motives. Can also be interpreted as a condition or a motive. From this explanation has an understanding that motivation can be interpreted as giving an inner impulse so that the other party moves / perform certain actions. So work motivation is something that gives rise to enthusiasm or work motivation (Khaerul Umam, 2010).

## 2.5 Employee Welfare

Employee welfare is the fulfillment of employee needs by the company. Welfare that is carried out by the company aims to maintain employees both in terms of spiritual and physical in order to maintain good performance and work attitudes at work. To obtain a clear picture of the meaning of employee welfare, the following experts' opinions are cited below:

According to Dale Yoder, translated by Malayu SP Hasibuan in the book "Human Resource Management", states that: "Welfare is seen as further assistance to employees, especially those who are sick, aid money for employee savings, shares, insurance, care hospitals, and pension funds." (2000). According to Gary Dessler, translated by Benjamin Molan in the book "Human Resource Management", stated that: "Benefits are all indirect financial payments that an employee receives to continue his work (1998)".

## 2.6 Regression Analysis

Regression analysis is concerned with the study of the dependence of a variable, which is between one or more independent variables on the dependent variable. Regression analysis is basically divided into two, namely linear regression analysis and non-linear regression analysis. Linear regression analysis is divided into 2 namely simple and multiple linear regression analysis (Zain, 1978).

### 2.6.1 Analysis of Variable Mediation Regression

Mediation or intervening variables are intervening or intermediate variables that are located between independent and dependent variables, so that the independent variables do not directly affect the change or the appearance of the dependent variable. The pattern of relationships between variables directly without mediating variables can be seen in Figure 1.



Figure 1: Regression model without mediating variables

The pattern of relationships between variables through mediating variables can be seen in Figure 2.

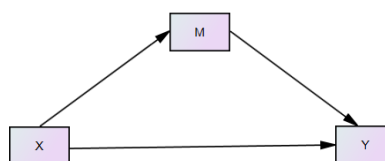


Figure 2: Regression models through mediating variables

To test the analysis of mediation variables, the causal step method was developed by Baron and Kenny (1986) and the Product of Coefficient method was developed by Sobel (Suliyanto, 2011). The steps in using the Causal Method Step:

1. Make the regression equation the independent variable (X) against the dependent variable (Y).
2. Making the regression equation the independent variable (X) against the mediating variable (M) Making the regression equation the independent variable (X) against the dependent variable (Y) by entering the mediating variable size (M).
3. Draw conclusions whether the mediation variable mediates perfectly (perfect mediation) or mediates partially (partial mediation).

### 3. RESEARCH METHODS/METHODOLOGY

#### 3.1 Population and Population Sample

The population is the whole of the object of research (Suharsimi Arikunto, 2002). Population is a collection of individuals or research objects that have quality and characteristics that have been determined. For this study, the target sample determined was factory workers in Purwakarta Regency with a total of 250 people from 670 people as population.

##### 3.1.1 Samples and Sampling techniques

In this study sampling using a purposive sampling technique, where sample selection is based on certain characteristics that are considered to have a relationship with known population characteristics (Husein Umar, 1999). Criteria for respondents taken as samples were employees of factory workers in Purwakarta Regency. Respondents were expected to be able to understand and answer the statements in the questionnaire properly.

##### 3.1.2 Framework for Thinking and Hypothesis

Based on the preliminary description above, in order to clarify the relationships between the variables, a framework of thought, such as Figure 1, is presented below :

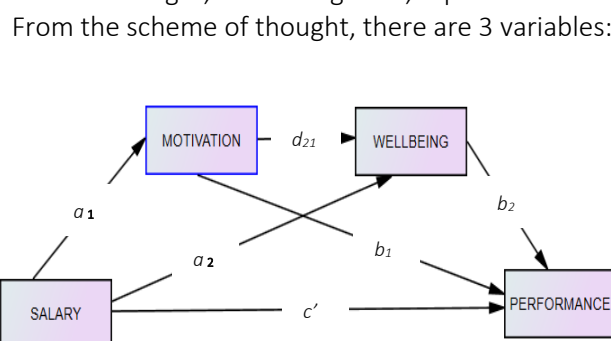


Figure 3: Schematic Framework

Description :

