CHAPTER I

INTRODUCTION

1.1 Background of the study

The most important organizational asset that must be owned by every company is Human Resources. Human Resources are one of the most important factors neither large nor small company, besides other factors, such as technology. The word human resources itself leads the organization's individuals. When leaders and employees are involved as part of their work in the activities of human resource activities, they seek to facilitate people contributions to achieve organizational plans and strategies. In every organization, human resources provide creative activation. Without effective people, it seems impossible for the organization to achieve its goals. None of the factors in business activities have a more direct impact on the welfare of companies than human resources. Despite of other advantages that the company has, the company will not be able to maximize productivity and profits without employees competent with the company's future wishes.

According to H Simamora (in Wibowo 2017), human resource management are important relating to the development, use and protection of the human resources. Human resource management task is to manage the human elements with all its potential in order to obtain human resources to achieve organizational goals.

Human Resource Management theory is increasing in every industry, especially in the service industries. Most industry today, introduces a fresh spirit to the sector that was based on performance-based rewards. Rewards are a major object in the performance of employees. Rewards assist management to keep the organization's workforce experienced and effective. Employees will feel more motivated if they understand their hard work will be recompensed by their employer or it can be said as a salary.

Given the increasingly intense competition between companies today requires companies to be able to survive and compete with other companies.

The role of the company's human resources is very important because it is the primary of all the company's activities in achieving its goals, both to gain profits and to maintain the company's survival. A company's success or failure in keeping the presence of the firm begins with keeping the business in order to maximize efficiency and effectiveness. In other words, an organization or company's performance is highly influenced and depends on the quality and competitiveness of its human resources (Pujakusumah, 2017).

In most cases, most of the organizations consist of both tangible and intangible elements, which are the environment, vision, mission, values, objectives, strategies, people and other resources such as land, capital, entrepreneurship and technology. The only living thing among these elements are the human beings, in whom they have entered into a proper relationship with the organization in order to offer their human ability in exchange for certain forms of rewards (Olatunji, 2015). Some forms of rewards simply mean as salary. Salary when it is paid weekly, quarterly or monthly.

According to Cummings (in Olatunji, 2015) argued that human resource management is concerned with achieving the organization's best staff, and look after them so that the employee will stay and give of their best to their employment. This points to the fact that proper recruitment process has to be strictly attached to, recruitment process in organization, the next thing is maintaining the employee so that they will stay and give their best in terms of their input for optimal organizational development. Therefore, it is requiring to see and to review if salaries paid to workers are helping impact their job.

In any organization, whether in the private or public sector, money is a very sensitive issue, not only to company but also to employees (Okeke et.al, 2017). Salaries are an important part of the total operating costs of any organization. The organization can generate more than fifty percent of operating costs in certain organizations, such as the civil or public sector. In organized private sector, large organization able to attract and retain valuable employees in part depends largely on the pay. Poor salaries are a steady source of frustration when labor and management are in continual conflict with productivity declines (Okeke et.al, 2017). In this research focuses on analyzing

and exploring the impact of salary on employee performance. The organizational performance criteria should include effectiveness, efficiency, quality, timeliness, productivity, and safety.

The tighter level of business competition has resulted in companies being faced with the challenge of being able to maintain survival. One of them is a restaurant business. The existence of Ta Shanghai Restaurant in the context of product marketing requires companies to compete with other companies. Efforts to achieve such competition can be done by improving the ability of human resources that can be measured by employee performance.

This research will discuss about the impact of salary on employee performance in Ta Shanghai Restaurant. Located at BI FF Multatuli Indah Complex, Jl. Multatuli Raya No.123 Blok SF. Optimal employee performance is needed to improve performance and maintain the survival of this company. Every company will never escape from the provision of remuneration or compensation which might be one of the important problems in creating employee performance, because to improve employee performance compensation is needed to support the employees. It is very important to create a good cooperative relationship between employees and leaders. If the relationship is good, it might be easy to achieve the goals of a company. As to create a harmonious cooperative relationship, for sure both parties must understand each other's interests and needs in a company.

