Salary Satisfaction and Employee Performance: Work Motivation's Mediating Role in CV Eazywear Indonesia

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Abstract. CV Eazywear Indonesia faces ongoing gaps between production targets and output, suggesting dissatisfaction with payroll practices that reduce work motivation and performance. This study investigates whether salary satisfaction impacts employee performance directly and indirectly through work motivation. A quantitative survey using a closed-ended questionnaire was given to all 40 permanent employees identified by census from production and support departments. Measures assessed pay satisfaction, work motivation, and job performance. Data were analyzed with Partial Least Squares Structural Equation Modeling in SmartPLS 4.0, including tests for convergent and discriminant validity and reliability. Results show that salary satisfaction positively affects work motivation (β=0.805) and performance (β=0.455). Work motivation boosts performance (β=0.496) and mediates the relationship between salary and performance (indirect β=0.399). R^2 values for performance and motivation are 0.817 and 0.648, indicating strong explanatory power. The findings highlight the value of fair, transparent, and well-communicated payroll management in boosting motivation and productivity in labor-intensive garment operations. This study is limited to one firm with a small sample, constraining generalizability. Future research should use multi-site, longitudinal designs and include objective performance metrics and controls.

Keywords: Employee performance; Salary satisfaction; Work motivation.

Abstrak*. CV Eazywear Indonesia menghadapi kesenjangan yang berkelanjutan antara target produksi dan output, yang menunjukkan ketidakpuasan dengan praktik penggajian yang mengurangi motivasi dan kinerja kerja. Studi ini menyelidiki apakah kepuasan gaji berdampak langsung dan tidak langsung pada kinerja karyawan melalui motivasi kerja. Survei kuantitatif menggunakan kuesioner tertutup diberikan kepada semua 40 karyawan tetap yang diidentifikasi melalui sensus dari departemen produksi dan dukungan. Pengukuran menilai kepuasan gaji, motivasi kerja, dan kinerja pekerjaan. Data dianalisis dengan Partial Least Squares Structural Equation Modeling di SmartPLS 4.0, termasuk uji validitas dan reliabilitas konvergen dan diskriminan. Hasil menunjukkan bahwa kepuasan gaji berdampak positif pada motivasi kerja (β=0,805) dan kinerja (β=0,455). Motivasi kerja meningkatkan kinerja (β=0,496) dan memediasi hubungan antara gaji*

dan kinerja (β tidak langsung=0,399). Nilai R² untuk kinerja dan motivasi adalah 0,817 dan 0,648, yang menunjukkan daya penjelasan yang kuat. Temuan ini menyoroti penting-nya manajemen penggajian yang adil, transparan, dan terkomunikasikan dengan baik dalam meningkatkan motivasi dan produktivitas di sektor garmen padat karya. Studi ini terbatas pada satu perusahaan dengan sampel yang kecil, sehingga membatasi generali-sasi. Penelitian selanjutnya sebaiknya menggunakan desain longitudinal multi-lokasi dan mencakup metrik serta kontrol kinerja yang objektif.

