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The Effect of Employee Costs on Company Performance with Employee Productivity as an Intervening Variable

Ahkmad Kharis Kurniawan[1], Batara Daniel Bagana[2]

[1,2] Department of Management, Faculty of Economics and Business, Universitas Stikubank, Semarang, Indonesia.
Email: ahkmadkharis7001@mhs.unisbank.ac.id[1], batara@edu.unisbank.ac.id[2]

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ABSTRACT
The decline in the organizational performance score (NKO) of PT PLN (Persero) Tanjung Jati B Generation Unit during 2021–2023 indicates that personnel expense allocation may not effectively drive employee productivity. As one of the most significant cost components, personnel expenses—covering compensation, benefits, and other related costs—are expected to enhance motivation, productivity, and ultimately company performance. However, inefficient management may reduce their impact. This study investigates the effect of personnel expenses on company performance with employee productivity as an intervening variable over the 2020–2023 period. Using a census method, 48 data points on personnel expenses were analyzed through Structural Equation Modeling (SEM) with AMOS. The results reveal that compensation-related and other personnel expenses have no significant effect on company performance, while benefit-related expenses exert a positive and significant effect. Employee productivity is found to have a positive and significant impact on company performance. Mediation analysis further indicates that employee productivity weakens the direct influence of compensation-related expenses on productivity and does not mediate the effects of benefit-related and other expenses on company performance. These findings highlight the strategic importance of benefit-related expenses in supporting organizational outcomes, emphasizing the need to optimize compensation and other costs to strengthen productivity.

Keywords: Employee Costs, Company Performance, Employee Productivity.
JEL Code: J33, J24, M12, M54, L25.

I. Introduction

In the business world, a company's success greatly depends on its management's ability to maximize employee productivity and performance. Employee productivity indicates work efficiency and is a key determinant of a company's success in achieving its strategic goals. High employee productivity reflects the effective utilization of human resources to achieve maximum output with minimal input. With firm productivity, a company can operate more efficiently, reduce waste, and enhance its competitiveness in the market (Mochamad et al., 2023). In addition, optimal employee performance also supports the achievement of broader company targets, both financial and non-financial, such as customer satisfaction, innovation, and corporate reputation. Effective management focuses on strategies to drive employee productivity, including

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attention to employee well-being, providing relevant training, and offering appropriate incentives that align with individual and team contributions and performance (Parinsi & Musa, 2023).

Company performance measures the organization's achievement in meeting its predetermined targets, whether in terms of operational efficiency, profitability, or sustainability (Amadea et al., 2024). Company performance can be measured through various financial indicators, one of which is Return on Assets (ROA). Return on Assets (ROA) is a ratio used to assess a company's ability to generate profit from the total assets it utilizes. The higher the ROA value, the more efficiently the company uses its assets to generate earnings, making it a key indicator in evaluating financial performance, particularly in profitability and resource utilization (Veronika & Bagana, 2023). Understanding the strong link between productivity and performance becomes particularly relevant when examining PT PLN (Persero) Unit Tanjung Jati B, a strategic electricity generation unit tasked with ensuring energy supply stability in Indonesia. Despite its vital role, the company faces significant challenges in achieving optimal performance, especially amid the increasing demand for efficiency and sustainable energy. As a state-owned enterprise, its performance is also under scrutiny from the government and the public, making productivity and cost-effectiveness critical areas for continuous improvement. The performance values of PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B from 2020 to 2023 can be seen in the following table:

Table 1. The performance score of PT PLN (Persero) Generation Main Unit Tanjung Jati B from 2020 to 2023.

No	Year	Organizational Performance Score
1.	2020	66,06
2.	2021	105,77
3.	2022	101,92
4.	2023	100,88

Source: PT. PLN (Persero) Unit Tanjung Jati B, 2024

Table 1.1 shows that the Organizational Performance Value (NKO) of PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B has declined over the past three years. In 2020, the performance score was recorded at 66.06; in 2021, it increased to 105.77; but then decreased to 101.92 in 2022, and further declined to 100.88 in 2023. Although the values have shown a downward trend year by year, they are still categorized as "achieved." Several varying-weight indicators determine the Organizational Performance Value (NKO) assessment. The highest weighted indicators include the Equivalent Availability Factor (EAF) and Basic Power Price (BPP), each contributing 20 points. Other indicators, such as the Equivalent Forced Outage Rate (EFOR), Internal Consumption, Specific Fuel Consumption (SFC) for coal, and the PROPER rating, each carry a weight of 10 points. The decline in performance is suspected to be caused by a decrease in productivity, partly related to ineffective cost allocation. As stated by Masniadi & Rizqi, achieving maximum productivity is closely tied to the operational costs incurred by the company to support the running of its business activities. Productivity may decline if the expenditures or funds allocated for certain activities fail to consistently meet the organization's objectives. Syafrizal defines productivity as the ratio between the output achieved and the total resources (input) used (Rodi Syafrizal, 2024).

