The Effect of Financial Compensation and Flexibility of Working Hours on Telecommuting Employee Performance

Melva Hermayanty Saragih, Mettalia Tania, Lidya Kartika Idris, Yovan Prajnajaya

Abstract: *The 4.0 industrial revolution in business changed the way of working, including changes in the work patterns of employees, who had to work at office to work at home using the internet, called as telecommuting employees. The purpose of this study is to determine the effect of financial compensation and flexibility of working hours provided by e-commerce companies on the performance of their telecommuters. In this quantitative study, it was released that the financial compensation variable based on the T test had a coefficient of 0.126 and Sig. 0.195, which means there is no influence between financial compensation and telecommuting employee performance. As for the second independent variable, the flexibility of working hours based on the T test has a coefficient of 0.607 with Sig. 0,000, which means that employee flexibility is very influential in employee performance.*

Keywords: *Financial Compensation, Flexibility of working hours, Telecommuting Employee Performance.*

I. INTRODUCTION

Lately the development of e-commerce business in Indonesia is very rapid. The presence of digital technology in business that can be accessed from anywhere has resulted in changes in employee work systems.

Melva Hermayanty Saragih*, Professor of BINUS Business School, Department of Management Program at Binus-Bina Nusantara University, Jakarta, Indonesia.

Mettalia Tania, Research Scholar, of BINUS Business School, Department of Management Program at Bina Nusantara University, Jakarta, Indonesia.

Lidya Kartika Idris, is a student of BINUS Business School, Department of Management Program at Bina Nusantara University, Jakarta, Indonesia.

Yovan Prajnajaya, is a student of BINUS Business School, Department of Management Program at Bina Nusantara University, Jakarta, Indonesia.

The term telecommuting employees also known as telework, virtual work, off-site work, or flexible workplace also appears to refer to employees who work without having to be in the office. They can complete targets and important projects from anywhere, including at home. Flexible working hours also become the needs of employees of this type, because they are not bound by the office hours of the company. However, the issue remains to be questioned whether the performance of commuting employees will be the same as other general employees or could be even better.

Employee performance according to Mangkunegara and Anwar [1] is an influence between work results in terms of quality and quantity obtained by an employee in carrying out their duties in accordance with the responsibilities given to him. If the company has good employee performance, it certainly can improve company performance.

Likewise, if all human resources in a company operate effectively, the company will run effectively. In other words the survival of a company is determined based on the performance of its employees [2].

This study attempts to reveal the performance of commuting employees, whether influenced by flexibility of working hours or not, and whether also influenced by financial compensation. Since according to Larkin et.al, compensation is a critical component of organizational strategy, influencing firm performance by motivating employee effort and by attracting and retaining high ability employees [3]. Research conducted at a developing e-commerce start-up company in Indonesia which has employees work on commuting. This company has a tendency of declining in employee performance, based on the real OLA (Operational Level Agreement) provided by the company. From the pre-reset has been done the declining in employee performance was predicted by financial compensation and flexibility of working hours. There are some important terms in this study.

II. REVIEW LITERATURE

A. Human Resource Management

Management is a process in perfecting activities efficiently and effectively carried out with others (Luthans et al) [4]. According to Stanton et al [5] management is a step to carry out work in groups to help companies achieve their vision and mission and complete it efficiently and effectively. Human resources are the most important asset in a company organization.

Management of human resources is also distinguished from machines, buildings, and other office equipment. From various decades, many studies mention that there is a positive relationship between human resource management and performance [6]. This shows that the human resources management in a corporate is very important.

Telecommuting

Telecommuting also known as telework involves work arrangements in which an employee performs officially assigned duties at home or other worksites geographically convenient to the residence of the employee. Telework is a formal, information technology mediated, fully functional work setting, and is, therefore, distinct from simply "taking work home." In the literature, telework may also be called telecommuting, virtual office, remote work, or similar terms, and the terms should be considered interchangeable [7].

Financial Compensation

One way to maintain the potential of human resources to provide optimal output is compensation [8]. Some studies relates the compensation and its impact had already been conducted [9] [10] [11].