Kata kunci*: Kepuasan gaji; Motivasi kerja; Kinerja karyawan.*

BACKGROUND

The global apparel industry is one of the most labor-intensive manufacturing sectors, engaging more than sixty million workers worldwide. In Indonesia, the textile, apparel, and footwear industry directly employs close to two million workers and contributes significantly to non-oil and gas exports. In 2023, Indonesia's exports of textile and garment products reached approximately 11.8 billion US dollars, reflecting both its economic importance and the persistent challenges of maintaining competitiveness. Reports further emphasize that wage systems and compensation practices are central determinants of worker stability and long-term industrial sustainability (Senayah et al., 2024; Ullah et al., 2024).
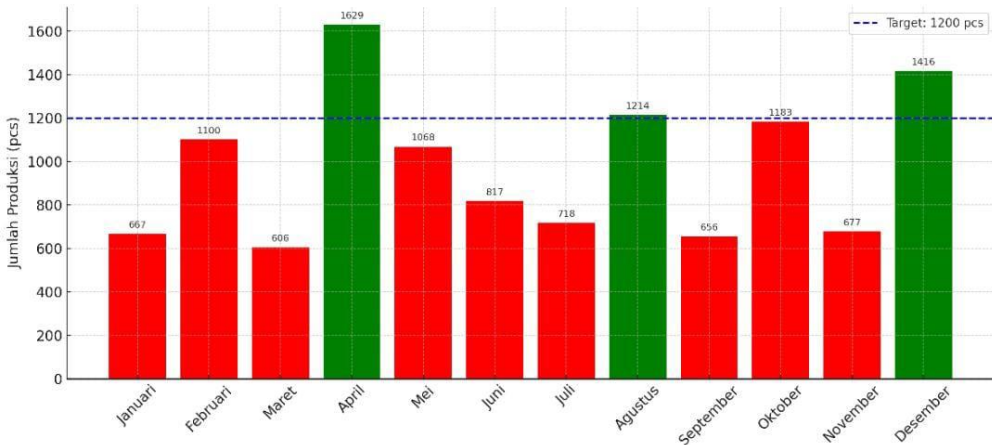

Figure 1. Jersey Production of CV Eazywear Indonesia (2024)

Within this industry, fair and well-communicated pay systems have become a strategic necessity. Levels of pay, raise mechanisms, and administrative clarity strongly influence perceptions of justice, which in turn affect employee engagement and performance (Adamovic, 2023; Colquitt et al., 2023). In South Kalimantan, the provincial minimum wage for 2024 was set at IDR 3,282,812, underscoring the continuing salience of compensation issues for both workers and employers. For MSMEs such as garment

producers, transparent and equitable payroll practices are not only a matter of compliance but also an instrument for building loyalty, motivation, and production discipline (Hariani & Lutfi, 2023).

Existing studies confirm that satisfaction with compensation systems can generate stronger work motivation, which subsequently enhances performance. Employees who perceive their pay as fair and predictable tend to display higher discipline, more consistent adherence to quality standards, and greater persistence in task completion (Gazi et al., 2024; L. Yuan et al., 2022). Meta-analytic evidence also shows that work motivation functions as a causal driver of performance, reinforcing its role as a mediating mechanism between salary satisfaction and employee outcomes (Chen et al., 2023; Wang et al., 2024).

Operational data from CV Eazywear Indonesia highlight the urgency of this dynamic. The company's monthly target in 2024 was 1,200 pieces, yet production exceeded the target in only three months: April with 1,629 pieces, August with 1,214 pieces, and December with 1,416 pieces. In the remaining nine months, production fell below the target, with lows of 606 pieces in March and 656 pieces in September. The total output for the year was 11,751 pieces, averaging 979 per month, which meant a shortfall of 2,649 pieces relative to the annual target of 14,400. Such fluctuations suggest motivational challenges and systemic frictions rooted in compensation clarity and fairness (Gazi et al., 2024; Hariani & Lutfi, 2023).

Attention to pay transparency has also increased in both policy and practice. International directives and empirical research stress that disclosure of pay ranges can narrow wage gaps and influence productivity, although outcomes depend heavily on design and context (M. Baker et al., 2023; T. Baker et al., 2023; Gutiérrez, 2025). To avoid discouragement among lower-paid workers, transparency must be coupled with coherent, understandable performance indicators and credible career earning paths (Heisler, 2024). For MSMEs, well-structured transparency can transform payroll from a compliance issue into a source of performance stability.

Despite extensive research in advanced economies, few studies in the Indonesian MSME garment sector explicitly examine both the direct and indirect effects of salary satisfaction on employee performance through motivation. This gap is critical because small and medium-sized firms often operate with fragile human resource systems, while their productivity depends heavily on stable workforce engagement. The present study addresses this gap by investigating whether salary satisfaction improves performance directly and indirectly through work motivation in an MSME garment context, contributing to theory on justice and motivation while offering practical insights for payroll policy in emerging markets (Adamovic, 2023; Colquitt et al., 2023; Wang et al., 2024).