Labor productivity is the ability to produce more goods and services by efficiently utilizing the available resources (Agung Kurniawan & Budi Priyanto, 2023). Factors influencing employee productivity include skills, work motivation, work environment, leadership, and reward and compensation systems. Therefore, improper cost allocation, such as insufficient investment in employee training and development, can directly impact decreased productivity, lowering the organization's overall performance. In this context, PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B faces challenges managing Employee Costs, including salaries, benefits, training, and various incentives. Personnel costs represent one of the company's most significant expenditure components. These costs should serve as a stimulus to enhance employee motivation and productivity. However, if not managed effectively, they can become a financial burden that may negatively impact the organization's overall performance.

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Employee Costs are all costs incurred by a company to support its staffing needs (Maulida, 2019). These costs include base salaries, allowances, incentives, training and development expenses, health insurance, pension funds, and various other forms of compensation. Employee Costs are a significant component of a company's cost structure, especially for organizations that rely heavily on their workforce for operations. The primary objectives of incurring Employee Costs are to provide fair compensation, ensure employee well-being, and foster a productive work environment (Anggraeni et al., 2020). In this case, at PT PLN (Persero) UIK Tanjung Jati B, Employee Costs are categorized into three sub-costs. The first is Employee Costs in the form of employee compensation, the second is Employee Costs in the form of benefits, and the third is other miscellaneous Employee Costs. Employee Costs in human resource management, also known as compensation, play a vital role in a company's performance. These expenses include various components such as salaries, allowances, training, and other incentives to support employee well-being and develop their competencies (Anggraeni et al., 2020). As a form of compensation, Employee Costs not only fulfill employees' economic needs but also function as a form of appreciation for their contributions to the organization. When Employee Costs are managed effectively and proportionally, companies can create a conducive work environment, increase employee motivation, satisfaction, and loyalty, and promote the efficient achievement of work targets. Motivated employees with strong competencies will positively contribute to company performance regarding productivity, operational efficiency, and the quality of products or services delivered (Yani, 2022). This is in line with research by Fauzan, which shows that compensation has a positive and significant effect on employee performance (Fauzan, 2022). However, this differs from research by Nataliasari, which indicates that compensation does not affect employee performance (Nataliasari et al., 2023).

Employee Costs also play an important role in improving productivity. When Employee Costs are effectively allocated and managed, they can enhance job satisfaction, loyalty, and individual and team performance. Conversely, disproportionate, unfair, or misaligned management of Employee Costs can lead to dissatisfaction, decreased work enthusiasm, and negative impacts on overall productivity. Therefore, balancing the magnitude of Employee Costs with achieving organizational goals is crucial to ensuring optimal employee performance (Maulida, 2019). This aligns with the study by Kartika & Oktarini, which shows that Employee Costs positively and significantly affect labor productivity (Kartika & Oktarini, 2022). However, it differs from the study by Anggraeni, which found that Employee Costs do not fully affect production volume (Anggraeni et al., 2020). Based on the issues described above, this study examines the effect of employee costs on company performance and employee productivity as an intervening variable at PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B.

II. Literature Review and Hypothesis Development

2.1. Company Performance

Ngatno (2020) defines performance as the periodic determination of the effectiveness of operations, organizational units, and employees based on previously established goals, standards, and criteria. This definition emphasizes the evaluative and standards-based dimension, making it relevant for measuring the success of achieving organizational targets. However, its limitation lies in focusing on the assessment process rather than the outcome dimension, which can be compared across organizations. Meanwhile, Partiwi & Herawati (2022) view performance as the achievements attained by an individual or group in carrying out their tasks. This simpler definition focuses on results (output) without highlighting the assessment mechanisms or standards used. This difference shows that the literature views performance from two perspectives: (1) performance as a structured evaluation process (Ngatno) and (2) performance as the outcome (Partiwi & Herawati, 2022). In an organizational context, performance measurement should not be limited to evaluating results but must involve a clear and consistent evaluation system. For example, financial performance measures such as profit margin are often used because they can provide an overview of operational efficiency in generating profit (Reysa et al., 2022). However, this measure has its limitations. Henryanto Wijaya (2020)

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emphasizes that profit margin is influenced by industry capital intensity, meaning that cross-sector comparisons must consider these characteristics to avoid interpretive bias.

2.2. Employee Productivity

Wijaya (2021) defines productivity as the ratio between the output achieved and the total input used, emphasizing the efficiency in utilizing production factors such as labor, time, capital, and raw materials. This definition is holistic and encompasses all input factors. Meanwhile, Agung Kurniawan and Budi Priyanto (2023) focus on productivity as the amount of output an employee produces within a specific period. This definition is more quantitative and individual, without accounting for variations in output quality or non-labor factors. This difference in emphasis indicates that productivity can be analyzed from both macro (organizational) and micro (individual) perspectives. The weakness of the macro approach lies in its potential to overlook the unique contributions of individuals. In contrast, the micro approach risks ignoring systemic factors such as technology or work processes. For this research, it is essential to consider both dimensions so that productivity evaluation reflects actual conditions and is not biased toward a single factor.