→ : Causal Relationship

X : Salary

M<sub>1</sub> : Motivation

M<sub>2</sub> : Wellbeing

Y : Performance

a<sub>1</sub> : Regression line Effect of Salary on Motivation

d<sub>21</sub> : Regression line The Effect of Motivation on Performance

a<sub>2</sub> : Regression line Effect of Salary on Wellbeing

b<sub>1</sub> : Regression line The Effect of Motivation on Performance

b<sub>2</sub> : Regression line Effect of Wellbeing on Performance

c' : Regression line Effect of Salary on Performance

##### 3.1.2 Hypothesis

- 1) There is an Influence of Salary on the Performance of Factory Employees in Purwakarta Regency
- 2) There is an indirect effect of motivation on the relationship between salary and performance of factory employees in Purwakarta Regency
- 3) There is an indirect effect of Wellbeing on the relationship between Salary and Factory Employee Performance in Purwakarta Regency
- 4) There is an indirect effect of motivation and wellbeing on the relationship between salary and performance of factory employees in Purwakarta Regency

## 4. RESULTS AND DISCUSSION

### 4.1 RESULTS

#### 4.1.1 Data Respondent

The number of statements in this research questionnaire are 12 statements, with details of Salary variable (X) 3 statements, performance variable (Y) 3 statements, Motivation Variable (M1) 3 statements, and welfare variable (M2) 3 statements, all made in the form of a questionnaire given to respondents. After getting answers from respondents then inputted into excel. Respondents' answers ranged from 1 to 5 with the lowest to the highest weight. The data is searched for the average value and then processed with the SPSS Process from F. Hayess. Table 1 below contains research respondent data :

Table 1: Overview of Respondent Characteristics

Age Characteristics	People	Presentase
19-30 years old	180	180
31-50 years old	70	70
Permanent employees	110	110
Contract employee	70	70
Outsourcing	70	70
Amount	250	250

#### 4.1.2 Regression Analysis of Serial Two Mediator Model (The Serial Two Model) Effect of Total Salary on Performance of Factory Employees in Purwakarta Regency

The magnitude of the Total Effect of GSCM Implementation on the Company's Marketing Performance is by adding up the paths  $(a_1 + (d_{21} + a_1) + (b_1 + b_2 + c')) + (\text{Line } a_1 * b_1) + (\text{Line } a_1 * b_{21} * b_2) + (\text{Line } a_2 * b_2)$  that is equal to 0.0091 and not significant because  $p > 0.05$ .

Table 2  
Summary of The Serial Two Mediator Model Regression Analysis Results (The Serial Two Model)

Consequent												
Antecedent		M1 (Motivation)			M2 (Wellbeing)				Y			
		Coeff	SE	P	Coeff	SE	P	Coeff	SE	P		
X (Salary)	a <sub>1</sub>	0,6402	0,0523	0,0000	a <sub>2</sub>	0,1549	0,0652	0,0184	c'	-0,1330	0,0585	0,0240
M1 (Motivation)					d <sub>21</sub>	0,5141	0,0626	0,0000	b <sub>1</sub>	0,1272	0,0627	0,0434
M2 (Wellbeing)									b <sub>2</sub>	0,1255	0,0565	0,0271
Constanta	e <sub>M1</sub>	1,1127	0,1699	0,0000	e <sub>M2</sub>	1,1756	0,1813	0,0000	ey	2,4669	0,1741	0,0000
		R <sup>2</sup> = 0,3770				R <sup>2</sup> = 0,3868				R <sup>2</sup> = 0,2536		
		F = 150,0714		P = 0,0000		F = 77,9182		P = 0,0000		F = 6,339		P = 0,0009