THEORETICAL REVIEW

Salary Satisfaction

Salary satisfaction is employees' subjective evaluation of the fairness, adequacy, and consistency of monetary compensation received for their contributions (Heneman & Schwab, 1985). Foundational theories explain its psychology: equity comparisons guide judgments of fairness (Adams, 1965), pay acts as a hygiene factor that prevents dissatis-

faction (Herzberg, 1966), and motivation rises when employees expect valued rewards for performance (Vroom, 1964). Recent work shows that distributive and procedural justice in compensation, along with clear payroll communication, shape motivation and performance (Adamovic, 2023; T. Baker et al., 2023; Colquitt et al., 2023). Contextual determinants include labor market standards, regulation, industry competition, and firm policies for pay structure and administration (Raditriono, & Hendarsjah, 2024; Saeed et al., 2023; Dibiku, 2023). This study operationalizes salary satisfaction with the Pay Satisfaction Questionnaire, adapted to MSME settings, with four dimensions: level of pay, pay raises, benefits, and pay structure and administration, measured on a five point Likert scale (Adanlawo et al., 2023; Heneman & Schwab, 1985).

Work Motivation

Work motivation is the set of internal and external forces that determine the intensity, direction, and persistence of work behavior toward organizational goals (Herzberg, 1966; Vroom, 1964). Self Determination Theory highlights autonomy, competence, and relatedness as drivers of intrinsic energy (Deci & Ryan, 1985), while the Need for Achievement perspective emphasizes growth oriented striving (McClelland, 1961). Recent evidence clarifies that motivation causally improves later job performance, which supports its mediating role between pay perceptions and outcomes (Wang et al., 2024). Typical antecedents include perceived pay fairness, supportive climates, clear goals, career opportunities, and supervisor support; consequences include higher performance, satisfaction, retention, and commitment (Diana et al., 2022; Raditriono, & Hendarsjah, 2024; Saeed et al., 2020; Dibiku, 2023). Measurement follows the Multidimensional Work Motivation Scale adapted for MSMEs with three facets: intrinsic motivation, extrinsic motivation, and need for achievement, each rated on a five point Likert scale (Gagné et al., 2015).

Employee Performance

Employee performance is individual work output evaluated against standards of productivity, quality, and timeliness (Campbell, 1990). The domain includes task performance and contextual performance such as cooperation and citizenship that sustain collective throughput (Borman & Motowidlo, 1997). Recent studies in industrial and apparel settings report positive links from satisfaction and motivation to performance, underscoring the operational value of motivational mechanisms in labor intensive work (Gazi et al., 2024; D. Yuan et al., 2022; Zayed et al., 2022). This study integrates Campbell's performance model and the Individual Work Performance framework, and operationalizes three dimensions: task performance, contextual performance, and work discipline, using validated items on a five point Likert scale (Borman & Motowidlo, 1997; Campbell, 1990; Koopmans et al., 2014).

Hypotheses Development

Salary satisfaction is a judgment of pay fairness, adequacy, and clarity that informs employees' motivation to invest effort and persist toward targets. Recent justice research shows that distributive and procedural fairness around compensation contributes to stronger motivation and performance when rules and communications are credible and comprehensible (Adamovic, 2023; Colquitt et al., 2023). In labor-intensive garment settings, where coordination and throughput depend on daily discretionary effort, these perceptions are especially consequential.

H1 posits that salary satisfaction positively affects work motivation. Herzberg's two-factor logic positions compensation as a hygiene condition that, when perceived as fair and well administered, removes dissatisfaction and enables motivational gains, while expectancy theory predicts stronger effort when pay criteria link performance to valued outcomes (Herzberg, 1966; Vroom, 1964). Recent evidence supports a positive path from compensation systems to satisfaction and motivation in organizational samples, including manufacturing contexts (Zayed et al., 2022). H1 is formulated in this research:
H1: Salary satisfaction positively affects work motivation.