2.3. Personnel Costs

Sri Mulyati (2020) defines cost as the cash or cash-equivalent value sacrificed for goods or services expected to provide present or future benefits. Oktariansyah et al. (2022) view cost as the acquisition price incurred to generate revenue. While both definitions are similar, Mulyati highlights the potential temporal benefits, whereas Oktariansyah places greater emphasis on the relationship between cost and revenue. In relation to labor, Suhartini et al. (2020) describe labor as the physical or mental efforts of employees in the production process. Cahyanti and Ati (2021) emphasize labor activities performed for fair wages. This difference in emphasis is significant: Suhartini's definition is functional-technical, whereas Cahyanti & Ati's carries a normative dimension concerning wage fairness. From a cost accounting perspective, personnel costs are employees' compensation for converting raw materials into finished goods (Sri Mulyati, 2020). However, the limitation of this definition lies in its focus on direct labor. In contrast, personnel costs also encompass indirect workers who contribute to the smooth operation of production (e.g., technicians, supervisors). Without considering this broader scope, estimates of labor cost contributions to company performance may become biased or lack comprehensiveness. Measurement of Personnel Compensation Costs Includes:

2.3.1. Compensation

Compensation is direct remuneration that employees receive through base salary or regular allowances. It reflects the company's appreciation for employee contributions in the production process. Compensation indicators in a company include:

a. Base Salary (Pay for Person P1)
   This is the basic remuneration given to employees as compensation for their work. It is the core of the payroll system and is usually paid monthly. The amount is based on job type, skill level, experience, and agreements between employee and employer.
b. Position Allowance (Pay for Position P2)
   This refers to additional compensation based on the position or title held within the organization. It is a financial appreciation for the responsibilities, strategic roles, and specialized expertise required by the position.
c. Individual Performance Incentives
   These are rewards provided to employees based on their performance and achievements. They aim to recognize extra effort, boost productivity, and enhance motivation by offering rewards proportional to accomplishments.

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d. Company Performance Incentives
This refers to bonuses given based on overall company performance. Unlike individual incentives, these focus on collective achievements by the organization, departments, or teams, promoting synergy toward strategic goals.

2.3.2. Benefits

Benefits include various welfare facilities and programs that the company provides beyond direct compensation. Examples include health insurance, retirement programs, paid annual leave, and other welfare benefits supporting employee productivity and loyalty.

2.3.3. Other Personnel Costs

These include additional labor-related expenditures not categorized as compensation or benefits. Examples are training and development programs, uniforms, overtime allowances, and HR administration costs. The following section develops the research hypotheses based on the conceptual framework and the literature review discussed above. This transition ensures a logical connection between prior theoretical discussions and the empirical propositions to be tested.

2.4. Hypothesis Development

2.4.1. The Influence of Personnel Costs in the Form of Compensation on Company Performance

Cost is an economic sacrifice measured in monetary units, incurred or potentially incurred for a specific purpose. According to Sri Mulyati (2020), cost is cash or cash equivalents sacrificed for goods and services that are expected to provide benefits in the present or future. Oktariansyah et al. (2022) state that cost is the acquisition price used in the effort to generate income and is treated as a deduction from revenue. While both definitions align conceptually, Mulyati emphasizes the potential for future benefits, whereas Oktariansyah focuses on the relationship between cost and revenue generation. Expenditures for employee development, such as training and skills enhancement, are also considered long-term investments that improve competitiveness through better work quality and innovation. Properly managed compensation can therefore serve as a strategic lever for improving overall company performance. In line with Poluakan et al. (2019), compensation positively and significantly influences company performance. From a managerial perspective, this highlights the need for firms to design fair, competitive, and performance-linked compensation systems to maximize returns on personnel investments. Based on the above discussion, the following hypothesis is proposed:

H1: Personnel costs in the form of compensation positively affect company performance.

2.4.2. The Influence of Personnel Costs in the Form of Benefits on Company Performance

According to Sri Mulyati (2020), personnel costs in the form of benefits are company expenditures given to employees outside base salary, such as health insurance, pension programs, paid leave, family allowances, and transportation facilities. Although not given directly in cash, these benefits are crucial for improving well-being and loyalty. Adequate benefits foster security and comfort, which enhance motivation, engagement, and job satisfaction, ultimately boosting productivity and reducing turnover. In the broader research context, exploring the role of benefits is vital because they affect individual employee outcomes and shape organizational culture and long-term workforce stability. From a strategic standpoint, investing in benefits can strengthen a company's image as an employer of choice, attracting and retaining top talent. However, if mismanaged, such expenditures may reduce financial efficiency. Therefore, benefit schemes

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should be proportional and aligned with performance objectives. In line with Irawati (2019), personnel costs in the form of benefits positively and significantly impact employee performance. For practitioners, this underscores the value of benefit optimization as a tool for employee retention and operational excellence. Based on the above discussion, the following hypothesis is proposed:

H2: Personnel costs in the form of benefits have a positive effect on company performance.

