



JABM

**AFFILIATION:**

¹ Accounting Study Program,
Faculty of Economics, State
University of Medan

***CORRESPONDENCE:**

nurulkhalidaritonga@gmail.com
nurulqomariah0805@gmail.com

CITATION:

Ritonga, N.K., Kamariyah, N.,
(2025). The Influence of
Remuneration on Employee Ethics
in the Work Environment, *Journal
of Asian Business and Management*,
Vol 1 (1), 79-86.

ARTICLE PROCESS**Received:**

Nov 14, 2024

Revised:

Jan 2, 2025

Accepted:

Jan 3, 2025



This work is licensed under a Creative
Commons Attribution-Non-Commercial-No-
Derivatives 4.0 International license.

Article Type: Research Paper

The Influence of Remuneration on Employee Ethics in the Work Environment

Nurul Khalida Ritonga*, Nurul Kamariyah

Abstract:

This study aims to analyze the effect of remuneration on employee ethics in the work environment. Using quantitative methods, this study involved 30 respondents who were selected purposively. Data collection was carried out through an online questionnaire/google form, which was then analyzed using SPSS. The results of the analysis showed that remuneration had a significant effect on employee ethics, with a regression coefficient value of 0.729 and a significance level of 0.000. As much as 53.2% of the variation in employee ethics can be explained by remuneration, as shown in the regression model which has an R-Square value of 0.532. In addition, the Cronbach's Alpha value of 0.836 indicates that the research instrument has very good reliability. This study concludes that adequate remuneration can improve employee ethical behavior, such as honesty, responsibility, and compliance with rules. Recommendations are given to organizations to develop a fair remuneration system as part of a strategy to strengthen an ethical and productive work culture

.Keywords: Remuneration, Employee Ethics, Work Environment

Introduction

Employee ethics are a fundamental pillar in building a sustainable organization. The existence of strong ethics not only reflects the company's values, but also has a significant impact on various aspects of the organization, including reputation, productivity, and employee relations. This study aims to explore the importance of employee ethics, especially about remuneration, and to identify differences in previous research results to emphasize the urgency of this study. Employees who uphold ethics play a crucial role in shaping a positive company image. The importance of ethics in the work environment includes: Increasing public trust: Research shows that consumers tend to choose products or services from companies that have a good ethical reputation (Brown & Dacin, 1999).

Encourage productivity: An ethical work environment can increase employee motivation and encourage them to achieve better performance (Trevino & Nelson, 2007); Strengthen employee relationships: Strong ethics create positive social bonds among employees, thereby increasing collaboration and reducing conflict (Victor & Cullen, 1988).



Source: Depositphotos

Figure 1. Correlation graph between corporate ethical reputation and consumer trust

Fair and transparent remuneration is often considered one of the main factors in attracting and retaining talented employees. However, the relationship between remuneration and ethics is more complex than just providing high compensation. Previous research shows that employees who feel treated fairly in terms of remuneration tend to be more loyal and have a higher commitment to the company. Then, a well-designed incentive system can encourage ethical employee behavior. However, if the incentive system emphasizes too much on short-term results, this can trigger unethical behavior. Previous research on employee ethics has produced mixed findings. Some studies focus more on the impact of ethics on company performance, while others examine the relationship between ethics and job satisfaction. Based on the author's experience while working part-time in several places. Some employees appear to be unethical and when asked the reason is because the salary at their workplace is not that big so they have to take the trouble to be ethical. While some of the others remain ethical even though they work in a place that does not provide high remuneration. Due to this background, the author conducted this study entitled *The Influence of Remuneration on Employee Professional Ethics in the Work Environment*.

Literature Study

Research on the relationship between remuneration and employee professional ethics has long been a concern for academics. Initially, researchers focused more on the theory of justice proposed by Adams (1965), which highlighted the importance of employee perceptions of fairness in reward. If employees feel treated unfairly, they tend to commit unethical acts. Over time, research has become more complex by considering the perspective of agency theory which looks at the relationship between company owners and employees. Jensen and Meckling (1976), for example, argue that conflicts of interest

between the two can trigger unethical behavior if the remuneration system is not designed properly.