According to Kadarisman [12] the definition of financial compensation is that it can be given directly based on the income a person gets in the form of salary, wages, bonuses, or commissions. However, indirect financial compensation can be in the form of benefits, which includes all financial rewards that are not covered by Lenni [13]. This is also confirmed by the other researchers [9] [14].

Work Hours Flexibility

The understanding of the flexibility of working hours is a system of applying flexible work arrangements, when employees are given orders to carry out tasks and responsibilities within a certain total time with greater flexibility or to work less than specified working hours by Hook and Higgs [15] [16][17][18].

Employee Performance

Understanding of employee performance is one of the achievements and quality work results in quality or quantity that have been obtained by employees during carrying out responsibilities in the tasks and jobs that have been submitted to employees according to Lenni [13][19]

This study has 3 related variables. Two Variable Independent, Variable X_1 Financial Compensation and Variable X_2 Work Hours Flexibility. The Dependent Variable is Variable Y Employee Performance. Therefore, based on the research framework, the hypothesis is formulated as:

Hypothesis 1: There is an effect of financial compensation (X_1) on telecommuting employee performance (Y).

Hypothesis 2: There is an influence of flexibility of working hours (X_2) on telecommuting employee performance (Y).

Hypothesis 3: There is an effect of financial compensation (X1) and flexibility of working hours (X_2) on telecommuting employee performance (Y).

III. METODOLOGI

Object of research. According to Kothari [20] the object of research is an attribute, nature or value of a person over an object or an activity that has certain variables that are determined to be studied and conclusions drawn. This research takes an e-commerce start-up company that is currently developing in Indonesia as the object of research. Established in 2015 and already has 4 brands.

Data Types and Sources. Types and sources of data used in this study are quantitative research types with secondary data analysis. This method is called quantitative method because the research data in the form of numbers and analysis using statistics [21]. Some of the data in this study are sourced from annual attendance of existing brand.

Data collection technique is carried out by the method:

a. Literature review. Literature study is used to obtain information relating to this research as a theoretical foundation obtained from books, journals and articles on the internet.

b. Survey. Data collection by giving several questions or written statements to the respondents. According to Ghauri et al [22], survey research methods are studies that take samples from the population and use a questionnaire as a primary data collection tool.

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. Therefore the population is not only people, but also objects and other natural objects. Population is not just the amount that exists on the object or subject studied, but also includes all the characteristics or properties possessed by the subject or object. The population in this study are the commuting employees of the startup company. While the sample is part of the number and characteristics possessed by the population. The sampling technique in this study is Non-Probability Sampling in the form of non-random sampling and using the Quota Sampling technique because the number of samples is limited to 64 employees which constitutes the majority of all total commuting employees in the company. The number of respondents in this study were 64 people. The limited number of samples makes researchers maximize the number of respondents who can be taken as samples.

Table 1 Operational Variable

Variable	Definition	Dimension	Indicator	Source
X_1) Financial Compensation **(FC)**	It is a form of remuneration in the form of material provided by the company to employees in a fair manner.	Salary	-Salary is in accordance with the Government UMR - Salary is not as expected	Leonardo [23]

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		The benefit	The benefits obtained are appropriate.	
		Incentive	Direct rewards if there are predetermined work standards.	
(X₂) Flexibility of working hours **(FWH)**	Is one form of practice flexible work arrangements, where professionals are directed to work with a certain number of hours with greater flexibility or not work as much as the working hours set in the office	Time Flexibility	Flexible work schedule schedules allow workers to change the start and end times of workdays.	Hook dan Higgs [15]
		Timing Flexibilty	Making time more flexible	
		Place Flexibility	A flexible workplace allows workers to change their location anywhere.	
(Y) Telecommuting Employee performance **(EP)**	Employee Performance is the actual achievement of employees compared to the achievements expected by the organization	Quality of Work	The neatness of the work	Leonardo [23]
			Accuracy of work results	
		Job Quantity	The total work completed in accordance with the tasks that have been given.	
		Execution of Tasks	In carrying out the work carried out individually	
		Responsible	In carrying out the work responsible with commitment	

Ragin research's [21] variables are anything in the form of what is determined by researchers to be studied so as to obtain information about it. The variables in this study are determined based on theoretical basis, namely discipline, work environment and employee performance. Operationally the variables are formed based on some previous results as shown in Table 1.