H2 asserts a direct, positive effect of salary satisfaction on employee performance. Satisfied employees tend to show better discipline, quality adherence, and task focus as pay clarity reduces uncertainty and aligns effort with organizational standards. Industrial studies report that higher job satisfaction relates to superior job behavior and performance, reinforcing a direct compensation–performance linkage beyond attitudinal states (Gazi et al., 2024; D. Yuan et al., 2022). H2 is formulated in this research:
H2: Salary satisfaction positively affects employee performance.

H3 states that work motivation positively affects employee performance. Motivation functions as a proximal driver of intensity, direction, and persistence of action. Meta-analytic cross-lagged evidence indicates that motivation causally increases subsequent performance, clarifying temporal ordering and strengthening the case for motivation as a performance engine in routine, target-driven work (Campbell, 1990; Wang et al., 2024). H3 is formulated in this research:

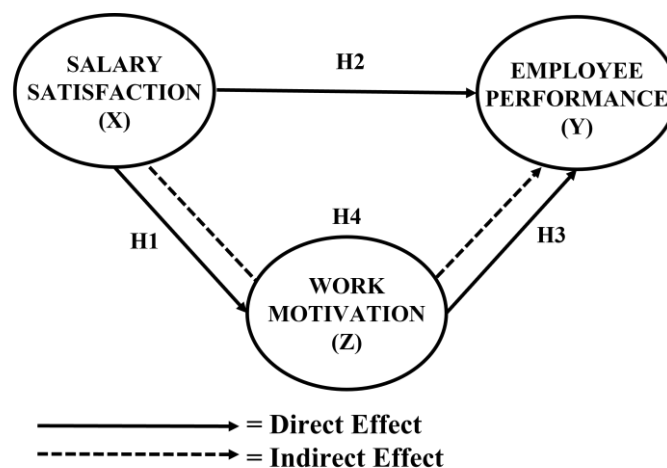H3: Work motivation positively affects employee performance.

Figure 2. Conceptual Framework

H4 proposes that work motivation mediates the effect of salary satisfaction on employee performance. Fair and transparent pay should elevate motivation, which then translates into higher task execution, timeliness, and cooperative behaviors that sustain line throughput. Empirical models that include motivation typically find significant indirect effects from compensation to performance via motivational mechanisms, consistent with both justice and expectancy perspectives (Zayed et al., 2022). The logic above is summarized in Figure 2, which specifies salary satisfaction as the predictor, work

motivation as the mediator, and employee performance as the criterion. H4 is formulated in this research:

H4: Work motivation mediates the effect of salary satisfaction on employee performance.

The model in Figure 2 enables simultaneous tests of direct and indirect paths using PLS-SEM.

RESEARCH METHODS

This study applies a quantitative causal design to test the relationships among salary satisfaction, work motivation, and employee performance at CV EAZYWEAR Indonesia, an MSME garment firm in South Kalimantan. All 40 permanent employees were included using total sampling, and data were collected through a closed-ended questionnaire with five-point Likert responses. Salary satisfaction was measured using the Pay Satisfaction Questionnaire dimensions (level of pay, pay raise, benefits, pay structure and administration), work motivation with the Multidimensional Work Motivation Scale (intrinsic, extrinsic, and need for achievement), and employee performance with the Individual Work Performance framework (task performance, contextual performance, and work discipline).

Data analysis employed Partial Least Squares Structural Equation Modeling in SmartPLS 4.0, following the guidelines of Hair et al. (2021). Measurement models were evaluated through indicator reliability (outer loadings ≥ 0.708), internal consistency (composite reliability between 0.70 and 0.95), convergent validity (AVE ≥ 0.50), and discriminant validity (HTMT < 0.85–0.90 with confidence intervals not crossing 1.0), while multicollinearity was checked using VIF values < 3.0. The structural model was assessed through bootstrapping with 5,000 resamples, considering path significance, R^2, f^2 effect sizes, Q^2 predictive relevance, and out-of-sample prediction with PLSpredict. Mediation was tested with bootstrapped specific indirect effects, and mediation type was determined by the joint significance of direct and indirect paths, ensuring alignment with the standards recommended by (Hair et al., 2021).