Remuneration

According to KBBI (Big Indonesian Dictionary): Remuneration is the provision of rewards or awards, usually in the form of salary or payment for a person's work results. This term is often used to refer to compensation given to workers or employees for contributions and services that have been provided.

According to Suprianto (Surahman, 2019) remuneration is given to employees based on their performance assessment. According to Kusnaedi (Amin, 2017), Remuneration is a work reward obtained in the form of salary, honorarium, fixed allowance, incentives, bonuses for performance, severance pay, or pension. Mochammad Surya (2011) Remuneration has the meaning of something received by employees as compensation for the contribution they have given to the organization where they work. Remuneration has a broader meaning than salary because it includes all rewards, both in the form of money and goods, both given directly and indirectly, and both routine and non-routine, direct rewards consist of salary/wages, position allowances, special allowances, bonuses that are linked or not linked to performance and various types of assistance consisting of facilities, health, pension funds, salaries, leave, disaster relief. Kusnaedi (2009) defines remuneration as a reward or remuneration given by the company to the workforce as a result of the achievements they have given to achieve the company's goals. So, it can be concluded that remuneration is a reward or compensation from the company to employees for their efforts and performance, both in financial and non-financial forms, the purpose of which is to improve the welfare of the employees. Article 4 according to the Director's Decree Number: 188/ /KPTS/01.3/2011 explains the definition of remuneration. The article has 9 paragraphs, including paragraph (1) The remuneration system is a wage system that includes salary, incentives, honorariums, overtime pay, meal money, merit or bonuses, allowances and pensions; paragraph (2) Salary is a basic wage sourced from the government for civil servants, the amount of which is in accordance with applicable laws and regulations and is sourced from the operational costs of the Hospital for PPKBLUD Non-PNS employees; paragraph (3) Incentives are additional income for employees, the amount of which can change according to the performance of the employee concerned; paragraph (4) Honorarium is wages for the board of supervisors, legal consultants, security consultants and other consultants who are not organic employees and employees with certain positions in accordance with laws and regulations; (5) Merit or bonus is additional employee income determined based on the remaining results of the hospital's business, in accordance with applicable provisions, or set aside from service fees, the amount of which is determined in the remuneration system; Article (6) Overtime pay is compensation for employees who work beyond working hours in accordance with applicable regulations and laws; Article (7) Meal money is compensation for employees who work according to attendance; Article (8) Allowances are compensation provided by the East Java Provincial Government to officials in the hospital environment; Article (9) Retirement salary is the provision of salary after the employee's active period ends.

So, Remuneration is a reward given by the company to employees as an appreciation for their contribution and performance. Broader than just salary, remuneration includes allowances, bonuses, incentives, pensions, and other compensation, both financial and non-financial. The goal is to improve employee welfare and motivate them to continue to perform well, thereby helping the organization achieve its goals.

Definition of Ethics

Ethics comes from the Greek word "ethos," meaning character, habit, or custom. In the context of philosophy, ethics refers to the study of morality, which is the principles that govern a person's behavior in determining what is right or wrong. According to Bertens (2000), ethics is a critical reflection on the values and norms that guide human behavior. Workplace ethics is a set of moral standards used to regulate employee behavior in a professional work environment. Good work ethics include personal responsibility, loyalty to the company, commitment to duty, and the ability to work together with colleagues ethically and professionally. As explained by Robbins and Judge (2013), workplace ethics serve as guidelines in daily interactions and help create a harmonious work environment. In the context of an organization, workplace ethics plays an important role in maintaining a company's reputation, strengthening public trust, and increasing productivity. According to Nawawi (2006), companies that successfully implement a strong ethical culture will be able to encourage responsible, transparent, and fair behavior among employees, which in turn increases employee efficiency and loyalty.

