

# The Effect of Wage and Incentive on Employee Productivity Viewed in Islamic Perspective

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## Abstract

Wage and incentive in Islam are recognized as *Ujr*. It is a reward obtained by someone who has given services in *Ijarah* contract (Aqad). Islam views that wage and incentive should be given to employee properly based on instruction in Al Quran and Hadist. Wage and incentive are the important factors for the company because the amount of wage or compensation given by a company to its employee will influence on the running of the operational of company. Salaries and incentives are needed by each organization or company to maintain and improve employee morale in order to improve employee productivity. Therefore, this research discusses the effect of wage and incentive on employee productivity viewed in Islamic Perspective at PT. Awal Bros Bumi Pusaka Pekanbaru. In this regard, the study employed the quantitative method and analysed using multiple linear regression. The data used are primary data obtained from the questionnaire designed for employees of PT. Awal Bros Bumi Pusaka Pekanbaru. Samplings of this research are 40 respondents selected using purposive random sampling technique. The data obtained was processed by SPSS software. The result of this research found that wage has positive influence or significance on the employee productivity with t-test value of 0.003 or  $< 0.05$  (significance value) and coefficient regression of wage ( $X_1$ ) of 0.433. Besides, incentive also has positive influence or significance on the employee productivity with t-test value of 0.033 or  $< 0.05$  (significance value) and coefficient regression of incentive ( $X_2$ ) of 0.433. It means that increasing in wage and incentive will increase employee productivity. It is suggested that the company should give proper wage based on employee productivity in their performance. The company also has to increase the incentive for the employee in order to motivate them in works and raise the sense of trust employee.

*Keywords: Wage, Incentive, Employee Productivity*

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## 1. Introduction

Free trade era, particularly in AEC leads to the situation of high competition in all sectors. This situation encourages each company to work more efficiently, effectively and productively in order to survive from the competitor. Thus, the company should be able to keep going and fulfil the need of stakeholders and consumer.

The company can compete with their advantages. The advantages owned by the company are derived from production factors such as material, machine, human resources, capital and etc. Among those factors, human resource requires particular attention. The company which is ready to compete must have effective management. To improve the performance of employees in effective management, the company requires support from skilled and competent employees in their field. In this case, the competent and loyal employee must be considered and observed.

Employees who have an attitude of struggle, dedication, discipline, and professional are very likely to have the best performance in carrying out their task of making it more efficient and effective. Professional employees can be interpreted as a view to always thinking, work hard, work full time, discipline, honesty, loyalty, and dedication in order to be the success in their works [1].

Among the factors affecting the employee, loyalty is job satisfaction. Job satisfaction is an emotional state of the employee that happened or did not happened between the value of remuneration for employee and company or organizations to the level of value remuneration are desired by the employee [2].

Basically, the working relationship occurs based on working agreement. The working relationship is the relationship between employee and employer (company). Working agreement is the agreement between the employer (company) and employee to receive of wage where the employer (company) states their readiness to hire workers by paying wage. Among the purpose of working agreement is for the provision of incentive. The incentive is reward given to motivate employee in order to enhance their productivity and it is not permanent or only at any time. Basically, the incentive is not a privilege of the

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employee but a tribute to the employee who have proven ability and good performance in carrying out its duties; it is intended to motivate their work.

In al-Quran it has been explained and been discussed to works diligently and earnestly. The sound of verse is: *“Work (righteousness): Soon will Allah observe your work, and His Messenger, and the Believers: Soon will ye be brought back to the knower of what is hidden and what is open: then will He show you the truth of all that ye did”* (Q.S. At-Taubah; 105)

According to Lock in Sule [3], the satisfaction or dissatisfaction of employee depend on what they're expected. Conversely, if the employee earned less than expected, it will lead to disgruntled employee. Factors that influence job satisfactions or dissatisfactions are a type of work, co-workers, benefit, fair treatment, job security, opportunities to contribute the idea, salary/wage, recognition performance, and growth opportunities.

