

# Employee Engagement and Motivation as Mediators between the Linkage of Reward with Employee Performance

Siswanto SISWANTO<sup>1</sup>, Zahrotul MAULIDIYAH<sup>2</sup>, Masyhuri MASYHURI<sup>3</sup>

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## Abstract

This study analyzes the impact of the reward variable on employees' performance through work motivation and employee engagement. This study's specific purpose is to investigate employee engagement's mediating role in the relationship between reward and employee performance. The sample of research is the employee at Sukorejo, Pasuruan Indonesia. The sample is permanent employees at manufacture corporate. The sample size is 150 employees of the total 759 workers through the calculation of the Slovin formula. Respondents in this study were employees with the criteria for having worked for at least last five years. The data obtained is in the form of answers from employees to the statements submitted. The data analysis was used structural equation modeling partial least square. To test the relationship between variables, it was equipped with a Sobel mediation test of statistics. SmartPLS 3.0 is used to help analyze the relationship between variables. The result shows that the reward does not have a direct influence on the performance of employees. However, it has a significant positive effect on the performance of employees through employee engagement. While working motivation variable does not have the role as a mediation variable related to the effect of reward on employee performance.

**Keywords:** Employee Engagement, Employee Performance, Reward, Work Motivation

**JEL Classification Code:** D13, I31, J22, K31

## 1. Introduction

Companies, both industrial, trading, and services, operate in order to achieve their set goals. In their development process, the companies come across challenges and obstacles. One of the challenges that the companies face is how to improve employee performance. Performance is work performance or work result, quality, and quantity achieved by human resources during a period when they carry out their specific

roles and responsibilities (Mangkunegara, 2011). Capable workers support good performance of a company, therefore employees' performance has a significant role for the company to obtain its objectives because good performance will result in better output of the company. With good work conditions, an employee can complete all the workloads in the company. It will upgrade the effectiveness and efficiency of work, which in turn will benefit the company. The low level of employee performance can harm the company, such as laziness to work, lack of work performance, and employee discipline. This condition is not the only condition for good performance the company, but it is necessary to pay attention to how the working conditions fulfill the company's work demands and rules. A higher quality of corporation performance, corporate action is influenced by meeting the factors such as the needs and wants of employees, one of them rewards.

Giving rewards is an important factor as it motivates employees' to work with full energy and they pay attention to the rules. Their performance will increase when they the company rewards them with all they deserve (Bilal & Naintara, 2011). This statement is similar to the study by Kokubun (2018) Prabu and Wijayanti (2016) that reward has a significant and positive effect on employees' performance. Pramesti et al. (2019) stated that reward influences the

<sup>1</sup>First Author and Corresponding Author. [1] Faculty of Economics, State Islamic University of Maulana Malik Ibrahim, Malang, Indonesia [2] Lecturer, Faculty of Economics, State Islamic University of Maulana Malik Ibrahim, Malang, Indonesia [Postal Address: Jl. Gajayana No.50, Dinoyo, Lowokwaru, Malang, East Java 65144, Indonesia] Email: siswanto@pbs.uin-malang.ac.id

<sup>2</sup>Faculty of Economics, State Islamic University of Maulana Malik Ibrahim, Malang, Indonesia

<sup>3</sup>[1]Faculty of Economics, State Islamic University of Maulana Malik Ibrahim, Malang, Indonesia [2] Faculty of Economics and Business, Islamic University of Malang, Indonesia

performance of employees and has a positive correlation. It means that there is a deep relationship between the reward and the performance of employees. Hence, when more rewards are given to employees, the company is able to obtain more sales, and their performance multiplies.

Giving rewards is an important thing to push and motivate workers to perform optimally at their workplace. The work searched by the company depend on the skill, motivation, and individual support received. Mathis & Jackson, (2001) revealed that motivation is an excellent desire of someone that makes him/her to perform actions. A person sometimes does something to gain his/her target. Several aspects affect work motivation, such as certain sense while working, getting a fair and competitive salary, pleasant work environment, rewards for work performance, and fair treatment from management (Veithzal, 2004). This statement is similar to the study of Karami et al. (2013), Pradnyani et al. (2020) that rewards have positive and significant effects on motivation.