2.4.3. The Influence of Personnel Costs in the Form of Other Expenditures on Company Performance

Personnel costs in the form of other expenditures refer to company expenses related to labor that are neither direct compensation nor indirect benefits. These include overtime pay, uniform expenses, special incentives, recruitment costs, short-term training, business travel, and HR administrative costs (Sri Mulyati, 2020). Although often perceived as supplementary, they ensure smooth operations and employee comfort. Investigating these expenditures contributes to the literature by extending the scope of personnel cost analysis beyond traditional salary and benefit structures, offering a more holistic understanding of labor-related investments. For example, performance-based incentives and operational reimbursements can motivate employees and expedite task completion, leading to higher productivity. In line with Andriani et al. (2023), other personnel expenditures positively and significantly affect company performance. Based on the above discussion, the following hypothesis is proposed:

H3: Personnel costs in the form of other expenditures positively affect company performance.

2.4.4. The Influence of Employee Productivity on Company Performance

Agung Kurniawan & Budi Priyanto (2023) define productivity as an employee's output within a specific time frame. High productivity indicates efficiency and effectiveness in achieving targets, contributing to competitiveness, customer satisfaction, and profitability (Ika Oktaviana Dewi 2023). In line with Herfieqo & Santoso (2022), productivity positively and significantly affects employee performance. For organizations, maintaining high productivity levels is essential for sustaining market competitiveness and achieving long-term financial goals. Based on the above discussion, the following hypothesis is proposed:

H4: Employee productivity has a positive effect on company performance.

2.4.5. The Influence of Personnel Costs in the Form of Compensation on Company Performance Through Employee Productivity as an Intervening Variable

Personnel costs refer to the compensation the company provides to employees for processing raw materials into finished goods. These costs reflect labor's contribution to the production process and directly affect the cost of goods sold and the company's operational efficiency. Personnel costs in the form of compensation include all direct rewards employees receive, such as base salary, fixed allowances, bonuses, and other incentives (Suhartini et al., 2020). Compensation is a vital element in human resource management, functioning as a key motivational tool to enhance employee performance and loyalty. Fair and competitive compensation can encourage employees to work more productively and effectively, thus increasing productivity. High employee productivity, in turn, directly contributes to improved company performance in terms of work quality, operational efficiency, and achievement of business targets (Oktariansyah et al., 2022).

Employee productivity is an intervening variable, bridging the relationship between compensation and company performance. This means compensation affects company performance directly and through improved employee productivity. In other words, adequate compensation increases employee motivation and productivity, positively impacting company performance. In line with the study by Sridaryono (2019), compensation through the mediation of work productivity indirectly positively affects performance. Based on the explanation above, the following hypothesis is proposed:

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H5: Personnel costs in the form of compensation positively affect company performance through employee productivity.

2.4.6. The Influence of Personnel Costs in the Form of Benefits on Company Performance Through Employee Productivity as an Intervening Variable

Personnel costs in the form of benefits are indirect compensation that the company provides employees, such as health insurance, pension programs, paid leave, welfare facilities, and educational or transportation support. Although not given in cash, these benefits foster a sense of security, job comfort, and employee satisfaction (Oktariansyah et al., 2022). Well-managed employee benefits can increase employee motivation and loyalty and create a work environment that supports productivity. In this context, employee productivity acts as an intervening variable that mediates the relationship between personnel costs in the form of benefits and company performance. This means that the benefits provided by the company influence employee productivity, which in turn impacts the improvement of overall company performance. In line with the research by Andriani et al. (2023), personnel costs in the form of benefits through the mediation of work productivity indirectly have a positive effect on performance. Based on the explanation above, the following hypothesis is proposed:
H6: Personnel costs in the form of benefits affect company performance through employee productivity.

2.4.7. The Influence of Other Personnel Costs on Company Performance Through Employee Productivity as an Intervening Variable

Other personnel costs are company expenses related to labor but not included in direct compensation (such as salary and fixed allowances) or indirect benefits (such as insurance, welfare programs, etc.). These costs may include overtime pay, uniforms, recruitment expenses, short-term technical training, business trips, project-based special incentives, and administrative costs related to personnel management (Oktariansyah et al., 2022). Although diverse and flexible, other personnel costs can significantly improve employee productivity. For example, technical training can enhance job skills; project-based incentives can encourage timely task completion; and overtime pay enables work schedule flexibility in periods of high workload. In this context, employee productivity is an intervening variable that bridges the effect of other personnel costs on company performance. This means that expenditures on other personnel costs do not directly improve company performance, but first increase employee productivity. Productive employees tend to complete tasks more efficiently, generate higher-quality output, and contribute to achieving company targets, all of which are indicators of positive company performance. In line with the study by Andriani et al. (2023), personnel costs in the form of other expenditures through the mediation of work productivity indirectly positively affect performance. Based on the explanation above, the following hypothesis is proposed:

H7: Personnel costs in the form of other expenditures positively affect company performance through employee productivity.