RESULTS AND DISCUSSIONS

Results

CV Eazywear Indonesia is a garment and apparel company founded in 2018 in Banjarmasin, South Kalimantan. The firm focuses on casual wear, work uniforms, and institutional orders. It employs 40 permanent staff and uses a functional organizational structure that emphasizes efficiency and team collaboration. The payroll system combines a fixed base wage with attendance allowances, overtime bonuses, performance incentives, and periodic evaluations for additional rewards. The monthly salary range is approximately Rp 3.5 to 6.0 million, adjusted by position. To enhance competence and loyalty, the company also runs motivation programs such as performance bonuses, "employee of the month" recognition, family gatherings, and skill-development training. This configuration is consistent with HRM and performance measurement thinking that stresses the alignment of rewards with performance systems for effectiveness (Garengo et al., 2022).

1. Respondent Characteristics

A total of 41 respondents participated in the study. Most held a senior high school degree (58.5 percent), were married (75.6 percent), and worked as sewing operators (43.9 percent). Tenure was dominated by the 3 to 5 year group (53.7 percent), indicating sufficient experience to assess the payroll system and work environment. These background attributes can shape how employees evaluate compensation packages and their motivational value, since reward preferences and satisfaction profiles vary across employee subpopulations (Li et al., 2023).

2. Descriptive Analysis of Study Variables

Descriptive results indicate that average salary satisfaction was 4.21, categorized as very good. The highest ratings were observed for level of pay, benefits, and pay raise. Average work motivation reached 4.10, categorized as good, reflecting a balanced mix of intrinsic and extrinsic drivers. Average employee performance was 4.08, also categorized as good, with work discipline scoring the highest among its dimensions. These patterns align with contemporary evidence that better pay design and communication can elevate motivation and performance. Chen et al. (2023) show that pay for performance is positively associated with job performance through motivational mechanisms consistent with cognitive evaluation and equity perspectives. Complementing this, Li et al. (2023) find that total reward satisfaction profiles are linked to superior work performance, while transparent pay information strengthens perceived organizational support via pay satisfaction (de la Torre-Ruiz et al., 2024).

Salary information and equity perceptions also matter for how employees interpret pay changes, which in turn influences salary satisfaction (Montalvo-Arroyo et al., 2023). In manufacturing and garment contexts, compensation practices are empirically tied to productivity outcomes, reinforcing the practical relevance of fair and clear pay policies (Ullah et al., 2024). Finally, Choi et al. (2024) indicate that pay satisfaction can amplify positive psychological pathways that support engagement and performance.

3. Measurement Model (Outer Model)

Convergent validity was confirmed because all reflective indicators loaded above the 0.70 threshold, and average variance extracted (AVE) values were greater than 0.50. These results meet the criteria established in recent PLS-SEM methodological studies that emphasize indicator reliability and construct validity (Hair et al., 2021; Rasoolimanesh et al., 2021). Discriminant validity was supported using both the heterotrait–monotrait (HTMT) ratio and the Fornell–Larcker criterion. All HTMT values were below 0.90, and the square root of each construct's AVE was larger than its correlations with other constructs. These results confirm that each latent variable captures a distinct aspect of the conceptual model, consistent with updated guidelines in structural equation modeling (Henseler et al., 2015; Sarstedt et al., 2022).

Reliability analysis showed that Cronbach's alpha and composite reliability values for all constructs exceeded 0.70. This demonstrates strong internal consistency and stability of the measurement items, making them suitable for structural testing. The emphasis on reliability aligns with recent empirical applications of PLS-SEM across management and organizational research (Ali et al., 2022; Radomir, 2024). Overall, as summarized in Table 1, the reflective measurement model fulfills modern standards of convergent validity, discriminant validity, and reliability. These findings support the

robustness of the measurement instruments and ensure their suitability for testing the structural model.

