

Compensation and Work Motivation in Electronics Manufacturing in the Sarawak Context

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Abstract

This study examines the association between compensation and work motivation among 360 lower- and middle-level employees in Sarawak's electronics manufacturing sector. Compensation was measured using 10 items and work motivation using 12 items, with composite scores calculated as item means. Data quality was assessed through score reconstruction, descriptive statistics, response distributions, and internal consistency estimates. Pearson's and Spearman's correlations were used to examine the association and assess the consistency of the findings. Both scales showed high internal consistency (Cronbach's $\alpha = .890$ for compensation and $.895$ for work motivation). Compensation was positively associated with work motivation, $r(358) = .226$, $p < .001$, 95% CI [.126, .322]. Spearman's correlation yielded a similar result, $r_s = .221$, $p < .001$. The association was small, with the two constructs sharing approximately 5.1% of their variance. This pattern is consistent with equity and expectancy perspectives, under which rewards may relate to motivation when employees perceive them as fair, valuable, and linked to performance.

Keywords: Compensation, Work Motivation, Electronics Manufacturing, Sarawak

Introduction

Malaysia's electrical and electronics industry relies on employees who can maintain production quality, adapt to technological change, and meet demanding operational requirements. Within this employment relationship, compensation has practical and symbolic importance. Pay, allowances, incentives, and benefits provide economic value, but they can also communicate how an organisation values employees' contributions. Compensation may therefore influence attraction, retention, fairness judgements, and willingness to sustain effort.

Compensation should not, however, be treated as a complete explanation of motivation. Strategic compensation research views direct pay and benefits as elements of a broader employment system (Fulmer & Li, 2022; Gerhart & Newman, 2020; Martocchio, 2020). Employees interpret not only the amount received but also the fairness of its distribution, the

transparency of its administration, and the strength of the link between performance and reward. A compensation package can consequently be economically important while showing only a modest direct association with a general measure of work motivation.

Evidence likewise cautions against the assumption that higher compensation invariably generates stronger motivation. Monetary rewards may encourage effort when employees value the reward and perceive a credible performance–reward relationship. They may also function primarily as a condition that prevents dissatisfaction. Meta-analytic evidence indicates that intrinsic motivation and extrinsic incentives can jointly predict performance, although their relative contribution varies by outcome and context (Cerasoli et al., 2014). Research on employee outcomes also shows that intrinsic and extrinsic motivation can relate differently to performance and well-being (Kuvaas et al., 2017). The association between pay and job satisfaction is meaningful but not strong enough to support a single-factor account of employee attitudes (Judge et al., 2010).

Research on compensation and work motivation among electronics employees in East Malaysia remains limited. Malaysian evidence from other sectors suggests that compensation arrangements can be associated with employee work behaviours (Che Ahmat & Arendt, 2019), while research in Sabah has also examined the role of extrinsic and intrinsic rewards in work motivation (Sunarto et al., 2011). However, less is known about lower- and middle-level employees in Sarawak's electronics manufacturing sector. The present study therefore examines verified survey responses from 360 employees working in two multinational electronics manufacturing companies in Kuching, Sarawak. It focuses on the magnitude and robustness of the association between compensation and work motivation rather than assuming that compensation is the dominant motivational influence.

Research Objectives

- To describe the levels, distributions, and internal consistency of the compensation and work-motivation measures among the employees studied.
- To examine the direction and strength of the relationship between compensation and work motivation among lower- and middle-level employees in the selected electronics manufacturing companies.
- To assess the robustness and practical magnitude of the compensation–work motivation association using Pearson's and Spearman's correlation coefficients and effect-size interpretation.

Literature Review

Work motivation concerns the forces that influence the direction, intensity, and persistence of work-related behaviour. Compensation represents an extrinsic outcome, but its motivational meaning extends beyond monetary value. Employees may interpret compensation as recognition, security, status, evidence of fairness, or a mechanism connecting performance to valued outcomes. These interpretations help explain why similar compensation systems can produce different motivational responses across employees and organisations.