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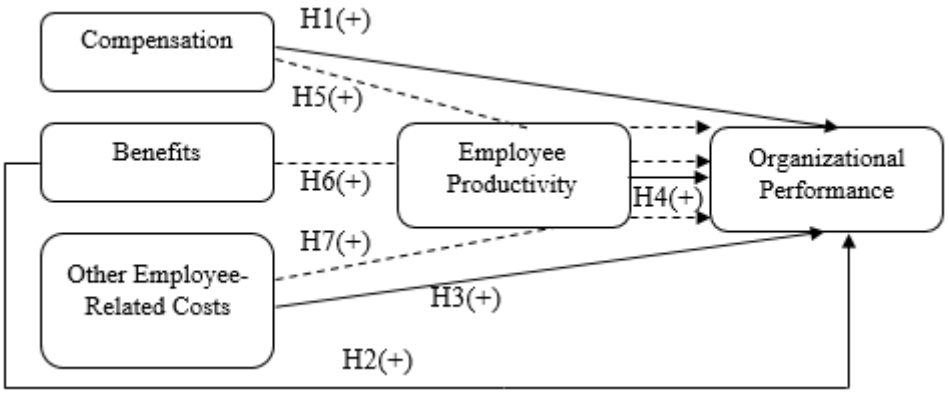

Source: (Herfieqo & Santoso 2022)

Figure 1: Conceptual Framework

III. Research Method

3.1. Research Location

This research was conducted at PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B, located in Sekuping, Tubanan, Kembang District, Jepara Regency, Central Java 59453.

3.2. Population, Sample, and Sampling Technique

The population used in this study consists of all employee cost data from PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B, totaling 48 data points from 2020 to 2023. The sample includes all data on company performance, employee productivity, and employee costs at PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B, totaling 48 data points from 2020 to 2023. The sampling technique used in this study is total sampling. Sugiyono (2021) states that when all population members are used as a sample, it is referred to as a saturated sample or census.

3.3. Data Sources and Collection Techniques

The data used in this research were collected directly by the researcher from PT PLN (Persero) Tanjung Jati B. The data sources are derived from the financial reports and performance reports of PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B for 2020–2023. These data were obtained from the Accounting and Corporate Planning Division of PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B. The data collection technique used is a documentation study. This technique involves collecting data by examining documents, records, or reports related to the studied issues.

3.4. Research Variables

The dependent variable in this research is company performance, while the independent variable is employee costs, and the intervening variable is employee productivity. These variables are selected based on previous studies and their relevance to improving company performance in the power generation sector. This study seeks to expand the literature by examining the mediating role of employee productivity in the relationship between employee costs and company performance, thereby contributing new insights to human resource management in state-owned enterprises within the energy sector. Several conceptual definitions related to the studied variables will be established to facilitate understanding and the development of the theories discussed in this research.

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Table 2. Variable Operational Definition

No	Variable	Conceptual Definition	Dimension	Measurement
1	Company Performance	According to Ngatno (2020), performance is the periodic determination of the effectiveness of operations, parts of the organization, and employees based on pre-established goals, standards, and criteria.	Return on Assets	ROA = (Net Income) / (Total Assets) × 100%
2	Employee Costs	Employee costs refer to the company compensating employees for converting raw materials into finished products (Suhartini et al., 2020).	Compensation	Basic Salary, Performance Incentives, Position Allowance
			Benefits	Paid Leave, Awards, Employment Contribution, Employment Insurance, Vehicle Facilities
			Other Employee Costs	Training Participant Expenses, Coaching
3	Employee Productivity	Wijaya (2021) states that productivity is the ratio between the output achieved and the total resources used (input).	Return on Investment in Human Capital (ROI HC)	ROI HC = (EBIT – Employee Costs) / Employee Costs

3.5. Data Analysis Method

The analytical method employed is a causal model to examine the relationships and influences among variables. Analysis is carried out using Structural Equation Modeling (SEM), which is operated through the AMOS program. SEM was chosen for its ability to analyze complex relationships among variables simultaneously, including direct and indirect effects. Model evaluation will include the assessment of goodness-of-fit indices such as Chi-Square, CFI, GFI, TLI, and RMSEA, as well as testing the assumptions of normality and multicollinearity (Sihombing & Arsani, 2022). This research adheres to research ethics by ensuring the confidentiality of company data and confirming that all data are used solely for academic purposes. Permission to use the data has been obtained from the management of PT PLN (Persero) Unit Induk Pembangkitan Tanjung Jati B.

IV. Results and Discussion

4.1. Analysis Result

In this study, the data used is secondary data, namely data related to employee costs, employee productivity, and company performance at PT PLN (Persero) Generation Master Unit Tanjung Jati B, located in Sekuping, Tubanan, Kembang Sub-district, Jepara Regency, Central Java 59453. The analyzed data consists of 48 points collected from 2020 to 2023 and was obtained from the company's internal documents. Descriptive statistical analysis was conducted on each variable, both the independent variables, namely employee costs (X) and employee productivity (Z), and the dependent variable, namely company performance (Y), at PT PLN (Persero) Generation Master Unit Tanjung Jati B during the period of 2020–2023, as described in Table 3.