Referring to various opinions above, it can be concluded that the factors influence employee job satisfactions in order to enhance its performance are:

- (a) The psychological factor. It is a factor related to mental health of employees, which include interest, peace in work, attitude towards work, talent, and skills.
- (b) Social factors. Those are factors associated with good social interaction among employees, and their superiors, and employees in different types of work.
- (c) Physical factor. It is a factor related to the physical condition of working environment and the physical condition of employee, including the type of work, working time arrangements and rest periods, work equipment, the state of the room, the temperature of lighting, ventilation, health conditions of employees, age, etc.
- (d) Financial factor. It is a factor associated with the guarantee as well as the welfare of employees, which include systems and the amount of salary, social security, various allowances, facilities provided, promotions, and so on. The problem is how to influence the satisfaction factors, namely: salary, leadership, and co-workers attitude to employee performance.

One of the important targets in human resource management is the creation of job satisfactions for the employee. The job satisfactions is expected to achieve the company objective to be better and accurate. The result of research conducted by Herzber state that the factor which brings to satisfactions are the achievement, recognition, work itself, responsibility and advancement [4]. The other opinion states that job satisfaction is an emotional state that is favourable or unfavourable to which employees view their job [5]

In Al-Quran, it has been described for the people who work seriously will get rewards. The sound of verse is: *“Whoever does well whether male or female and he is a believer, We will most certainly make him live a happy life, and We will most certainly give them their reward for the best of what they did.”* (Q.S. An-Nahl : 97)

People works to fulfil their needs, so that, they works in expected to receive remuneration which deserves to use in fulfilling their need. With the existence of a fair and decent remuneration received by the employee, the employee will be motivated to work as well as possible and full responsibility for his needs. Thus, the productivity of employee will increase.

So, we can conclude that in order to gain the advantages in human resources, which means also advantages for the company, the company should be able to increase the productivity, in which the productivity of an organization is influenced by many factors such as; a viable wage and fair incentive.

Wage and incentive in Islam recognize as *Ujr*. It is a reward obtained by someone who has given services in *Ijarah* contract (Aqad). Islam viewed that wage and incentive should be given to employee properly based on instruction in Al Quran and Hadist. In Al-Quran Allah SWT said: *“Lodge them [in a section] of where you dwell out of your means and do not harm them in order to oppress them. And if they should be pregnant, then spend on them until they give birth. And if they breastfeed for you, then give them their payment and confer among yourselves in an acceptable way; but if you are in discord, then there may breastfeed for the father another woman. (Q.S. At-Talaq: 6).*

In Hadist, Rasulullah SAW said: *“From Ibnu Abbas said : Rasulullah SAW said : if you conduct therapy blood cupping then give the wage to them. (HR. Bukhari)”*.

The payment of wage and incentive is based on an agreement between employee and management or stakeholder of the company. Wage is paid by the company as the realization of the work contract or agreement. Under Islamic agreement, both parties have a right to set the amount of salary or wage, the term, and manner of payment salary/wage as long as each party mutual willingly and does not harm each other [6].

Regarding clarifying the amount or rate of wage for workers, The Prophet Muhammad SAW Said in hadist that: *“From Abi Sa'id al-Khudry r.a., that indeed Rasulullah SAW prohibit contracting a worker until explained his wage (HR. Al-Baihaqy).”*

PT. Awal Bros Bumi Pusaka Pekanbaru engages in fuel oil industry (SPBU) which has a total of 40 employees consisting of 2 supervisors, 4 oil (BBM) receivers, 32 operators SPBU and 2 cleaning services. The monthly salary range IDR 1,200,000 to IDR 1,500,000. The amount of wage or salary is given based on the working experience at this company and incentive given in the form of material (in money) that is called as a bonus. The incentive is given by the chairman of the company if the sales target of 800000-1000000 K1 is achieved in one month and loses about 0.8% of sales. For it, incentives are in range of IDR 300.000 to IDR 1,000,000.

The existence pattern of relationship between wage and incentive on employee productivity based on Islamic point of view, the researcher are interested to carry out the study about the effect of wage and incentive on employee

productivity at PT. Awal Bros Bumi Pusaka Pekanbaru viewed in Islamic perspective.

The objective of this study is to obtain a deep view and provide empirical evidence about the effect of wage and incentive toward employee productivity in PT. Awal Bros Bumi Pusaka Pekanbaru viewed in Islamic Perspective. To gain the objective, we formulated the research questions which are: (1) what is the wage influence on employee productivity at PT. Awal Bros Bumi Pusaka Pekanbaru? (2) what is the incentive influence on employee productivity at PT. Awal Bros Bumi Pusaka Pekanbaru?