The Influence of Remuneration on Employee Ethics

The provision of fair and appropriate remuneration is expected to influence employee ethical behavior in the workplace. Social exchange theory (Blau, 1964) suggests that the relationship between employees and organizations is reciprocal, where employees who feel appreciated through appropriate remuneration will be more motivated to demonstrate positive ethical behavior, such as honesty and responsibility. Kusnaedi (2009) stated that adequate remuneration can increase employee loyalty and productivity, as well as encourage the creation of better work ethics in the organizational environment. According to research by Milkovich and Newman (2005), remuneration also plays an important role in building an ethical work culture. Employees who feel rewarded according to their contributions tend to be more motivated to comply with organizational rules and ethics.

Research Methods

This study uses a quantitative method with a survey approach. This study aims to determine the effect of remuneration on employee ethics in the workplace by collecting data from respondents through questionnaires distributed online using Google Forms. The research sample is people who have worked or are currently working. A Likert scale is used for the measurement scale where 1. strongly agree 2. agree 3. disagree 4. strongly disagree. Data collection was carried out for a week so that 30 respondents were obtained. The data collected were then analyzed using statistical software, namely SPSS. Data analysis techniques use correlation analysis and regression analysis, to test the research hypothesis where:

H1 = Remuneration affects employee ethics in the workplace

H2 = Remuneration does not affect employee ethics in the workplace

Results And Discussion

Respondent Data

Table 1. Respondent Data

| Variables | Category | Frequency | Percentage |
|-------------------|----------|-----------|------------|
| Gender | Man | 5 | 17% |
| | Woman | 25 | 83% |
| Employment Status | Man | 3 | 73% |
| | Woman | 27 | 27% |

Source: processed data October 2024

Table 2. Descriptive Data Table for Age and Salary (in Rupiah)

| Statistics | Age (Years) | Salary (Rp) |
|--------------------|-------------|-------------|
| Mean | 21, 93 | 1,250,000 |
| Median | 21 | 1,500,000 |
| Mode | 21 | 500,000 |
| Standard deviation | 2.59 | 947,435 |
| Minimum | 18 | 300,000 |
| Maximum | 30 | 3,500,000 |
| Range | 12 | 3,200,000 |
| count | 30 | 30 |

Source: processed data October 2024

Based on descriptive data analysis, the majority of respondents have aged around 21 years with an average age of 21.93 years, which indicates the age group is mature young. Respondents' salaries varied quite significantly, with an average salary of 1,250,000 Rupiah, and a range of wages between 300,000 to 3,500,000 Rupiah. The salary mode is 500,000 Rupiah, indicating that many respondents obtained a salary in that range. In addition, the variation age and salary are quite large, with a standard deviation age of 2.59 years and salary amounting to 947,435 Rupiah, reflecting the diversity present in this sample. The questions distributed via Google Forms are related to respondents' opinions regarding the influence of remuneration on employee professional ethics in the work environment with a measurement method or scale using a Likert scale from 1 = strongly agree to 4 = strongly disagree.

This table shows the number of cases (respondents) used in the analysis. In this case, all 30 cases were valid and used in the calculation. Reliability.

Cronbach's Alpha is a measure of general internal reliability. Cronbach's Alpha values range from between 0 and 1. The higher the Alpha value, the higher the reliability of the instruments. The value that is generally considered acceptable is 0.7 or higher. In this case, the Cronbach's Alpha value is 0.836, which indicates very good reliability. This means that the items on the scale measurement (remuneration and ethics) employees) each other relate to good and measure the same concept. Scale Mean if Item Deleted shows the average score overall scale if one item is removed. The corrected Item-Total Correlation values for both variables (remuneration and ethics) employees) is 0.729. This value is quite high, indicating that each item has a good relationship with the total score scale. This means that every question or statement is on a scale. The measure same concept as well. Cronbach's Alpha values are not specifically given. For each item, if the value Overall Cronbach's Alpha is quite high (for example, above 0.7), then it can be concluded that scale your measurements have good reliability.

Table 3. R Square

| Model Summary | | | | |
|---------------|--------|----------|-----------------|------------------------------|
| Model | R | R Square | Adjusted Square | R Std. Error of the Estimate |
| 1 | .729 a | .532 | .515 | 1.206 |

a. Predictors: (Constant), Remuneration

Based on this table, it can be concluded that the regression model is quite good at explaining the connection between remuneration and the ethics of employees. Around 53.2% of variations in ethics employees can be explained by variations in remuneration. This shows that remuneration is an important influencing factor ethics of employees.