Table 3. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Compensation-Based Employee Costs	48	1002,95	4216,18	1532,2271	707,19844
Benefit-Based Employee Costs	48	35,46	2989,73	938,2983	727,16788
Other Employee-Related Costs	48	,00	238,88	55,6956	55,50297
Employee Productivity	48	7,81	433,36	183,4094	112,34123
Company Performance	48	-2,60	3,21	,3500	1,33091
Valid N (listwise)	48				

The SEM modeling process requires the fulfillment of several assumptions in the data processing stage. The following section outlines these assumptions along with the results.

4.1.1. Normality Test

The analysis results from the normality assessment indicate that no values in the critical ratio (C.R.) column fall outside the ±2.58 range. Thus, it can be concluded that the data used in this study meet the normality assumption, meaning the research data are typically distributed. The normality test can be observed in the assessment of normality output, with results presented in the following table:

Table 4. Normality Test of Data

Variables	Min	Max	Skew	C.R.	Kurtosis	C.R.
BKM	35,46	2989,73	1,248	3,531	0,348	0,492
BKL	0	238,88	1,25	3,534	1,105	1,562
BKK	1002,95	4216,18	2,072	5,86	4,49	6,349
PP	7,81	433,36	0,728	2,058	-0,399	-0,565
KP	-2,6	3,21	-0,209	-0,59	-0,112	-0,158
Multivariate					4,312	1,785

Based on Table 4, the results of the univariate normality test indicate that the data are normally distributed, as the critical ratio (C.R.) values for both kurtosis (peakedness) and skewness (asymmetry) fall within the acceptable range of -2.58 to +2.58. Meanwhile, from a multivariate perspective, the data also meet the normality assumption, as the multivariate critical ratio value of 1.785 falls within the range of ±2.58.

4.1.2. Goodness of Fit Model

The Model Goodness of Fit Test is used to assess the extent to which a model can explain the relationships between variables as hypothesized. To conduct the goodness-of-fit test and statistical evaluation, it is necessary to use fit indices and their respective cut-off values, which will be applied in testing the validity of a model. In this study, the goodness of fit and statistical test utilize the GFI (Goodness of Fit Index). GFI is a measure that ranges from 0 (poor fit) to 1.0 (perfect fit). A higher value on this index indicates a better model fit.

Table 5. Goodness of Fit Index

Model	RMR	GFI	AGFI	PGFI
Default model	0,382	1		
Saturated model	0	1		
Independence model	54685,941	0,745	0,618	0,497

Based on the Goodness of Fit Model Test results, the GFI value obtained is 0.745. Since GFI values range from 0 to 1, a value closer to 1 indicates a better model fit. The result shows that the level of model

approximation is still acceptable. Therefore, it can be concluded that the model used in this study meets the model feasibility criteria and is acceptable for further analysis, such as testing the relationships between variables.

4.1.3. Coefficient of determination (R^2)

The coefficient of determination (R^2) obtained from the structural equation model describes the extent of influence given to the dependent variable by the independent variables connected through each influence path. The results are presented as follows:

Table 1. Coefficient of determination

Variables	Estimate
Company Performance	0,241
Employee Productivity	0,422

The calculation results in Table 6 show that, in this model, the Employee Productivity variable influences 42.2% of the Company Performance variable. Meanwhile, Company Performance itself has an estimated influence of 24.1% on the variables involved in the model. This indicates that the proportion of influence given by exogenous variables to endogenous variables in this study is quite significant. In contrast, the remaining influence is attributed to other factors not included in the model.

4.1.4. Direct Effect Analysis

Based on the empirical model proposed in this study, hypothesis testing can be conducted by examining path coefficients in the structural equation model. The results of the hypothesis tests are evaluated by looking at the p-value. If the p-value is less than 0.05, the relationship between the variables is statistically significant. The magnitude of the direct effects is based on the analysis results, which show the estimated values of the direct path coefficients between independent and dependent variables. These results are presented in the following table.

Table 7. Results of Parameter Estimation of Direct Effects Between Variables Based on the SEM Model

	Estimate	S.E.	C.R.	P
KP <-- BKK	0,000	0,000	-0,485	0,627
KP <-- BKM	0,001	0,000	4,388	***
KP <-- BKL	-0,001	0,003	-0,332	0,740
KP <-- PP	0,007	0,002	4,497	***

Based on Table 7, it can be seen whether the influence is significant or not, as indicated by the p-value. The level of significance used is $\alpha = 0.05$. If the p-value is less than 0.05, the hypothesis is accepted. Also, the hypothesis is considered accepted if the CR (Critical Ratio) value is ≥ 1.968.

1. Hypothesis 1 Testing: Employee compensation costs do not affect company performance. The hypothesis test using a structural equation model approach in AMOS 24 resulted in a direct path coefficient between compensation costs and company performance with a CR value (<1.968) of -0.485 and a probability value of 0.627 (>0.05). This indicates that higher or lower compensation costs do not significantly improve company performance.
2. Hypothesis 2 Testing: Employee benefits costs positively and significantly affect company performance. The hypothesis test using a structural equation model approach in AMOS 24 resulted

in a direct path coefficient between employee benefit costs and company performance with a CR value (>1.968) of 4.388 and a probability value of 0.000 (<0.05). This indicates that higher employee benefit costs can improve company performance.