## 2. Literature Review

### 2.1. Theoretical Basis

According to G. Reynold, in Soepomo [7] definition of wage are:

- a. For entrepreneur, wage is a cost to be reduced as low as possible in order to the price of goods not too high or not too expensive in the hope of getting the higher return.
- b. For the organization of worker or labour unions, the wage is the object of his concern to be negotiated with stakeholder of company and management in order to increase it. For a worker wage is the amount of money it receives at a particular time or the amount of daily goods that can be bought from the amount of wage received.

Regarding to Edwin B. Flippo in Sirait [8] state that wage is the price of services that has given by someone to another. Wage is a reception as the return from management/stakeholder to the employee for its works or services that have been performed. An incentive is a form of compensation which has the connection with motivation, in other words, the incentive is given to increase employee motivation in order to increase their productivity. The incentive is a facility to motivate employee in the form of material which given to inducement or stimulant the workers/employee to enhance their productivity or performance in the organization [9].

According to Sinungan [10] basically, productivity include the mental attitude of patriotic which views the future optimistically, it based on principle today is better than tomorrow and tomorrow is better than today. According to L. Greenberg in Sinungan [10], productivity is the ratio between the total expenditure at a given time divided by the total inputs during the period.

Concerning to the wage issue, the codification of Islamic law puts a special discussion in the fiqh contained in chapter *al-Ijarah*. Definition of *al-Ijara* (in language) is a reward for a job [11]. However, there are several schools of Islamic jurisprudence give opinion about definition of *ijarah* as follows:

- a. The scholars from Hanafiyah group argues that *ijarah* is the transaction which gives benefit on asset or properties that can be known the levels of it benefit for

the particular purpose of the goods are rented with their reward.

- b. Scholars from Malikiyah group said that there is another term or word beside *Ijarah* is *al kira* which almost have the same meaning with *ijarah*. For *ijarah*, they argue that *aqad* or an agreement to a benefit from human (*al Adamy*) and another asset (not fixed asset) except; ships and animal. While the definition of *al Kira* is *aqad* or an agreement to benefit from human (*al Adamy*) and fixed asset.
- c. Scholars from Syafi'iyah group said that *ijarah* *aqad* or an agreement on a benefit which allowed or permitted by Islamic law similarly at its purpose, and accompanied by its reward.
- d. A scholar from Hanabilah group state that *al-ijarah* is *aqad* or an agreement on a benefit allowed by Islamic law and known the amount of its benefit which taken gradually in the certain time with their *'iwadah* [11].

Based on some definition above, it can conclude that in *Ijarah* contract consist of three elements which are the parties that made the transaction (employer/company and workers), an agreement/contract (*Ijab* and *Qabul*) and the object in agreement (*job* and *Ujr*). *Ujr* means wage. In Islamic law, there is two type of *Ijarah* are:

- a. *Ijarah* related to the lease of services is hiring service of someone with the wage as compensation. The parties hiring services called as *mustajir* and the workers called as *ajir* and wage must be given to workers called as *ujrah*.
- b. *Ijarah* related to the lease of asset or properties is transfer of benefit on asset or properties to another with the rental fee as compensation. This kind of *ijarah* is similar to leasing in conventional business. The charterer (lessee) called as *mustajir*, the lessor (lessor) called as *mu'jir/muajir* and the rental fee is called as *ujrah*.

Wage and incentive include in the type of *ijarah* which related to lease of service from a person or labor. In Islamic law, the wage and incentive are received by workers must comply with labor and service rendered. Labors or workers should not be harmed, cheated and exploitation because considering to the position of the social worker in weak economic. Wage and incentive must be rewarded based on skill, expertise, and competency of each worker. This is accordance to the word Allah SWT are: "*And for all [viz. Jinn and mankind, the preceding and coming generations], there will be degrees according to that which they did, that He may recompense them in full for their deeds. And they will not be wronged.*" (Q.S. *Al-Ahqaf*: 19).

### 2.2. Previous Studies

Amin [12] examined the effect of wage, work discipline, and incentive toward employee productivity at Rizky Minimarket in Sragen regency. The result of this research is a positive influence between wage, work discipline and incentive toward employee productivity at

Rizky Minimarket in Sragen Regency. It means increasing in wage, work discipline and incentive will increase employee productivity.