IV. ANALYSIS RESULTS

There are five steps analysis carried out in this research, namely descriptive statistics, instrument test (validity and reliability test), classic assumption test (normality test, autocorrelation test, multicollinearity test, heteroscedasticity test) and multiple regression analysis (*R*-Square test, *R*-square test, *F* and *t*-test) Overall, data processing and analysis was carried out with the help of SPSS Version 22.

A. Instrument Test

Validity test. Used to measure the validity of the questionnaire. The test is done using Pearson correlation, namely by calculating the correlation between the values obtained from the questions made. The model is valid if the *r*-count is greater than the *r*-table and the value of *r* is positive. Based on the results of the analysis, all questions or statements of the independent and dependent variables are valid because they have an output result of 0,000, which means it can be concluded that the indicators in this study can be considered valid and can be used as a measurement variable.

Reliability Test. Reliability is a term used to indicate the extent to which the measurement results are relatively consistent, accurate, and are the predictability of a measuring instrument. If Cronbach's coefficient Alpha ≥ 0.60, the statement in the questionnaire is feasible (construct reliable) according as shown Table 2

Table 2 Result Coefficient Cronbach Alpha

Variable	Cronbach Alpha	Decision
FC	0.747	Reliable
FWH	0.845	Reliable
EP	0.809	Reliable

Based on the reliability test table with the explanation of EP: Employee Performance, and FWH is Work Hours Flexibility. Based on the reliability test table for the 3 variables can be said to be reliable based on the value of Cronbach's Alpha> 0.60. In other word there is internal consistency in these statements so that they can form the construct of each of these variables.

B. Classic Assumption Test

Normality test refers to the form of data distribution for individual metric variables and their correspondence to the normal distribution, a benchmark for statistical methods. If the variation from the normal distribution is large enough, all the statistical tests that are generated are invalid, because normality is needed to use the F and t statistics. Test normality with respondents greater than 50 using Kolmogorov-Smirnov.

Whereas if the data is smaller than 50 using Shapiro-Wilk [24]. Researchers used the test results from Kolmogorov-Smirnov because the respondents numbered as many as 64 people. Then it can be concluded that all variables are declared normal distribution because each sig value on all variables is greater than α

Table 3 Test normality

	Unstandardized Residual
Asymp. Sig. (2-tailed)	0.541

Based on the results of the normality test 0.541> 0.05 as shown Table 3, the data are normally distributed and *Ho* is accepted, thus the normality assumption is fulfilled so that the test can proceed.

Multicollinearity Test is a test of the extent to which a variable can be explained by other variables in the analysis. The simplest and clearest way to identify collinearity is to examine the correlation matrix for independent variables. Collinearity may be caused by the combined effect of two or more other independent variables (called multicollinearity). To assess multicollinearity, we need a measure that states the extent to which each independent variable is explained by a set of other independent variables.
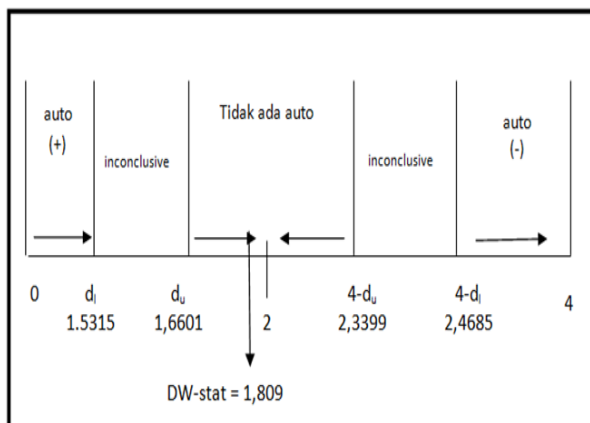
Simply put, each independent variable becomes the dependent variable and experiences a regression with the other independent variables [24].