Employee needs will be fulfilled through their work. Through their work it can carried out the employee hopes to get equal compensation for their contribution to the company. Non-financial compensation in form of praise and a conducive work environment. While in the form of finance, it might be salary or wages. The following is compensation data in the form of salary which the employee of Ta Shanghai Restaurant received every month in the last 3 years according to their section.

Table 1.1 Estimated Compensation Data / Month Employee Ta Shanghai Restaurant

No	Position	Salary		
		2016	2017	2018
1.	Main Chef	5.700.000	6.000.000	6.350.000
2.	Assistants Chef	8.100.000	8.600.000	9.250.000
3.	Cashier	5.300.000	5.600.000	6.180.000
4.	Barista	5.060.000	5.360.000	5.910.000
5.	Kitchen Staff	7.560.000	8.010.000	8.850.000
6.	Dish Washer	7.050.000	7.450.000	8.320.000
7.	Captain	5.600.000	5.900.000	6.450.000
8.	Waiters	29.920.000	31.770.000	35.540.000
9.	Driver	2.500.000	2.650.000	2.940.000
10.	Security	2.500.000	2.650.000	2.940.000

Source: Ta Shanghai Restaurant (2019)

Table 1.1 above is estimated data from rounding of nominal rupiah salaries of employees. The data represents a picture of remuneration at the Ta Shanghai Restaurant when viewed from the basic salary indicator received. The purpose of displaying the data is to ascertain that the salaries in Ta Shanghai Restaurant is increasing every year.

Conceptual salary increase is a company secret, but in general, job grade might affect the salary received by the employee. The higher the job grade of an employee, the salaries obtained might be increase with the calculation of the Ta Shanghai Restaurant.

The importance of the existence of culinary tourism that can improve the economy of a country, one of which is the presence of Ta Shanghai Restaurant. In order for Ta Shanghai Restaurant to be one of the restaurants for visitors, Ta Shanghai Restaurant must improve its services, one of which is competent employee performance that can bring Ta Shanghai Restaurant employees to a better direction, but in reality based on the data, there are several different employee performance categories, the writer found indications that there was a decrease in employee performance at Ta Shanghai Restaurant. The following is the data obtained by the author regarding the categories of employee performance as follows:

Table 1.2 Employee Performance Category

Range Value	Performance	Information
98-100	K1	Special
90-98	K2	Very Well
80-90	K3	Well
70-80	K4	Less
>70	K5	Very Less

Source: Ta Shanghai Restaurant (2019)

From table 1.2 about the category of employee performance it can be seen that the range of values less than 70 is in the category K5 (5th performance) which mean very less performance, while the values of 98 to 100 are in the category K1 (1st performance) which means category special performance.

Table 1.3 Ta Shanghai Employee Performance

	2016	2017	2018
Value achievement	Number of Employees	Number of Employees	Number of employees
K1	1	1	2
K2	4	4	3
K3	11	8	5
K4	9	12	13
K5	5	5	7
Total	30	30	30

Source: Ta Shanghai Restaurant (2019)

Based on table 1.3 it is clear that the assessment of Ta Shanghai Restaurant employee's performance in the past three years has varied. It can be seen that there is an increase in employee performance in the special category. In 2016 and 2017 there was an employee who was able to get a special category. In 2018 there was an additional people who was able to achieve special performance. The increase in employee performance can be caused by several factors including quality, attendance, and attitude in the employee itself. On the other hand, there are still an increases in very less performance category.

In 2016 and 2017 the number of employees in very less category was five people, but in 2018 there was an increased two people which in total 7 people who achieved very less performance. This might be the employees could not be able to reach the employee performance assessment standards that set by the company.