Yazid [13] also examined the effect of wage and incentive toward employee productivity at CV Indo Perkasa Computindo Situbondo. The result of research is a positive influence between wage and incentive toward employee productivity at CV Indo Perkasa Computindo Situbondo.

Mayangsari [14] examined the effect of incentive toward employee productivity in the sales department at PT Pusri. This research found that incentive has positive influence or significant toward employee productivity in the sales department at PT. Pusri.

Novianto [15] examined the effect of giving wage and incentive toward employee productivity improvement in printing and publishing at CV. Sindhunata. This research also found that wage and incentive have positive influence or significance toward employee productivity in printing and publishing at CV. Sindhunata.

### 3. Methodology

#### 3.1. Research Design

This research was conducted by survey research in the form of an explanatory and testing hypothesis. While based on explanatory level and variables position, this research includes in quantitative research. Location of this research in Pekanbaru city at PT. Awal Bross Bumi Pusaka Pekanbaru concerning on the effect of wage and incentive toward employee productivity.

#### 3.2. Population and Sample

The population of this research is all employees at PT. Awal Bross Bumi Pusaka Pekanbaru. A technique of sampling in this research is purposive random sampling. According to [16], the selection of subject group based on the characteristics or attribute of the population which is already known previously. The step to retrieve the object into the sample in this research is performed by determining based on position level with the criteria who has already worked at PT. Awal Bross Pekanbaru for 5 years. The population of this research is 40 respondents from all employees at PT. Awal Bros Bumi Pusaka pekanbaru whereas the sample of this research is respondent from each position in the company as an object of research consist of; manager, supervisor, operator and cleaning service.

#### 3.3. Data Collection Technique

In order to obtain data and information, researchers employed several data collection techniques which are:

##### a. Primary Data

This data was obtained from questionnaire where researcher made the list of question-related to the research

problem. Then, the answer of question is expected to found relationship or influence between variable analyzed.

##### b. Secondary Data

This data was obtained from literature review such as; book, document, newspaper, magazine, journal, internet and others which are still relevant to this research.

#### 3.4. Data Analysis

##### 1. Data Quality Test

- a. Validity Test
- b. Reliability Test
- c. Normality Test

##### 2. Classic assumption Test

- a. Multicollinearity Test
- b. Auto Correlation Test
- c. Heteroskedasticity Test

#### 3.5. Hypothesis Test

The testing hypothesis in this research employs multiple linear regressions. The dependent variable is Employee Productivity (Y), Independent variables are wage (X1) and Incentive (X2).

Multiple linear regressions Equation:

$$\begin{aligned} Y &= a + b_1X_1 + e && \text{H1} \\ Y &= a + b_2X_2 && \text{H2} \\ Y &= a + b_1X_1 + b_2X_2 + e && \text{H3} \end{aligned}$$

Note:

Y	=	Dependent Variable (Employee Productivity)
X <sub>1</sub> , X <sub>2</sub>	=	Dependent variable (wage and incentive)
a	=	Constanta
b <sub>1</sub> and b <sub>2</sub>	=	Regression Coefficient
e	=	Error

The hypothesis I, the effect of wage is tested by T-test (partial) and hypothesis II, the effect of incentive also is tested by T-test. This test is conducted to know the effect of wage and incentive toward employee productivity at PT. Awal Bros Bumi Pusaka Pekanbaru.

This test is performed by comparing the value of  $t_{\text{calculated}}$  and  $t_{\text{table}}$  or by looking at  $P_{\text{value}}$  each variable, in order to find whether the hypothesis is significant or insignificant. The criteria of this test if  $t_{\text{calculated}} > t_{\text{table}}$  or  $p_{\text{value}} < \alpha (0.05)$ , so the hypothesis is accepted or vice versa.

This test also is performed by comparing the value of  $F_{\text{calculated}}$  and  $F_{\text{table}}$  or by looking at  $P_{\text{value}}$  each variable, in order to find whether the hypothesis is significant or insignificant. The criteria of this test if  $F_{\text{calculated}} > F_{\text{table}}$  or  $p_{\text{value}} < \alpha (0.05)$ , so the hypothesis is accepted or vice versa.

## 4. Findings and Discussion

### 4.1. Data Quality test

For data quality of this research employ validity test, reliability test, normality test and also classic assumption test consist on; multicollinearity test, auto correlation, and heteroskedasticity test.