Rynes et al. (2004) observed that pay may influence behaviour more strongly than employees' stated preferences suggest. Its importance for attraction or retention does not nevertheless

establish that pay will correlate strongly with general work motivation. Gerhart and Fang (2015) similarly argued that performance-related pay does not produce uniformly positive or negative motivational effects. Programme design, work characteristics, and employees' interpretations influence the outcome. Self-determination research further indicates that the way rewards are administered can affect whether employees experience them as supportive or controlling (Gagné & Forest, 2008).

A total-rewards perspective places compensation alongside benefits, recognition, development, and other employment resources. Fulmer and Li (2022) described compensation and benefits as interdependent parts of the employment relationship. A recent systematic review likewise found that reward systems vary considerably in their effects across outcomes and organisational settings (Figueiredo et al., 2025). Electronics employees may evaluate pay together with job security, shift arrangements, medical protection, supervisory support, training, and career advancement. A small bivariate association can therefore coexist with the practical importance of adequate and fairly administered compensation.

Theoretical Framework

Equity theory proposes that employees compare their contributions and outcomes with those of relevant others (Adams, 1965). Compensation should support motivation when employees regard both the outcome and its allocation as fair. The absolute amount may have limited motivational value when internal or external comparisons create perceived inequity.

Expectancy theory explains motivation through expectancy, instrumentality, and valence (Vroom, 1964). Compensation is most likely to support motivation when employees believe that effort can improve performance, performance will lead to a reward, and the reward is personally valuable. Standardised salary structures may weaken perceived instrumentality when employees have limited opportunity to change their rewards through individual effort.

Herzberg et al. (1959) distinguished motivators, such as achievement and recognition, from hygiene factors, including salary and organisational policy. Under this framework, adequate compensation may prevent dissatisfaction without producing sustained positive motivation. Together, the three theories support a positive association while also providing reasons to expect that its magnitude may be limited.

Hypothesis

H¹ Compensation is positively associated with work motivation

Methodology

The study used a quantitative, cross-sectional correlational design. The verified dataset comprised 360 responses collected from lower- and middle-level employees working in two multinational electronics manufacturing companies in Kuching, Sarawak.

Compensation was represented by 10 items and work motivation by 12 items. Responses were recorded on a four-point Likert-type scale ranging from 1 to 4, and all four response categories appeared in both item sets. Composite scores were calculated as the arithmetic mean of the relevant items, so higher scores represented higher levels of each construct.

The analysis proceeded in four stages. First, the stored compensation and work-motivation scores were reconstructed from their item variables. Second, means, standard deviations, observed ranges, response distributions, and Shapiro–Wilk tests were examined. Third, internal consistency was estimated using Cronbach’s alpha. Fourth, Pearson’s product–moment correlation was calculated to test the linear association, and Spearman’s rank correlation was used as a distribution-robust comparison. Statistical tests were two-sided with alpha set at .05. A 95% confidence interval for Pearson’s r was calculated using Fisher’s z transformation. Because the stated hypothesis concerned a bivariate association and no theoretically prespecified controls were required to answer it, unnecessary post hoc statistical controls were avoided, consistent with methodological recommendations for correlational research (Becker et al., 2016).

The analysis emphasised effect size and uncertainty rather than relying only on statistical significance. The squared Pearson coefficient was reported descriptively as shared variance.

Results

Descriptive Statistics and Data Checks

Table 1 presents the descriptive and reliability results. Mean scores were close to the midpoint of the four-point response scale, and both composites covered the complete possible range. Shapiro-Wilk tests indicated departures from normality. These tests are sensitive in larger samples, and averaged Likert scores are bounded; Pearson and Spearman estimates were therefore examined together.

Table 1

Descriptive Statistics and Internal Consistency

Measure	Items	M	SD	Range	W	p	alpha
Compensation	10	2.524	0.754	1.00-4.00	.979	< .001	.890
Work motivation	12	2.506	0.717	1.00-4.00	.981	< .001	.895

Note. $N = 360$.

Both item sets showed high internal consistency. Cronbach’s alpha was .890 for compensation and .895 for work motivation. These estimates indicate coherent item responses and good internal consistency in the present sample. However, internal consistency alone does not establish construct validity, and the reliability estimates should therefore be interpreted together with the study’s measurement and sampling context.