Work motivation will have a significant effect on company operation. Hence, when the level of work motivation is high, the company will expect the employees to work better to increase productivity. Their motivation is closely related to the performance it will produce. Motivation can trigger employees to work harder to influence the company in achieving its goals (Veithzal, 2004). It is in line with research conducted by Amalia & Fakhri, (2016), Astuti et al. (2020), Pancasila et al. (2020), Rahsel, (2016) stated that motivation has a positive and significant effect on the performance of employees.

Furthermore, employee engagement is one way to make employees have high loyalty (Hermawan et al., 2020), who stated that it makes workers have high loyalty, reducing the desire to voluntarily leave the company. Employees who have high engagement tend to have good performance because they have positive feelings and do not make their work a burden (Muliawan et al., 2017). Hariandja, (2002) revealed that one of the factors that support the success of employee engagement is compensation or rewards. Compensation is a form of reward or rewards given to employees in return for their contributions. Research conducted by Kurniawan & Nurtjahjanti, (2017) said that compensation or reward significantly affects employee engagement. Agusta (2019), Muliawan et al. (2017), Saleh et al. (2020) stated that there was a significant influence between employee engagement and employee performance.

The study conducted by Aktar et al. (2012) stated that reward has progressive and significant effects on employee performance. However, Susanto (2016) found that reward does not have a significant influence. This study showed that a reward system is not the factor in improving the performance of employees. It is because the company is unable to use the reward system as motivation for workers. One of the reasons is that the amount of rewards provided is insignificant so that the impact can be opposite to the efforts to increase productivity. Another factor is that the reward is

not immediately given to employees who should receive an award for their performance results.

Suak et al. (2017) said that reward does not have a significant direct effect on employee performance of Sutanraja Hotel Amurang. The hotel operations, has commenced just a year ago so there is still much to be evaluated in the management to give rewards, especially financial rewards, which are mostly aimed at employees who highlight their work performance. So overall significant rewards are not shared with all employees. Due to the inconsistency of the research results above, Suak et al., (2017) provided suggestions for future researchers to add other variables that have an influence on employee performance and conduct research in other institutions in the hope that they can be used as a comparison and get results which can be generalized. Based on the suggestions, in this study, the researchers insert variables of work motivation and employee engagement as reward mediation variables for employee performance, hoping that this study's results can be generalized and compared with other studies.

## 2. Literature Review

### 2.1. Employee Engagement

Employee engagement is often understood as a psychological or affective state that builds performance or attitudes (Macey et al., 2011). It was first defined by Ibrar & Khan, (2015) as an effort by members of an organization to bind themselves to their works. People will engage and express themselves physically, cognitively, and emotionally while they are doing their job. This condition makes workers contribute more and makes them have high loyalty, thereby reducing the desire to leave the company voluntarily (Macey et al., 2011). Put simply, workers who are not involved are less likely to leave their jobs. If an employee is not emotionally committed to their job, there is a high probability that they will leave it and will choose a job that offers them high remuneration or more flexible working condition (Haid & Sims, 2009).

### 2.2. Employee Performance

Performance is the result or overall success rate of a person during a specific period in carrying out a task compared to various possibilities, such as work standards, targets, or criteria (Robbin & Judge, 2006). Meanwhile, according to Sedarmayanti, (2011) performance is an interpretation of performance, which means that the work done by the worker, the management and organization as a whole, must show concrete evidence that can be measured by predetermined standards. Soedarso, (2018) stated that there are seven performance indicators, including the following: objectives, standards, feedback, tools or means, competence, motivation, and opportunities.

### 2.3. Reward

According to Handoko (2000), the reward is a form of business appreciation to get a professional workforce follow their position's demands. Balanced coaching is needed, namely an effort to plan, organize, use, and maintain labor to carry out tasks effectively and efficiently. Nawawi (2018) stated that the reward is an effort to foster recognition in the workplace, which touches on compensation and the relationship between workers.

### 2.4. Work Motivation

Mathis & Jackson, (2006) explained that motivation is a desire in a person that causes the person to act. People usually act for a reason to achieve a goal. Uno, (2008) divided motivation into two definitions, conceptually and operationally. The conceptual definition of work motivation is one of the factors that determine a person's performance. The influence of motivation on a person's performance depends on how much motivation intensity is given. Meanwhile, according to Mangkunegara (2011), motivation is a mental condition that encourages a person to achieve maximum achievement. Motivation refers to the drive and effort to satisfy a need or a goal (Hasibuan & Hasibuan, 2016).