Table 1. Validity and Reliability Results (Outer Model)

Variables	Outer Loading	AVE	HTMT	Fornell–Larcker (√AVE)	Cronbach's Alpha	Composite Reliability	Remark
Salary Satisfaction (X)	0.728–0.872	0.679	0.882	0.824	0.933	0.944	Valid & Reliable
Work Motivation (Z)	0.784–0.894	0.709	0.831	0.842	0.918	0.936	Valid & Reliable
Employee Performance (Y)	0.701–0.879	0.669	0.905	0.818	0.938	0.948	Valid & Reliable

4. Inner Model

The inner model evaluation aims to assess the explanatory and predictive quality of the structural model. Indicators considered include the coefficient of determination (R^2), local effect size (f^2), predictive relevance (Q^2), and overall Goodness of Fit (GoF). The recapitulation of these results is presented in Table 2. As shown in Table 2, the R^2 values of 0.648 and 0.817 indicate that Salary Satisfaction explains a substantial proportion of variance in Work Motivation and Employee Performance. The f^2 statistics reveal that Salary Satisfaction exerts very large effects on Motivation and large effects on performance, while Motivation also contributes strongly to Performance. The Q^2 value of 0.936 confirms excellent predictive relevance, and the GoF of 0.709 demonstrates overall strong model fit. These findings provide robust evidence that the structural model possesses both explanatory strength and predictive validity, consistent with current PLS-SEM methodological standards (Hair et al., 2021; Henseler et al., 2015; Sarstedt et al., 2022).

Table 2. Recapitulation of Inner Model Results

Indicator of Assessment	Result	Category / Interpretation
R-square (Z) – Work Motivation	0.648	Strong – 64.8% of Work Motivation variance explained by Salary Satisfaction
R-square (Y) – Employee Performance	0.817	Strong – 81.7% of Employee Performance variance explained by Salary Satisfaction & Work Motivation
f-square (X → Z)	1.840	Very large effect
f-square (X → Y)	0.400	Large effect
f-square (Z → Y)	0.475	Large effect
Q-square	0.936	Very high predictive relevance (> 0)
Goodness of Fit (GoF)	0.709	High (≥ 0.36)

5. Hypothesis Testing Results

The hypothesis testing was conducted using the bootstrapping procedure in SmartPLS 4.0 to evaluate the significance of both direct and indirect relationships among the variables. The analysis produced coefficients for the structural paths, which are

summarized in Table 3. Table 3 shows that all hypotheses (H1–H4) were supported, with *p-values* below 0.05 across all relationships. The strongest effect was found between Salary Satisfaction and Work Motivation (H1), emphasizing that fair and transparent compensation enhances motivational states. Both the direct pathway from Salary Satisfaction to Employee Performance (H2) and the indirect pathway mediated by Work Motivation (H4) were significant, confirming that compensation policies act not only as direct performance drivers but also as mechanisms that energize motivation. These results align with recent findings that link pay fairness and transparent reward systems to stronger motivation and improved performance in labor-intensive industries (Adamovic, 2023; Colquitt et al., 2023; Gazi et al., 2024; Hariani & Lutfi, 2023; Heisler, 2024; Wang et al., 2024; Zayed et al., 2022).

Table 3. Hypothesis Testing Results (Direct and Indirect Effects)

Relationship	Original Sample (O)	t-Statistics	P-Values	Decision
Salary Satisfaction (X) → Work Motivation (Z)	0.805	15.919	0	H1 Accepted
Salary Satisfaction (X) → Employee Performance (Y)	0.455	3.287	0.001	H2 Accepted
Work Motivation (Z) → Employee Performance (Y)	0.496	3.826	0	H3 Accepted
Salary Satisfaction (X) → Work Motivation (Z) → Employee Performance (Y)	0.399	3.365	0.001	H4 Accepted

Discussions

1. Effect of Salary Satisfaction on Work Motivation

The results show that higher salary satisfaction is associated with stronger work motivation among garment employees. This association aligns with justice research, indicating that perceptions of distributive and procedural fairness in compensation, together with clear payroll communication, strengthen motivational states that sustain daily effort and persistence (Adamovic, 2023; Colquitt et al., 2023). In MSME settings where tasks are tightly interdependent, signals of equity, clarity of pay structure, and timeliness of administration become salient cues that shape employees' willingness to invest effort (Grasser et al., 2024).