Table 3  
Total Effects, Direct Effects, and Indirect Effects  
Serial Two Mediator (The Serial Two Model)

	Effect	SE	t	P	BootLLCI	BootULCI
Total Effect	0,0091	0,0470	0,1943	0,8461	-0,0835	0,1018
Live Effect	-0,1330	0,0585	-2,2720	0,0240	-0,2483	0,0177
Total Efek Tidak Langsung	0,1421	0,0392			0,0677	0,2238
Salary -> Motivation -> Performance	0,0814	0,0435			0,0005	0,1706
Salary -> Wellbeing -> Performance	0,0194	0,0138			-0,0004	0,0525
Salary -> Motivation -> Wellbeing -> Performance	0,0413	0,0200			0,0026	0,0815

So that the diagram image becomes as follows:

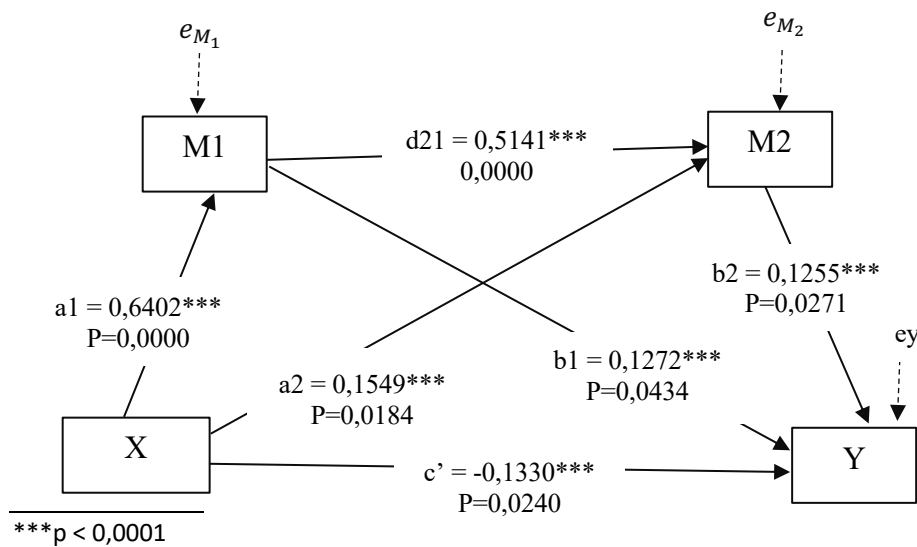


Figure 4  
Regression Analysis Results  
Empirical Model of the Mediation Effects of Motivation and Wellbeing  
Effect of Salary Implementation on Factory Employee Performance  
in Purwakarta Regency

#### 4.1.3 Hypothesis Testing Regression Analysis Model Serial Two Mediator (The Serial Two Model) Mediation Effects of Motivation and Wellbeing on the Effect of Salary on Factory Employee Performance in Purwakarta Regency

Hypothesis testing aims to measure whether the independent variables are able to jointly explain the behavior of the dependent variable, for this test, F. Hayes Regression Analysis is used.

##### 1) Hypothesis Testing Serial Two Mediator Model (The Serial Two Model) Direct Effect of Salary Variables on Factory Employee Performance in Purwakarta Regency

$H_0$  : There is no effect of Salary on the Performance of Factory Employees in Purwakarta Regency

$H_1$  : There is an effect of Salary on Factory Employee Performance in Purwakarta Regency

Based on the output of the SPSS F. Hayes program, the regression coefficient value of Salary Effect on Salary on Factory Employee Performance in Purwakarta Regency is - 0.1330. This means that the relationship between Salary and Factory Employee Performance in Purwakarta Regency is negatively correlated. While the significant value of  $0.00 < 0.05$ , it means that there is an effect of Salary on Factory Employee Performance in Purwakarta Regency but it is negative, meaning that although Salary is negative, Factory Employee Performance in Purwakarta Regency shows a positive thing. This is due to an increase in production in the factory so that the workload of employees increases, on the other hand the salary does not increase.