## 3. Hypothesis Development

### 3.1. Reward and Employee Engagement

Research on employee engagement rewards is fulfilling employee needs consisting of retirement, vacation, health care, other benefits, and flexibility, which ultimately leads to increased employee engagement (Widodo, 2014). There is an explanation that in the reward system scheme with pay for position pattern (30%), pay for people (20%), and pay for performance (50%). Heavy weighting of performance-based payments is based on increasing employee productivity in achieving targets. The proportions that are arranged have a positive influence on employees. Furthermore, Agusta, (2019) stated that there were differences in work engagement levels before and after implementing the reward system above. Ibrar and Khan (2015) stated that reward management affects one's performance by recognizing and rewarding good performance and providing incentives for improvement. The purpose of the reward system (is expected to have a positive impact on the expected performance improvement systematically. Besides, Saleh et al. (2020) found that the study results directly influenced reward and work engagement. Furthermore, (Sun & Bunchapattanasakda, 2019) explains that the focus of work engagement consists of cognition, involvement, and includes emotions and Behavior. Therefore we arrive on the following hypothesis:

*H1: Reward significantly affects employee engagement.*

### 3.2. Reward and Work Motivation

The reward dimension implies that work motivation is perceived with enthusiasm and persistence at work (Karami et al., 2013). Research conducted by Muliani et al., (2017) stated a significant relationship between reward and employee performance. In research conducted by Jayanti & Rasmini, (2013), it is explained that there are motivational factors in planting in a company. The reward itself is the result of hard work driven by motivation in achieving a goal. Therefore, employees who receive awards for their achievements can directly increase their work motivation. So, there is a positive relationship between reward and work motivation. The research of Karami et al. (2013), Kim & Kim (2020), Zia ur Rehman et al., 2010) found that reward affects work motivation. The results of the same study were also conducted by (Pradnyani et al., 2020). Thus:

*H2: Reward significantly affects work motivation.*

### 3.3. Reward and Employee Performance

The reward given by the leader to employees can improve employee performance has been studied by researchers. Kokubun (2018) showed that reward has a significant relationship with employee performance. Prabu and Wijayanti (2016) stated that reward has a significant and positive effect on employee performance. Pramesti et al. (2019) stated that rewards affect employee performance and have a positive correlation, meaning that there is a strong relationship between rewards and employee performance. The greater the rewards are given to employees, the greater the company's sales, and the employee's performance will increase. Aktar et al. (2012) found that rewards have a positive and significant effect on employee performance. Besides, the results of research from (Widodo, 2014) state that transactional rewards, namely wages and rewards, are financial and are needed to recruit and retain staff because the provision of adequate wages and rewards will be able to ensure employees meet their physiological needs and a sense of security which are the basic human needs. If basic needs are met, it will encourage employees to concentrate more on their work and they will have plenty of time to express themselves physically, cognitively, and emotionally while working, so they do not worry anymore about how to find additional income to meet their basic needs or think about finding a new workplace. Thus:

*H3: Reward significantly affects employee performance.*

### 3.4. Work Motivation and Employee Performance

Previous researchers have tested the effect of work motivation on employee performance. Luthfi (2014) argued

that to achieve goals, companies must be able to increase employee motivation. Motivating employees can have an impact on the achievement of company goals. Employees who have high work motivation will have optimal work results to achieve what is targeted. Furthermore, the thing that encourages employees' motivation is that there are needs that must be met. Employees who are motivated to meet their needs will work harder, which impacts the resulting performance more optimally. Previous research has been conducted by Amalia and Fakhri (2016), Astuti et al. (2020), Larasati and Gilang (2014), Li et al. (2014), Pancasila et al. (2020), Rahsel (2016), Rita et al. (2018), Sutrischastini and Riyanto (2015), Wang and Chen (2020), Zhang et al. (2016) confirm that work motivation affects employee performance. Thus:

*H4: Work Motivation significantly affects employee performance.*

### 3.5. Employee Engagement and Employee Performance

Employee engagement makes employees have higher loyalty, reducing the desire to voluntarily leave the company (Hermawan et al., 2020). Besides, employee engagement is a commitment or motivation that refers to a psychological condition in which employees feel that they are interested in the company's success and perform tasks with high standards that exceed the assigned requirements (Handoyo, 2017). In other words, employee engagement makes employees feel comfortable, calm, and happy at work. Companies need to pay attention to employee engagement in order to improve employee performance. Several researchers found that employee engagement affects employee performance (Kim & Kim, 2020). The same results were also found by Hermawan et al. (2020), and Wang and Chen, (2020). Thus:

*H5: Employee Engagement significantly affects employee performance.*

### 3.6. Work Motivation Mediates the Influence of Reward on Employee Performance

Work motivation is mediated in the relationship between reward and employee performance. Motivation is a link in doing his job. Various stressors can be an excuse for employees so that they are not motivated at work. In research conducted by Susiani (2017) states that reward has a positive and significant and indirect effect on performance through motivation. It can be interpreted that motivation can mediate between the effect of reward on performance. The research results are also supported by research conducted by (Muliani et al., 2017). Thus:

*H6: Work motivation mediates the influence of reward on employee performance.*

### 3.7. Employee Engagement Mediates the Influence of Reward on Employee Performance

Appropriate reward or compensation will have a positive effect on employee performance. The existence of rewards in the form of bonuses, gifts, and allowances will also positively impact employees. There are several purposes for giving awards or compensation, among others, as a partnership between the company and employees to increase employee morale and motivation as a company strategy to retain quality employees (Ardy, 2018). Research results from (Memon et al., 2020) found that employee engagement significantly affects employee engagement and is a mediation variable between reward and employee performance. Widodo (2014) also supports the results of this study. Thus:

*H7: Work engagement mediates the influence of reward on employee performance.*

## 4. Research Methods

The object of research is the employee at MPS (Cigarette Production Partner) Sukorejo, Pasuruan Indonesia. The sample consists of permanent employees at a manufacture corporation. The sample size is 150 employees of the total 759 workers through the calculation of the Slovin formula. Respondents in this study were employees with the criteria for working at least the last for five years.

### 4.1. Data Collection

Primary data is used for the study. Data is directly obtained from respondents through offline mode. The measuring instrument of this research is a questionnaire. The data obtained is in the form of answers from employees to the statements submitted. The questionnaire contains demographic questions and structured questions. The data analysis was used structural equation modeling partial least square. To test the relationship between variables, and was equipped with a Sobel mediation test of statistics. SmartPLS 3.0 is used to help analyze the relationship between variables.

### 4.2. Measurement

Employee engagement (Z1) is measured by employee engagement dimensions developed by Ologbo and Sofian (2013). Employee performance (Y) is calculated using the individual performance dimensions developed by Widodo



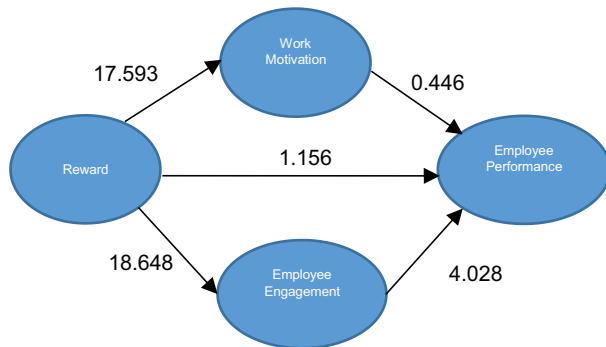
(2015). Reward (X) is measured using the 11 item reward dimensions developed by (Kadarisman, 2012). Work motivation (Z2) was measured using a motivation dimension with nine items (Sedarmayanti, 2011). All item measurements used a five-point Likert scale (from 1 = “Strongly Disagree” to 5 = “Strongly Agree”).

**Table 1:** Reliability Result Test

	Cronbach's Alpha	Explanation
Reward	0.922	Reliable
Employee Performance	0.904	Reliable
Work Motivation	0.948	Reliable
Employee Engagement	0.942	Reliable

**Table 2:** R Square Results

	R Square
Employee Performance	0.422
Work Motivation	0.540
Employee Engagement	0.507



**Figure 1:** Research Model

## 5. Results

This study consisted of 150 respondents who were employees of a manufacturing company. 34 respondents were aged between 20–30 years old (16%), 94 aged 31–40 years (62.7%), and 32 aged 41–50 years old (21.3%). Respondents who had a work experience of 5–10 years were 10 (6.7%), 10–15 years were 65 (43.3%), more than 15 years were 75 individuals (50.0%). Respondents with elementary education were 39 (26%), junior high school was 87 (58%), and senior high school was 24 (16%).