3. Hypothesis 3 Testing: Other employee-related costs do not affect company performance. The hypothesis test using a structural equation model approach in AMOS 24 resulted in a direct path coefficient between other employee-related costs and company performance with a CR value (<1.968) of -0.332 and a probability value of 0.740 (>0.05). This indicates that higher or lower other employee-related costs do not significantly improve company performance.
4. Hypothesis 4 Testing: Employee productivity directly and significantly affects company performance. The hypothesis test using a structural equation model approach in AMOS 24 resulted in a direct path coefficient between employee productivity and company performance with a CR value (>1.968) of 4.497 and a probability value of 0.000 (<0.05). This indicates that employee productivity significantly affects company performance.

4.1.5. Indirect Effect Analysis

The purpose of indirect effect analysis is to determine the extent of the contribution of the independent variables to the dependent variable through the intervening variable. In this case, the variables related to employee costs (compensation, benefits, and others) are analyzed in terms of their influence on employee productivity through the intervening variable. Based on the path estimation results, the value of the indirect effect is calculated from the product of the path coefficient from the independent variable to the intervening variable and from the intervening variable to the dependent variable. The results of this analysis are presented in the table.

Table 8. Total Effect Value

No	Path of Influence	Direct Effect	Indirect Effect	Total Effect	Conclusion
1	X1-Z (Employee Compensation Cost → Employee Productivity)	-0.064	-0.217	-0.280	Able to intervene
2	X2-Z (Employee Benefit Cost → Employee Productivity)	0.564	-0.104	0.461	Unable to intervene
3	X3-Z (Other Employee Costs → Employee Productivity)	-0.038	-0.031	-0.069	Unable to intervene

Based on Table 8, the total effect of Employee Compensation Costs on Employee Productivity is -0.280, consisting of a direct effect of -0.064 and an indirect effect of -0.217. Since the indirect effect is greater than the direct effect, but both are negative, it can be concluded that employee productivity can act as a mediating variable, but weakens the direct effect of employee compensation costs on employee productivity. Furthermore, the total effect of Employee Benefit Costs on Employee Productivity is 0.461, with a direct effect of 0.564 and an indirect effect of -0.104. Because the direct effect is more dominant and the indirect effect is adverse, it can be concluded that employee productivity cannot mediate; instead, it tends to weaken the direct effect of employee benefit costs on employee productivity. Meanwhile, the total effect of Other Employee Costs on Employee Productivity is -0.069, with a direct effect of -0.038 and an indirect effect of -0.031. Since the direct effect is greater than the indirect effect and both are negative, employee productivity cannot mediate the influence of other employee costs on employee productivity, and it tends to have a weakening nature.

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4.2. Discussion

4.2.1. Effect of Employee Compensation Costs on Company Performance

Employee compensation costs do not affect company performance. Hypothesis testing using structural equation modeling (AMOS 24) produced a direct effect path coefficient of –0.485, with a critical ratio CR < 1.968 and p = 0.627 (> 0.05). This suggests that whether compensation costs are high or low does not lead to improvements in company performance. This finding is consistent with Nataliasari et al. (2023), who also reported no significant impact of compensation on employee performance. Possible explanations include a mismatch between compensation and job demands, insufficient motivational value, or employees' greater importance on non-financial aspects such as long-term benefits, non-monetary facilities, or the work environment. Furthermore, financial compensation may be perceived as a routine corporate obligation, failing to stimulate extra-role behavior. Therefore, management at PLN Tanjung Jati B should consider alternative, higher-impact strategies such as competency development, strengthening work culture, and offering additional benefits tailored to employee needs.

4.2.2. Effect of Employee Benefit Costs on Company Performance

Unlike compensation, employee benefit costs positively and significantly affect company performance. Hypothesis testing yielded a direct path coefficient of 4.388, with CR > 1.968 and p = 0.000 (< 0.05), indicating that increasing expenditures on employee benefits can enhance company performance. Consistent with Sri Mulyati (2020), employee benefits include non-salary expenditures such as health insurance, pension programs, paid leave, family allowances, transportation facilities, and other welfare provisions. At PLN Tanjung Jati B, these benefits are key in providing security and comfort, especially for technical and high-risk work. Health facilities, welfare programs, and social security help boost motivation, engagement, and job satisfaction, while reducing absenteeism and turnover. This supports Irawati (2019), who emphasized that employee benefits contribute to operational stability and internal efficiency.

4.2.3. Effect of Other Employee-Related Costs on Company Performance

The findings also show that other employee-related costs do not significantly impact company performance. Hypothesis testing produced a direct path coefficient of –0.332, with CR < 1.968 and p = 0.740 (> 0.05). These costs include short-term training, seminars, uniforms, and social events, which are not strategically directed toward supporting productivity or competency development. At PT PLN (Persero) Tanjung Jati B, this may be because such expenditures are not strategically aimed at supporting productivity or competency development. Consequently, the company should evaluate the effectiveness of these costs to ensure alignment with performance improvement and operational efficiency goals. Consider that many expenses may be routine or administrative; while necessary, they may not contribute directly to KPIs. Without structured planning and impact measurement, such budgets may become fixed costs without meaningful added value, consistent with (Anggraeni et al., 2020).