##### 2) Hypothesis Testing The Serial Two Mediator Model (The Serial Two Model) Indirect Effect of Salary Variables on Factory Employee Performance in Purwakarta Regency with Motivation and Wellbeing Mediation.

##### 2.1) Indirect Effect of Salary on Factory Employee Performance in Purwakarta Regency with Mediation Motivation

$H_0$  : There is no direct influence of Salary on Factory Employee Performance in Purwakarta Regency with Motivation Mediation

$H_1$  : There is a direct influence of Salary on Factory Employee Performance in Purwakarta Regency with Motivation Mediation



The Effect of Salary on Performance of Factory Employees in Purwakarta Regency with the Mediation of Motivation. From the output of the SPSS F. Hayes program, the regression coefficient value is 0.0814 and the confidence interval from the bootstrap results is written BootLLCI (Lower Level for CI) = 0.0005 and BootULCI (Upper Level for CI) = 0.1706, which means the effect value bootstrap not standardized by 0.0814 ranging from 0.0005 to 0.1706. Because zero is not included in the 95% confidence interval range, it can be concluded that there is an indirect effect of Salary on Performance with motivation mediation. So that motivation mediates the effect of salary on the performance of factory employees in Purwakarta Regency.

## **2.2) Indirect Effect of Salary on Performance by Mediation of Factory Employee Motivation in Purwakarta Regency**

H<sub>0</sub> : There is no direct influence of Salary on Performance by Mediation of Factory Employee Motivation in Purwakarta Regency

H<sub>1</sub> : There is a direct influence of Salary on Performance by Mediation of Factory Employee Motivation in Purwakarta Regency

Effect of Salary on Performance with Wellbeing of Factory Employees in Purwakarta Regency. From the output of SPSS F. Hayes, the regression coefficient value is 0.0194 and the confidence interval from the bootstrap results is written BootLLCI (Lower Level for CI) = -0.0004 and BootULCI (Upper Level for CI) = 0.0525, which means the effect value bootstrap non-standard indirect 0.0194 ranged from -0.0004 to 0.0525. Because zero is included in the 95% confidence interval range, it can be concluded that there is no indirect effect of Salary on Performance by Mediation of Factory Employee Wellbeing in Purwakarta Regency. So that Wellbeing does not mediate the Effect of Salary on Factory Employee Performance in Purwakarta Regency.

## **2.3) Indirect Effect of Salary on Performance by Mediation of Motivation and Wellbeing of Factory Employees in Purwakarta Regency**

H<sub>0</sub> : There is no influence of Salary on Performance with Mediation of Motivation and Wellbeing of Factory Employees in Purwakarta Regency

H<sub>1</sub> : There is an effect of Salary on Performance with Mediation of Motivation and Wellbeing of Factory Employees in Purwakarta Regency

The Effect of Salary on Performance by Mediation of Motivation and Employee Wellbeing in Purwakarta Regency. From the output of SPSS F. Hayes, the regression coefficient value is 0.0413 and the confidence interval from the bootstrap results is written BootLLCI (Lower Level for CI) = 0.0026 and BootULCI (Upper Level for CI) = 0.0815, which means the effect value is not The direct non-standardized bootstrap of 0.0413 ranged from 0.0026 to = 0.0815. Because zero is included in the 95% confidence interval range, it can be concluded that there is an indirect effect of Salary on Performance with Mediation of Motivation and Employee Wellbeing in Purwakarta Regency. So that Motivation and Wellbeing mediate the Effect of Salary on Factory Employee Performance in Purwakarta Regency.

## **4.2 DISCUSSION**

### **4.2.1 Hypothesis Testing the Direct Effect of Salary Variables on Factory Employee Performance in Purwakarta Regency**

Based on the output of the SPSS F. Hayes program, the regression coefficient value of Salary on Factory Employee Performance in Purwakarta Regency is -0.1330 which means that the relationship between Salary and Factory Employee Performance in Purwakarta Regency is negatively correlated. While the significant value of 0.00 < 0.05, it means that there is an effect of Salary on the Performance of Factory Employees in Purwakarta Regency.