Based on the results of the data analysis, the average value of the reward variable is 4.41. It can be said that the reward system that has been running is sound. Meanwhile, the average value of the work motivation variable is 4.37. It can be concluded that the work motivation of each employee is reasonable. Besides, the work engagement variable has an average value of 4.33. This condition illustrates that the employee’s attachment to the MPS is suitable. Furthermore, the average value of the employee performance variable was 4.32. The result indicates that the performance of the MPS Partner’s employees is good.

Based on the calculation result above, it is obtained that all indicators used in this study are valid because they have a loading factor value > 0.70 (Hair Jr et al., 2019). Furthermore, Cronbach’s alpha value is over 0.70, so it can be concluded that all latent variables have good reliability.

The inner model is tested in table 2, which can be seen in the R square ( $R^2$ ) value of the dependent variable. The latent variable work motivation is explained by the indicator of the reward variable by 54%. Meanwhile, the remaining 46% is explained by other variables that were not tested in this study. Besides, the  $R^2$  value of the latent work engagement variable is 50.7%. The point illustrates that the work engagement variable is explained by the latent reward variable, while other variables outside the model explained 49.3%.

Furthermore, the  $R^2$  value of the latent employee performance variable is 42.2%. The result indicates that the employee performance variable can be explained by reward, work motivation, and work engagement. Meanwhile, 57.8% was explained by variables outside this study.

**Table 4:** Path Coefficients (Mean, STDEV, T-Values)

	Original Sample	Sample Mean	Standard Deviation	T-Statistic	P-Value	Result
Reward → Employee Performance	0.120	0.112	0.104	1.156	0.248	Rejected
Reward → Work Motivation	0.735	0.736	0.042	17.597	0.000	Accepted
Reward → Employee engagement	0.712	0.716	0.038	18.648	0.000	Accepted
Work Motivation → Employee Performance	0.060	0.071	0.135	0.446	0.656	Rejected
Employee engagement → Performance	0.509	0.511	0.126	4.028	0.000	Accepted

Furthermore, testing is conducted to see the significance value of each effect of the independent variable on the dependent variable to test the hypothesis that has been proposed. The significant test used has a probability value of 5%, and if the *t*-statistic value is more significant than 1.96.

## 6. Discussion

### 6.1. Reward and Employee Engagement

Based on the *t*-test using PLS in Figure 1 and Table 3, it can be seen that reward has a significant positive effect on employee engagement with a coefficient value of 0.712 and is significant with a *t*-statistic value of 18,648 greater than *t*-table 1.96. Hypothesis 1 is accepted, which states that reward has a significant positive effect on employee engagement. This study's results are in line with the research results from Agusta (2019), Saleh, et al. (2020) and Widodo (2014), which emphasized that reward has a significant effect on employee engagement. The same result was also found by Ibrar and Khan (2015), which states that reward management affects one's performance by recognizing and rewarding good performance and providing incentives for improvement. The purpose of the reward system is expected to have a positive impact on the expected performance improvement systematically.

### 6.2. Reward and Work Motivation

Based on the *t*-test using PLS in Figure 1 and Table 3, it can be seen that reward has a significant effect on work motivation with a coefficient value of 0.735 and is significant with a *t*-statistic value of 17,597, which is greater than 1.96. Hypothesis 2 is accepted, which states that reward has a significant effect on work motivation. This study's results are in line with the research results by Jayanti and Rasmini (2013), Karami et al. (2013), Muliani et al. (2017), who show that reward has a significant effect on work motivation. The same result was also found by Pradnyani et al. (2020). This study illustrates that if the rewards (salaries, wages, incentives, allowances, interpersonal rewards, and promotions) given to employees are right, work motivation increases.

### 6.3. Reward and Employee Performance

Based on the *t*-test using PLS in Figure 1 and Table 3, it can be seen that reward has no significant effect on employee performance with a coefficient value of 0.120 and not significant with a *t*-statistic value of 1.156, which is smaller than 1.96. Hypothesis 3 is rejected, which states that reward has a significant effect on work motivation. This study's results are inconsistent with the research results

of Kokubun (2018), Pramesti et al. (2019). However, this study's results are in line with the findings of Wasiati (2018) where reward does not have a significant effect on employee performance. The relationship between reward and employee performance still has a research gap to be still developed for further researchers. Rewards (salary, wages, incentives, allowances, interpersonal rewards, and promotions) do not affect employee performance. This is because according to the employee's view, getting rewards is not the main goal at work but aims to seek work experience and build relationships with others and to improve the performance of MPS Sukorejo employees is not only to get rewards but to establish good relationship with leaders and subordinates, job satisfaction and other factors.