Evidence further indicates that compensation systems influence motivation through satisfaction pathways, suggesting that well-designed pay practices can activate both intrinsic and extrinsic drivers of effort (Hariani & Lutfi, 2023; Zayed et al., 2022). Pay-transparency studies also show that employees respond positively when salary ranges and criteria are understandable, provided that disclosure is paired with coherent performance metrics and credible career earning paths (Baker et al., 2023; Heisler, 2024). These features reduce ambiguity about how effort translates into valued outcomes, which is central to expectancy-consistency (Aktar, 2024).

The overall pattern is consistent with contemporary extensions of classic two-factor and expectancy perspectives that emphasize fairness, clarity, and meaningful rewards as antecedents of motivational gains. Fair processes signal respect and reciprocity, clear standards reduce uncertainty about performance–pay contingencies, and meaningful rewards reinforce purposeful effort. In combination, these conditions help transform

salary satisfaction into sustained motivational energy in labor-intense, team-dependent production lines.

2. Effect of Salary Satisfaction on Employee Performance

The analysis supports a direct, positive association between salary satisfaction and employee performance. When pay practices are viewed as fair and predictable, employees display stronger discipline, closer adherence to quality standards, and greater focus on task completion, all of which are critical in labor-intensive apparel lines. Such conditions reduce counterproductive uncertainty, enabling workers to allocate attention to through-put, precision, and coordination with upstream and downstream tasks (Adwan et al., 2024).

Findings from industrial and apparel contexts reinforce this pattern, linking compensation adequacy and satisfaction to improved job behavior and lower withdrawal tendencies, including reduced lateness and turnover intentions (Gazi et al., 2024; L. Yuan et al., 2022). These outcomes are consistent with the notion that satisfied employees experience fewer resource drains associated with perceived inequity, which otherwise divert effort away from core task performance. Satisfaction thereby stabilizes attendance and energy, two proximal drivers of observed performance metrics in production settings.

The evidence also complements research positioning work motivation as a proximal engine of performance, with compensation design operating both directly and through motivational pathways (Wang et al., 2024; Zayed et al., 2022). In practice, organizations in the garment sector can expect more stable throughput when salary policies are transparent, criteria-based, and aligned with role demands and attainable performance indicators. Clear standards, credible incentive paths, and timely administration integrate to support disciplined execution and reliable output quality across shifts and stations.

3. Effect of Work Motivation on Employee Performance

Work motivation consistently shows a positive association with employee performance in contemporary organizational settings, including labor-intensive, target-driven roles typical of apparel production. Recent meta-analytic and longitudinal evidence indicates that motivated employees allocate greater directed effort and persistence to core tasks, which translates into better in-role outcomes and fewer counterproductive lapses (den Broeck et al., 2021; Neuber et al., 2021; Wang et al., 2024). In practice, this link is especially salient where output quality and timeliness depend on disciplined routines, stable attention, and goal clarity.

The mechanism is supported by motivation quality, not only by its intensity. Enabling forms of motivation that satisfy psychological needs for autonomy, competence, and relatedness are reliably tied to stronger engagement and proactivity, which are proximal drivers of performance in dynamic shop-floor environments (Gagné, 2022; Scharp et al., 2022). When work systems allow meaningful discretion, skill use, and supportive social cues, employees sustain task focus, adhere to standards, and coordinate fluidly with upstream and downstream roles.