4.2.4. Effect of Employee Productivity on Company Performance

Employee productivity has a direct and significant effect on company performance. Structural equation modeling using AMOS 24 yielded a direct path coefficient 4.497, with CR > 1.968 and p = 0.000 (< 0.05). This indicates that higher employee productivity positively affects company performance. This finding reinforces Herfieqo & Santoso (2022), who identified productivity as a key driver in achieving organizational goals. At PLN Tanjung Jati B, productive employees complete tasks accurately, efficiently, and on time, thus driving overall target achievement. Consequently, employee-related expenditures should be strategically

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directed toward improving capacity and capability through training programs, performance-based incentives, and practical work management.

4.2.5. Effect of Employee Compensation Costs on Company Performance with Employee Productivity as an Intervening Variable

Based on the total effect, the impact of compensation costs on employee productivity is –0.280, comprising a direct effect of –0.064 and an indirect effect of –0.217. Since the indirect effect (through productivity) is larger than the direct effect and both are negative, it indicates that productivity serves as a mediator but further weakens the relationship between compensation and productivity. Compensation costs, including base salary, allowances, and direct incentives, have adverse direct effects on company performance and negatively affect productivity, further undermining performance. In PT PLN (Persero) Tanjung Jati B, this reflects an ineffective compensation system that fails to boost motivation or productivity. Contributing factors may include misalignment with employee expectations, lack of transparency, or perceived unfairness. Thus, a comprehensive review of compensation policy is needed, including performance-based incentives, measurable reward schemes, and objective appraisal systems. By doing so, compensation becomes a strategic tool that enhances productivity and organizational performance in line with Herfieqo and Santoso (2022).

4.2.6. Effect of Employee Benefit Costs on Company Performance with Employee Productivity as an Intervening Variable

The total effect of benefits on productivity is 0.461, with a direct effect of 0.564 and an indirect effect of –0.104. Since the direct positive effect is dominant and the indirect effect is adverse, it suggests that productivity does not mediate and even slightly weakens the direct effects of benefits on productivity. This means benefit components like health insurance, pensions, leave, and welfare can directly improve company performance, but not via productivity gains. These benefits offer passive support (e.g., security, welfare) but do not directly affect day-to-day performance. At PT PLN (Persero) Tanjung Jati B, although employees appreciate the benefits, no concrete mechanism linking them to productivity improvements. Hence, it is necessary to strengthen productivity's role as a bridge through training, productive reward systems, and performance monitoring to ensure employee benefits effectively contribute to performance. This aligns with (Oktariansyah et al., 2022) and (Andriani et al., 2023), which note that benefits alone, without productivity linkage, result in limited effects.

4.2.7. Effect of Other Employee Costs on Company Performance with Employee Productivity as an Intervening Variable

The total effect of other-related costs via productivity is –0.069, with a direct effect of –0.038 and an indirect effect of –0.031, both negative, and the direct effect is slightly larger. Thus, employee productivity does not mediate these costs; they tend to weaken performance. Other-related costs, such as overtime pay, uniforms, recruitment, short-term technical training, travel, project-based incentives, and administrative expenses, do not significantly contribute to performance directly or indirectly. In PT PLN (Persero) Tanjung Jati B, this is likely due to their administrative orientation and lack of synergy with HR strategy. These costs remain ineffective since productivity is too low to channel any positive effect. To change this, the company should evaluate its nature and targets, investing instead in need-based training, relevant technical skill development, and fostering a productive work culture. Such efforts may help transform these incidental costs into practical performance-support tools consistent with (Poluakan et al., 2019).

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V. Conclusion

This study reveals that only employee benefits positively and significantly affect company performance among the analyzed three categories of employee costs. In contrast, compensation and other employee-related costs show no statistically meaningful impact. Furthermore, employee productivity has a significant direct influence on performance and serves as a mediating variable. However, under certain conditions, productivity can weaken rather than strengthen the effect of compensation and benefits on performance. These findings emphasize that the effectiveness of employee expenditures depends not only on the budget size but also on the type of spending and its ability to stimulate productivity. Based on these results, the study offers practical guidance for companies, particularly in the electricity generation sector, to prioritize benefit-related expenditures as a strategic means of enhancing performance, while critically reassessing the effectiveness of allocations for compensation and other costs. From an academic perspective, this research enriches the literature by filling a gap in understanding the distinct effects of specific components of employee costs on company performance. It also clarifies the mediating role of productivity, an aspect often overlooked in previous studies. Nevertheless, this study acknowledges certain limitations, such as its reliance on secondary data, potential measurement bias, and its focus on a specific industry, which may limit the generalizability of the findings. Future research should examine these relationships across various sectors, adopt longitudinal or cross-industry comparative approaches, and incorporate emerging factors such as technological adoption and evolving labor market dynamics. Such efforts are expected to produce a more comprehensive framework for understanding how different forms of employee investment influence organizational performance over time.

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