### 6.4. Work Motivation and Employee Performance

Based on the *t*-test using PLS in Figure 1 and Table 3, it can be seen that work motivation has no significant effect on employee performance with a coefficient value of 0.060 and not significant with a *t*-statistic value of 0.446, which is smaller than 1.96. Hypothesis 4 is rejected, which states that work motivation has a significant effect on work motivation. The results of this study are inconsistent with the results of the research. However, this study's results are in line with the results found by Yatipai et al. (2015), where the motivation for existence does not significantly affect employee performance. The relationship between reward and employee performance still has a research gap to be still developed for further researchers. Work motivation (salary, supervision, policy and administration, work relationships, working conditions, the job itself, opportunities for advancement, recognition or appreciation, success, and responsibility) have no significant effect on employee performance. This condition is because employees already have the right work motivation without any intervention from the company. Employees already have the right work motivation through a conducive work environment, leadership that can provide direction, and promotions that make employee performance increase sustainably.

### 6.5. Employee Engagement and Employee Performance

Based on the *t*-test using PLS in Figure 1 and Table 3, it can be seen that work engagement has a significant effect on employee performance with a coefficient value of 0.509 and is significant with a *t*-statistic value of 4.028, which is greater than 1.96. Hypothesis 5 is accepted, which states that work motivation has a significant effect on employee performance. This study's results are in line with the results of research (Handoyo, 2017; Hermawan et al., 2020; Kim & Kim, 2020; Wang & Chen, 2020). Based on the theory of employee engagement from Macey et al., (2011), people will

engage and express themselves physically, cognitively, and emotionally while they are doing their job. This condition makes workers contribute more and makes them have high loyalty, reducing the desire to leave the company voluntarily.

### 6.6. Work Motivation Mediates the Influence of Reward on Employee Performance

Based on the calculations using the Sobel test (www.danielsoper.com), the Sobel test statistic value is 0.44430118 smaller than 1.96, with a significance of 0.05. So it can be concluded that work motivation is not a mediating variable between reward and employee performance. Thus, Hypothesis 6, which states that the work motivation variable mediates the effect of reward on employee performance, is rejected. The results of the study are in line with research from (Leonu et al., 2017). This is evidenced by the test results, which show that to improve performance, the presence of work motivation variables does not significantly improve performance through rewards for employees of Pasuruan manufacturing company. The researchers had also interviewed one of the company employees who said that there was no promotion if someone wanted to be a production foreman by submitting himself.

### 6.7. Employee Engagement Mediates the Influence of Reward on Employee Performance

Based on the calculations using the Sobel test (www.danielsoper.com), the Sobel test statistic value is 3.94894406, more significant than 1.96, with a significance of 0.05. So it can be concluded that work engagement is a mediating variable between reward and employee performance. Thus, Hypothesis 7, which states that the work engagement variable mediates the effect of reward on employee performance, is accepted. The results of this study are in line with research from Ardy (2018), Memon et al. (2020), and Widodo (2014). The sturdy can occur because rewards can increase employee work engagement, and employees can improve their performance through work engagement. So that the existence of work engagement in the reward relationship can improve employee performance. The research results are also in line with Basalamah et al. (2019), which showed that employee engagement could mediate the relationship between reward and employee performance. The provision of appropriate rewards in the form of correct timing of payment of salaries, bonuses, wages, incentives, allowances will have an impact on employee engagement, the commitment of employees to provide the best for the company, which will have an impact on improving employee performance in Pasuruan manufacturing company.

## 7. Conclusion and Suggestion

The study concluded that the reward variable had a positive effect on work motivation and employee engagement. However, the reward variable does not directly affect employee performance. Work motivation also does not affect employee performance. Work motivation does not have a role as a mediation variable related to the effect of reward on employee performance. Meanwhile, the employee engagement variable has a role as a mediation variable that links the effect of reward on employee performance. Researchers provide suggestions that companies provide rewards, following employee expectations. Besides, companies should pay attention to employee tenure as an assessment or consideration in providing wages and promotion to employees. Some employees feel that the implementation of promotion and payment of wages following the working period has not been carried out correctly. The working period is one of the considerations in carrying out promotion, and giving of wages will make employees stay at the company because they feel appreciated for the service period that has been served. Future research needs to investigate other perspectives of reward and its relationship with work motivation and employee performance. Because in this study, it is proven that the provision of rewards cannot directly improve employee performance.

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