Association between Compensation and Work Motivation

Table 2 presents the correlation estimates. Pearson and Spearman coefficients were similar in direction and magnitude, indicating that the conclusion was not dependent on a single estimator. Both analyses showed a small positive association.

Table 2

Correlations between Compensation and Work Motivation

Estimator	Coefficient	p	95% CI	Interpretation
Pearson	.226	< .001	[.126, .322]	Small positive association
Spearman	.221	< .001	Not estimated	Small positive association

Note. N = 360

H¹ was supported as compensation was positively associated with work motivation, $r(358) = .226$, $p < .001$, 95% CI [.126, .322]. Spearman's rank correlation yielded a comparable result, $r_s = .221$, $p < .001$. The squared Pearson coefficient was .051, indicating that the two composite scores shared approximately 5.1% of their variance.

Discussion

The analysis produced a statistically significant but small positive relationship between compensation and work motivation. The close agreement between Pearson and Spearman coefficients suggests that the conclusion was not an artefact of choosing one of these estimators. The confidence interval also remained above zero, although its range was consistent with a modest association.

The effect size is more informative than the significance test alone. Compensation shared approximately 5.1% of its variance with work motivation in this study. Most variation was therefore not represented by this bivariate relationship. Even if a similar coefficient were reproduced with employee data, it would not justify treating compensation as the dominant source of motivation.

The result is compatible with equity theory because compensation may be motivational when employees perceive distributive and procedural fairness. It is also compatible with expectancy theory because rewards are more likely to influence effort when performance–reward connections are credible. Herzberg's framework offers a complementary explanation: compensation may prevent dissatisfaction while contributing only modestly to sustained motivation. Taken together, these perspectives help explain why compensation can remain organisationally important while accounting for only a limited proportion of variation in work motivation.

Practical Relevance for Workplace Learning

The result does not support immediate organisational intervention. It does, however, identify propositions that can be tested in a field study. Electronics manufacturers could examine whether employees understand salary ranges, allowances, performance criteria, and skill-based progression. A survey should measure pay adequacy, pay fairness, reward transparency, recognition, supervisory support, job security, and development opportunities separately rather than combining them into one broad reward score.

Workplace learning may be especially relevant when compensation is linked transparently to verified competencies and career progression. Organisations can map required skills, provide access to training, and specify how qualifications affect job grades or advancement. The

effects of these practices should be evaluated with observed employee data and organisational records before conclusions are drawn about motivation or performance.

Conclusion

Compensation and work motivation scores showed high internal consistency and a small positive association, $r(358) = .226$, $p < .001$, 95% CI [.126, .322]. A comparable Spearman coefficient supported the stability of this conclusion. The two constructs shared approximately 5.1% of their variance, indicating that compensation alone accounted for only a limited proportion of the observed variation in work motivation. Accordingly, compensation should be understood as one component of a broader motivational system rather than as a sufficient explanation of employee motivation.

Theoretical and Contextual Contribution

Theoretically, this study contributes by demonstrating that compensation has a positive but limited association with work motivation, supporting a complementary interpretation of equity theory, expectancy theory, and Herzberg's two-factor framework rather than a single-factor explanation of motivation. The small effect suggests that compensation may matter through fairness perceptions, performance reward instrumentality, and the prevention of dissatisfaction, while substantial variation in motivation remains attributable to other job and individual factors. Contextually, the study provides evidence from 360 lower and middle-level employees in two multinational electronics manufacturing companies in Kuching, Sarawak, an employment setting that is less represented in compensation motivation research than Western and service-sector samples.

By locating the relationship within Sarawak's electronics manufacturing context, the findings provide a locally grounded benchmark for future research on reward fairness, skill-based progression, recognition, supervisory support, and employee development in East Malaysian manufacturing. The study therefore extends existing knowledge by connecting established motivation theories with evidence from an underexamined regional and industrial context while avoiding the conclusion that compensation alone is sufficient to sustain employee motivation.

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