Table 4. F Test

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|--------|
| 1 | Regression | 46,264 | 1 | 46,264 | 31,826 | .000 b |
| | Residual | 40,702 | 28 | 1,454 | | |
| | Total | 86,967 | 29 | | | |

a. Dependent Variable: Ethics employee

b. Predictors: (Constant), Remuneration

The significance value (Sig.) in the "Regression" row is very small (0.000), meaning that the regression model used is very significant. This means that the variable remuneration significantly influences the ethics of employees.

Table 5. T Test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4,854 | 1,396 | | 3.476 | .002 |
| | Remunerati on | .614 | .109 | .729 | 5,641 | .000 |

a. Dependent Variable: Ethics employee

The beta coefficient for variable remuneration is 0.729, with a value of significance being very small (0.000). This shows that the more tall remuneration, the more high-value ethics employees. So, remuneration's influence is strongly positive to ethics employees. The overall research results show that remuneration influences the ethics of employees in the environment job. Then from that H1 is accepted and H2 is rejected.

Conclusion

Based on the results of the study, it can be concluded that remuneration has a positive and significant influence on employee ethics. The results of the analysis show that the regression coefficient is 0.729 with a significance level of 0.000, confirming a positive relationship between remuneration and employee ethics. In addition, the regression model explains that 53.2% of the variation in employee ethics is influenced by remuneration. The high Cronbach's Alpha value of 0.836 also indicates that the research instrument has a very good level of reliability. Specifically, employees who receive decent remuneration tend to show higher levels of work ethics, such as responsibility for work, compliance with rules, and harmonious working relationships. Therefore, companies are advised to provide competitive remuneration by employee contributions, as one way to create a more ethical work environment and support the long-term success of the organization. In addition, a person's ethics wherever they are must come from themselves. It is the individual who controls their ethics to always be good wherever they are by fully realizing that there is no material reward for their decision to be ethical but for the good and to maintain their good name by maintaining their ethics.

Bibliography

- Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology* (Vol. 2, pp. 267-299). Academic Press.
- Amin, H. (2017). Analisis faktor-faktor yang mempengaruhi kepuasan kerja karyawan. *Jurnal Ilmu Manajemen*, 5(1), 10-25.
- Bertens, K. (2000). *Etika*. Gramedia Pustaka Utama. Jakarta.
- Blau, P. M. (1964). *Exchange and power in social life*. Free Press of Glencoe. New York.
- Brown, T. J., & Dacin, M. T. (1999). The company and the product: Corporate associations and consumer choice. *Journal of Marketing*, 63(1), 64-78. <https://doi.org/10.2307/1252190>
- Kusnaedi, S. (2009). Sistem penggajian berbasis kinerja. *Jurnal Akuntansi*, 3(1), 32-45.
- Milkovich, G. T., & Newman, J. M. (2005). *Compensation*. McGraw-Hill/Irwin. New York.
- Mochammad Surya. (2011). *Manajemen sumber daya manusia*. Penerbit Andi. Yogyakarta.
- Nawawi, H. (2006). *Manajemen sumber daya manusia untuk perusahaan Indonesia*. Ghalia Indonesia. Jakarta.
- Robbins, S. P., & Judge, T. A. (2013). *Organizational behavior* (16th ed.). Pearson Education, Inc. Upper Saddle River, NJ.
- Surahman, A. (2019). Pengaruh remunerasi terhadap kinerja karyawan. *Jurnal Manajemen Bisnis*, 12(2), 55-68. <http://dx.doi.org/10.33772/jumbo>
- Trevino, L. K., & Nelson, K. A. (2007). *Managing business ethics: Straight talk about how to do it right*. Wiley.
- Victor, B., & Cullen, J. B. (1988). The organizational bases of ethical work climates. *Academy of Management Journal*, 31(3), 650-661.