Table 4 Result of Multicollinearity Test

Variable	VIF	Decision
FC	1.560	Ho Accepted
FWH	1.560	Ho Accepted

Based on Table 3 and Table 4. with the EP explanation: Employee Performance, and FWH are Work Hours Flexibility. Based on Table 4.12 and Table 4.13 above with coefficients it can be seen that the Financial Compensation variable the value of VIF = 1.560. This means that the VIF value is less than 10 (1,560 <10), so there is no symptom of multicollinearity. Then in the flexibility of working hours variable the value of VIF = 1.560. This means that the VIF value is less than 10 (1,560 <10), so there is no symptom of multicollinearity. Based on these data, it can be concluded that in all independent variables (Financial Compensation and Work Hours Flexibility) there are no symptoms of multicollinearity.

Autocorrelation test is intended to find out whether in the multiple linear regression model there is a correlation between confounding errors in period t and errors in period t-1 (previous). If a correlation occurs, an autocorrelation problem is identified. Good regression is a regression that does not occur Autocorrelation in it. To detect autocorrelation can be done with the Durbin Watson test [24], which result can be shown on Figure 1.

dL : 1.5315, dU: 1.6601

Figure 1 Result of Autocorrelation Test

With a total sample of 64 and a number of independent variables of 2, the magnitude of dL is 1.5315 and dU is 1.6601. Figure 1 shows that the model proposed in this study has a DWstat value of 1.809, meaning that it is in an area where there is no auto. Therefore it can be concluded that the model in this study is free from autocorrelation symptoms.

Multiple Regression Analysis

The coefficient of determination test aims to see the discriminant weight. The linear combination of two (or more) independent variables that will distinguish the best between objects. The coefficient of determination is a measure that looks at the value of the variation of the dependent variable explained by the independent variable. Or it can also be explained as, this coefficient of determination is used to measure how far the independent variables are in explaining the dependent variable. The coefficient of determination is determined by the value of R Square.

Goodness of fit model shown by the Adj R-squared produces a coefficient of 0.46 = 46% which means the behavior or variation of the independent variables (Financial Compensation and Flexibility of Working Hours) is able to explain the behavior or variations of the dependent variable (Performance Employees) of 46% and the remaining 54% are behaviors or variations of other independent variables that affect the dependent variable but are not included in the model.

F test

The researcher also conducted a simultaneous significance test on each of the Independent variables (Financial Compensation and Work Hours Flexibility) on the dependent variable (Employee Performance). The purpose of the research is to find out whether or not the influence of two independent variables on the dependent variable. In the simultaneous significant test, the F test, an independent variable affects a dependent variable, if the Sig. count is greater than 0.05 then Ho is accepted, but if Sig. Calculate less than 0.05 then Ho is rejected.

In the *F* test in this study contained in Table 4.6 where the results obtained indicate the value of Sig. 0,000 <0.05 this shows that it is proven that there is at least one independent variable that has an influence on the dependent variable (Employee Performance). Partial Test (*t*-Test)

The study also conducted a partial test on each independent variable on the dependent variable. This test intends to find out whether or not there is a partial influence of independent variables on the dependent variable. In the partial significance test that is the T test, an independent variable affects a dependent variable, if the Sig. smaller than the value of B .

Table 5 Result of T-Test

Variable	Coefficient	Sig.
(Constant)	1.192	0.005
FC	0.126	0.195
FWH	0.607	0.000

Table T Test on Table 5 shows that the Sig. For FC 0.126 <0.195. It indicates that financial compensation does not significantly influence employee performance.