Based on the results of the interview, the low performance of the employees at the Ta Shanghai Restaurant was due to the fact that employees had not had a high willingness to be better. Can be seen from the accuracy of employees in completing the work produced is less satisfying. Cooperation between employees and superiors is considered less effective, and also attendance factors and there are still some employees that do not meet to the company standard. In fact, the salary in Ta Shanghai Restaurant is always increase from year to year but the employees' performance is variated, where there are few employees with excellent performance and still some in low performance. For that reason, the writer is interested to perform a research with the title "**The Impact of Salary on Employee Performance in Ta Shanghai Restaurant**".

1.2 Problem Limitation

Based on the observation, there are several problems, such as salary, hygiene, and food quality. However, due to limitation in time and ability, the writer determines problem limitation on this study to salary as independent variable and employee performance as dependent variable at Ta Shanghai Restaurant with 30 employees. With variable indicators, salary is achievement, length of work and needs (Bukhori, 2018). Performance measures can be grouped into one of six general categories, as indicated in effectiveness, efficiency, quality, timeliness, productivity, and safety (Buuri D W, 2015).

1.3 Problem Formulation

Based on the background study that has been described previously, the problem that are being discussed in this research is: "Does salary has an impact on employees' performance in Ta Shanghai Restaurant?"

1.4 Object of the Research

The objective of this research is to understand more whether there is an impact of salary on employees' performance in Ta Shanghai Restaurant.

1.5 Benefit of the Subjective

1.5.1 Theoretical Benefit

This research is expected to contribute enriching reading sources, research references, and expanding the knowledge in academia for companies in different ways on how to handles the same challenges.

1.5.2 Practical Benefit

a. **For the writer**

This research is expected to enrich and expand the knowledge on the impact of salary on employee performance.

b. **For the company**

This research is expected to encourage employee performance and use it more often as a tool to channel their grievances rather than decide for other ineffective methods which can arise conflicts between employee and leader.

c. **For the researchers**

The discovery of this research will be used as a reference point by other writer for further research on the same field. It can also use as a recommendation as a foundation of other writer literature reviews.

1.6 System of Writing

The writing of this research is divided into five chapters. Each chapter is divided again into several sub chapters according to the necessity. The systematic outline of writing in this research will be as follows:

CHAPTER I: INTRODUCTION

This chapter contains background of the study about the reason writer choose the title of this research, problem limitation, problem formulation can describe about the questions in this research, objective of the research is to understand the impact of salary on employee performance, benefit of the research included in this research.

CHAPTER II: THEORETICAL BACKGROUND

In this chapter it is contains theoretical background include definition of salary and employee performance, previous research include research that has a title, theme, and object of research similar, hypothesis development that contains a statement about the results of the research that will be tested through data search and analysis, research model explains the type of research that will be carried out, including variables, and framework of thinking that contains the relationship between independent and dependent variable.

CHAPTER III: RESEARCH METHODOLOGY

This chapter contains research design where explain the method and type of research the writer uses in this research. Moreover, it will have an explanation about the correlation relationship between variables through hypothesis test. The population and sample in this research is all employee at Ta Shanghai Restaurant, data collection method that used in this research is by distribute questionnaires. Variable measurement explains about indicators of salary and employee performance. The data analysis method in this research are, statistics, validity test, reliability test, normality test, linear regression equation, correlation coefficient test, determination test, and hypothesis test.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This section analyzes the results of data processing and discussion regarding the impact of the salary on employee performance at Ta Shanghai Restaurant. In addition, this chapter will show the general description of the Ta Shanghai Restaurant. Collecting data by questionnaires for employee in Ta Shanghai Restaurant.

This chapter shows the result of data analysis that has been conducted in the research, show the test assumption and descriptive statistical result. This chapter contains the answer of the problem formulation and research objectives that have been stated in chapter one which will be presented in a scientific and clear explanation.

CHAPTER V: CONCLUSION

This chapter contains conclusions from the results of the research. Explain the result of impact factors from salary on employee performance. Conclusion is a brief, precise and clear explanation of what have already explained in discussion chapter. The conclusion part contains brief result of analysis, in which will help people who reads the conclusion part will understand it easily. This section also consists of implication and recommendation. Moreover, in quantitative research, conclusion is also a media to prove whether the hypothesis is approved or rejected.