#### **4.2.2 Discussion of the results of the Serial Two Mediator Model Hypothesis Testing (The Serial Two Model) Mediation Effects of Motivation and Wellbeing on the Effect of Salary on Factory Employee Performance in Purwakarta Regency**

##### **1) Discussion of the results of the Serial Two Mediator Model Hypothesis Testing (The Serial Two Model) The Direct Effect of Salary Variables on Factory Employee Performance in Purwakarta Regency**

Based on the hypothesis test that the relationship between Salary has an effect on Factory Employee Performance in Purwakarta Regency, it is negatively correlated with a significant value of  $0.00 < 0.05$ . The Salary does not increase but the Performance is increasing. This is due to an increase in the burden of the production process so that employees are required to work extra. the previously proposed hypothesis is accepted. The results of this study are in line with research conducted by Idrees that salary, training and motivation have a positive relationship with job performance but salary has a stronger relationship with job performance than training and motivation. This study was conducted at 16 Pakistani Twin Cities Universities with a sample of 310 people using Multiple Regression. The results of the study indicate that this study will guide the top managers of the organization to gain a good understanding of the factors that can improve employee performance which will ultimately increase organizational productivity [9].

##### **2) Discussion of the Hypothesis Test Results of Serial Two Mediator Model (The Serial Two Model) Effect of Motivation and Wellbeing Mediation on the Effect of Salary on Factory Employee Performance in Purwakarta Regency**

##### **2.1) Indirect Effect of Salary on Performance by Mediation of Factory Employee Motivation in Purwakarta Regency**

Successfully tested the hypothesis that Motivation mediates the Effect of Salary on Factory Employee Performance in Purwakarta Regency. This is in line with the research results of Yeti [10] and Candradewi [11] which state that the influence of motivation on employee performance is quite good and motivation partially and positively mediates and is significant on the relationship between Salary and employee performance.

##### **2.2) Indirect Effect of Salary on Factory Employee Performance by Mediation of Factory Employee Wellbeing in Purwakarta Regency**

Successfully tested the hypothesis that Wellbeing does not mediate the Effect of Salary on Factory Employee Performance in Purwakarta Regency. This is in line with research conducted by Tiara, that additional employee income has a positive and significant effect on employee engagement, but has no significant effect on employee performance [12].

##### **2.3 Indirect Effect of Salary on Performance by Mediation of Motivation and Wellbeing of Factory Employees in Purwakarta Regency**

Successfully tested the hypothesis that Motivation and Wellbeing mediate the Effect of Salary on Factory Employee Performance in Purwakarta Regency. These results are in line with Nasution's research (2020) that the test results simultaneously show that motivation, welfare and work spirit have a positive and significant effect on employee performance variables. Partially, motivation has a positive and significant effect on employee performance and welfare has a positive and significant effect on employee performance [13]. However, in this study, it was not found that motivation and welfare together mediate the effect of salary on factory employee performance in Purwakarta Regency. So the results of this research are state of the art or a new research model, namely the Effect of Salary on Employee Performance by mediating Employee Motivation and Welfare.

## **5. CONCLUSION**

5.1 Based on the hypothesis test that the relationship between Salary has an effect on Factory Employee Performance in Purwakarta Regency, it is negatively correlated

5.2 Successfully tested the hypothesis that Motivation mediates the Effect of Salary on Factory Employee Performance in Purwakarta Regency.

- 5.3 Successfully tested the hypothesis that Wellbeing does not mediate the Effect of Salary on Factory Employee Performance in Purwakarta Regency.
- 5.4 Successfully tested the hypothesis that Motivation and Wellbeing mediate the Effect of Salary on Factory Employee Performance in Purwakarta Regency.

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