Theoretical implication. The findings align with Vroom's Expectancy Theory, which proposes that performance rises when employees believe effort will lead to effective performance and valued outcomes. In this context, work design and supervisory practices that clarify performance contingencies strengthen expectancy and instru-mentality beliefs, thereby amplifying motivation into measurable performance gains.

4. Indirect Effect of Salary Satisfaction on Employee Performance through Work Motivation

Contemporary studies also show that salary satisfaction contributes to higher performance indirectly by elevating work motivation. Fair, intelligible, and timely pay fosters positive evaluations of exchange quality and perceived future returns, which energize effort and persistence at work (Ariani, 2023; Zayed et al., 2022). In production settings, employees who appraise compensation policies as equitable and predictable tend to internalize performance goals more strongly and sustain disciplined routines through busy periods (Arvidsson et al., 2024).

Compensation practices that enhance transparency and distributive clarity further shape the motivational climate, encouraging learning-oriented norms that reinforce daily effort and coordination on the line (Tenhiälä et al., 2024). Empirical work from Indonesian and regional contexts likewise indicates that compensation influences performance both directly and via increased motivation, with motivation frequently acting as a partial mediator in the pay–performance linkage (Cullen, 2024; Savira et al., 2024; Ullah et al., 2024).

Theoretical implication. The pattern is consistent with Vroom's Expectancy Theory. Salary satisfaction strengthens valence and, when pay rules are clear, increases instrumentality, which in turn raises motivation and ultimately performance. For CV Eazywear Indonesia, ensuring that base pay and incentives are perceived as fair, comprehensible, and contingent on attainable standards should optimize this motivational pathway to performance.

Limitations and Suggestions for Future Research

This study is limited by its cross-sectional design, small sample size, and single-firm context in an MSME garment setting, which constrains external validity. All constructs were assessed through self-reports, creating risks of common method bias, social desirability, and shared error variance, while performance lacked objective indicators such as defects per thousand units, output per hour, attendance, or lateness records. Potential endogeneity among salary satisfaction, motivation, and performance was not explicitly addressed, and several confounders were not modeled, including leadership style, workload, perceived organizational support, competence, career opportunities, and macro conditions such as inflation and regional minimum wages.

Future research should employ longitudinal or time-lagged designs, integrate multi-source data from supervisors and peers, and combine surveys with HRIS payroll records and objective performance metrics. Field or quasi-experiments on pay transparency, incentive schemes, and criterion clarity would strengthen causal inference. Richer models could incorporate distributive, procedural, and interactional justice as mediators or moderators, as well as household financial strain, wage adequacy, and pay dispersion. Broader, multi-firm samples using stratified sampling and multilevel modeling are recommended, alongside tests of measurement invariance, nonlinear and threshold effects, comparative PLS-SEM and CB-SEM analyses, out-of-sample prediction, and endogeneity remedies such as instrumental variables or propensity score matching.

CONCLUSIONS AND RECOMMENDATIONS

Salary satisfaction has a significant positive effect on work motivation and, consequently, on employee performance, with motivation acting as a partial mediator of the link between pay and performance. Given the sample profile (primarily production employees with stable tenure and secondary education), perceptions of fairness, transparency, and consistency in compensation are especially consequential. The performance facets assessed in this study (task execution, discipline, and citizenship or contribution) improve when motivation is sustained through well managed payroll systems.

Management should guarantee on time, error free payments; simplify payslips so components and deductions are easily understood; and complement pay with nonfinancial recognition, targeted upskilling, and visible career pathways to strengthen intrinsic motivation. Compensation should be benchmarked regularly against local labor markets and adjusted for cost of living; incentive schemes should align with production, quality, and punctuality KPIs. Short recurring pulse surveys and open feedback channels can monitor perceived pay fairness and the motivational climate, with swift remediation of issues. A compact performance dashboard that tracks output per hour, defect or redo rates, lateness or absenteeism, voluntary turnover, and engagement should be reviewed over time to evaluate and refine compensation and motivation initiatives.

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