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In addition the results obtained indicate the value of Sig. For FWH 0.607 <0.000 this shows that the flexibility of working hours significantly influence employee performance as shown regression Eq. (1) and Eq (2).

$$Y = \beta_o + \beta_1 X1 + \beta_2 X2 + e \qquad (1)$$

$X = 1,192 + 0.125$ FC $+ 0.607$ FWH $+ e$ Description (2)

where

Y = Employee performance
X_1 = financial compensation
X_2 = Flexibility of working hours

V. RESULT & RECOMMENDATION

Based on the results this study it reveal that:

1. There is not a significant effect of Financial Compensation on Telecommuting Employee Performance in the company, because it coefficient values 0.126, smaller than the Sig. 0.195.
2. For the effect of Working Hours Flexibility on Telecommuting Employee Performance in the company, it found that there is a significant effect between both them by coefficient values of 0.607, greater from the Sig. 0,000.
3. But based on the coefficient of determination test it is explained that 46% of the variables of Financial Compensation and Flexibility of Working Hours simultaneously influence the Telecommuting Employee Performance, but the remaining 54% is influenced by other variables.
4. Result is also found that the significance value or p value is 0,000 which means it is less than 0.05 or 5%, thus together Financial Compensation and Flexibility of Working Hours have a significant effect on Telecommuting Employee Performance. Based on this, Financial Compensation and Flexibility of Working Hours together have a significant influence on Telecommuting Employee Performance can be received.
5. Based on the results of a comprehensive analysis with a partial test or t test, there was indeed no strong influence found between financial compensation on the performance of commuting employees, but for working hours flexibility on the performance of commuting employees, a strong and significant effect was found.

Recommendation

1. Since the results of the study indicate that the flexibility of working hours has a very significant effect on employee performance, this variable needs more attention from the company. The flexible working hours that companies provide to employees must be maintained, because this is also the impact of the industrial revolution 4.0 which is currently sweeping the world where the impact of advancing science and technology has changed the way people work and relate to one another. The work system with flexible working hours gives employees the freedom to carry out activities, both personal, family, etc. This suggestion is in accordance with the results of previous studies conducted by Perce et al [25] which says that flexible working hours will provide different levels of performance. Therefore companies need to maintain a flexible system of working hours so that the level of flexibility of employees in working to improve and this encourages increased performance.
2. The freedom to choose working hours is appropriate to be applied for employees in Indonesia at this time where the demand for a balance of life between work and personal life is a need that needs to be met. Indeed, not many companies have done it. But eventually Indonesia will lead to this. The results of research conducted by Sadida et al [26] states that with the commuting work system, this can reduce work stress and increase productivity and job satisfaction. In addition to the commuting work system, the group of commuting employees showed a significantly higher level of work engagement compared to the centralized group of employees
3. The choice of flexible working hours should be more directed, meaning that it must have specific hours so that employees are more organized, such as one week must have 40 hours of work, or 8 working hours a day, but are free to choose working hours (for example 12.00 - 20.00). This suggestion is supported by the Law of Government No. 13 of 2003 concerning Manpower, all types of work the maximum duration is 8 hours per day or 40 hours in one week. To be more directed and employees can complete their tasks and responsibilities in accordance with specified deadlines.
4. Further research is suggested to add variables with other influencing factors such as work environment, leadership style, or work motivation.

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AUTHORS PROFILE

Melva Hermayanty Saragih, is currently a lecturer at BINUS Business School, Management Program at Binus-Bina Nusantara University, Jakarta, Indonesia. She obtained her Master of Business Administration in 2012 from Southern Taiwan University of Science and Technology, Tainan, Taiwan. Her bachelor degree from the Department of Public Administration, Gadjah Mada University (UGM), Yogyakarta, Indonesia, in 1999. Her research interests include information system, social network, consumer behaviour, and human resource management. Some of the journals and proceedings that have been written include; The Impact of Social Relationship on E-WOM Intention in Social Networking Sites (SNS) in Indonesia, Sentiment Analysis of Customer Engagement on Social Media in Online Transport, The Analysis of CDMS by Indonesian Millennials.

Mettalia Tania, is a student of BINUS Business School, Management Program at Bina Nusantara University, Jakarta, Indonesia. Her research is about human resources and employee performance.

Lidya Kartika Idris, is a student of BINUS Business School, Management Program at Bina Nusantara University, Jakarta, Indonesia. Her research is about human resources and employee performance.

Yovan Prajnajaya, is a student of BINUS Business School, Management Program at Bina Nusantara University, Jakarta, Indonesia. His research is about human resources and employee performance.

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