Table 1  
Validity Test

Testing Method	Analysis
Pearson Correlation method	Wage variable, Incentive variable, Productivity variable were recognized to be valid as they correlated with the total score more than 0.30.

Table 2  
Reliability Test

Testing Method	Analysis
Cronbach alpha technique	All variable had 0.6 values which mean data instruments according to reliability test could be accepted.

Table 3  
Normality Test

Testing Method	Analysis
Nonparametric test of kolmogorov-smirnof (K-S)	From statistic test result it could be stated that those data were normally distributed as significance value was $> 0.05$

Table 4  
Multi-collinearity Test

Testing Method	Analysis
<i>Tolerance and variance inflation (VIF) value</i>	From analysis result, VIF value for Wage obedience variable was 1.166 ( $<10$ ) and with tolerance value of 0.858 ( $>0.1$ ), VIF value for Incentive value was 1.166 ( $<10$ ) with tolerance value of 0.858 ( $>0.1$ ). From these results, it could be concluded that all independent variables used in this research passed multicollinearity symptom test.

Table 5  
Auto Correlation

Testing Method	Analysis
Durbin-Watson	D-W Statistic value was 1.740. This value situated between -2 and +2, which means it could be concluded that there were no positive and also negative autocorrelation occur in this research.

Table 6  
Heteroskedasticity Test

Testing Method	Analysis
Park Test	Significance value for Wage variable was 0.496 ( $>0.05$ ). Ssignificance value for Incentive variable was 0.759 ( $>0.05$ ). It could be concluded that there was no heteroskedasticity problem as its independent variables had significance value more than 0.05.

### 4.2. Hypothesis Test

Table 7  
Hypothesis Test

Testing Method	Analysis
F Test	F count value was 12.035 with significance value 0.000. As significance value was smaller than 0.05, it could be concluded that Wage and Incentive variables simultaneously affect toward Productivity.
T Test	$Y = 7.440 + 0.433X_1 + 0.331e$ Then all variables were respectively affected significantly.

### 4.3. Multiple Regression Analysis Result

T-test result table

Coefficient(a)

Model		Unstandardized		Standardized	T	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	7,440	4,412		1,686	,100
	x1	,433	,134	,445	3,222	,003
	x2	,331	,150	,306	2,213	,033

From above table we obtain the following multiple regression models:

$$Y = a + b_1X_1 + b_2X_2 + e$$

With:

- a = constants
- b = average change for every one company unit
- $X_1$  = wage
- $X_2$  = Incentive
- Y = Work productivity
- $b_1b_2$  = Regression coefficient
- e = Error

Data processing was conducted using SPSS computer program

$$Y = 7.440 + 0.433X_1 + 0.331X_2 + e$$

Remarks:

- a. Constants as of 7.440 means if wage ( $X_1$ ) and incentive ( $X_2$ ) values were zero, then work productivity's value (y) was constant in the amount of constants (7.440).
- b. Wage Regression Coefficient ( $X_1$ ) was 0.443, which means if other independent's value was constant and Wage increased as of 1%, then productivity would rise as of 0.433. Coefficient had positive value, means there was the positive correlation between wage and work productivity, the higher the wage then the higher the productivity would be.
- c. Incentive Regression Coefficient ( $X_2$ ) was 0.331, which means if other independent's values are constant and Incentive increased as of 1%, then productivity would rise as of 0.311. Coefficient had positive value, means there was the positive correlation between incentive and work productivity, the higher the incentive then the higher the productivity would be.

### 5. Conclusion

- a. The wage has positive influence or significance toward employee productivity with t-test value of 0.003 or < 0.05 (significance value) and coefficient

regression of wage ( $X_1$ ) of 0.433. It means that the increasing in wage will increase employee productivity.

- b. The incentive also has positive influence or significance toward employee productivity with t-test value of 0.033 or < 0.05 (significance value) and coefficient regression of incentive ( $X_2$ ) of 0.433. It means that the increasing incentive will increase employee productivity.
- c. Suggestions, the company should give proper wage based on employee productivity in their performance. The company also has to increase the incentive for the employee in order to motivate them in works and raise the sense of trust employee.
- d. Further Research, it is necessary to conduct another research related to employee productivity by using the most dependent variable, not only focused in wage and incentive.

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