

The Effect of Procedural Fairness in Compensation on Employee Performance, with Extrinsic Work Motivation as a Mediating Variable

Evi Arianti^{1*}, Anita Maharani², Neuneung Ratna Hayati³

Universitas Terbuka, Indonesia¹

Universitas Bina Nusantara, Indonesia²

Universitas Widyatama, Indonesia³

Email: evi30.arianti@gmail.com^{1*}, anita.maharani@binus.edu²,
neuneung.ratna@widyatama.ac.id³

Keywords:

Compensation Procedural Justice; Extrinsic Work Motivation; Employee Performance; Central Statistics Agency

Abstract

Employee performance in public sector organizations, particularly within the Central Statistics Agency (Badan Pusat Statistik [BPS]), is critical to institutional effectiveness in providing accurate statistical data for national development planning. Although employee performance at BPS across West Sulawesi Province is generally satisfactory, variations in performance scores among work units indicate the need to examine organizational and psychological factors, particularly compensation procedural justice and extrinsic work motivation. This study examined the effect of compensation procedural justice on employee performance, with extrinsic work motivation as a mediating variable among BPS employees in the province. The research employed a quantitative survey approach, with data collected through questionnaires distributed to 147 BPS employees throughout the province. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) to examine the hypothesized relationships, including direct and indirect effects. The findings revealed that compensation procedural justice had no significant direct effect on employee performance. However, it had a significant positive effect on extrinsic work motivation, which significantly influenced employee performance. Extrinsic work motivation fully mediated the relationship between compensation procedural justice and employee performance. These findings indicate that compensation procedural justice should be viewed not merely as an administrative mechanism but also as a motivational instrument. Fair compensation procedures improved employee performance when they enhanced employees' extrinsic work motivation. Theoretically, this study contributed to a deeper understanding of Equity Theory and Self-Determination Theory within the public sector context. Practically, the findings provided evidence-based recommendations for BPS and other government institutions in designing compensation and reward systems that are procedurally fair and effective in strengthening employee motivation and performance.

INTRODUCTION

Employee performance is one of the fundamental factors determining the success of public sector organizations. Within government bureaucracies, performance is not only reflected in employees' ability to complete administrative tasks but also in their contribution to public service quality, institutional accountability, program implementation accuracy, and the achievement of organizational objectives. Public organizations require employees who are able

to work effectively, efficiently, and with strong discipline and result orientation because employee performance reflects the overall quality of governance. In the context of the Central Statistics Agency (Badan Pusat Statistik [BPS]), employee performance plays a strategic role because the institution is responsible for providing accurate, relevant, timely, and reliable statistical data as a foundation for national and regional development policy formulation. Therefore, the quality of BPS employees' work directly influences the quality of statistical outputs and public trust in government statistical institutions (Abbas et al., 2022; Adibrata & Maani, 2025; Ahmaddien et al., 2024; Putri, 2025; Rangkuti et al., 2024).

As a nonministerial government institution, BPS has work characteristics that require high levels of accuracy, procedural discipline, integrity, and timeliness. BPS employees are not only responsible for routine administrative activities but also participate in technical processes, including data collection, data processing, validation, analysis, publication, and statistical services for the community. These responsibilities require consistent work capabilities and strong motivation. Without adequate work motivation, task completion quality may decline in terms of timeliness, accuracy, and accountability. Therefore, employee performance remains an important issue to examine, particularly in BPS work units across regions with different workload characteristics, geographical conditions, and service demands.

In human resource management research, employee performance is influenced not only by technical competencies but also by psychological and organizational factors. One organizational factor frequently examined in relation to performance is compensation fairness. Compensation fairness refers to employees' perceptions regarding the extent to which the compensation they receive is fair, appropriate, transparent, consistent, and proportional to their contributions. In this context, compensation includes not only salaries and benefits but also incentives, recognition, career opportunities, and other forms of organizational appreciation. Armstrong and Taylor (2023) explained that compensation fairness is achieved when employees perceive that financial and nonfinancial rewards correspond with their efforts, performance, responsibilities, and qualifications.

Theoretically, the relationship between compensation fairness and employee behavior can be explained through Equity Theory. This theory suggests that individuals evaluate the balance between their inputs, such as effort, time, experience, skills, and responsibilities, and the outcomes they receive, such as salary, benefits, recognition, and promotion opportunities. Robbins and Judge (2026) stated that when employees perceive a fair relationship between their contributions and rewards, they tend to experience higher satisfaction, motivation, and willingness to demonstrate better performance. Conversely, perceived imbalance between contributions and rewards may lead to dissatisfaction, reduced motivation, and decreased productivity. This perspective aligns with the concept of organizational justice, which includes distributive justice, procedural justice, and interactional justice, all of which influence employee attitudes and workplace behavior (Colquitt et al., 2019).

Within government organizations, compensation fairness becomes a complex issue because salary and benefit systems are generally regulated through formal national policies. On the one hand, standardized compensation systems aim to establish fairness and certainty among government employees. On the other hand, standardized compensation does not always produce identical perceptions of fairness among employees. Differences in workload, task complexity, responsibilities, work intensity, and performance expectations may lead employees to evaluate

compensation fairness differently. Pertiwi and Fitrie (2019) explained that public sector remuneration systems are designed to ensure that salaries and benefits correspond with employees' workloads and responsibilities. However, employees with higher workloads may still perceive that the compensation received does not fully reflect their contributions.

This phenomenon is also relevant within BPS offices throughout West Sulawesi Province. Based on employee performance data from 2024, all BPS work units in the region demonstrated relatively strong performance achievements; however, variations remained among work units. BPS West Sulawesi Province recorded an average performance score of 94.50, followed by BPS Mamasa Regency with 94.45, BPS Polewali Mandar Regency and BPS Mamuju Regency with 94.24 each, BPS Majene Regency with 94.03, BPS Central Mamuju Regency with 93.66, and BPS Pasangkayu Regency with the lowest score of 91.77. These differences indicate that although employee performance was generally categorized as very good, performance achievements were not completely uniform across work units. This variation suggests the presence of organizational and psychological factors requiring further examination, including perceptions of compensation procedural fairness and extrinsic work motivation.

Performance data should not only be interpreted as administrative achievement indicators but also as an initial representation of organizational performance variation. High performance scores demonstrate that employees are generally capable of performing their duties effectively; however, these figures do not explain why differences exist between work units. Such differences may arise from variations in working conditions, workload distribution, organizational support, and employees' perceptions of compensation system fairness. Therefore, examining the relationship between compensation procedural fairness, extrinsic work motivation, and employee performance is important to understand the factors underlying performance variations.

Previous studies have demonstrated that compensation fairness is associated with employee performance, although the relationship is not always direct. Arimbawa et al. (2025) found that compensation was a relevant factor in explaining employee performance in government institutions; however, its effect did not always occur directly. Similarly, Dwi Ardian et al. (2023) found that among BPS employees in West Sulawesi Province, compensation procedural fairness did not have a significant direct effect on employee performance but remained important through mediating variables. These findings suggest that compensation fairness may not automatically improve performance but may operate through specific psychological mechanisms.

One relevant psychological mechanism explaining this relationship is extrinsic work motivation. Extrinsic motivation refers to work motivation derived from external factors, including salary, benefits, incentives, recognition, promotion opportunities, job security, and career development. Robbins and Judge (2026) explained that extrinsic motivation is associated with external stimuli provided by organizations to encourage employee behavior. Ryan and Deci (2000) further emphasized that extrinsic motivation is not limited to material rewards but also involves employees' perceptions that external rewards support the achievement of personal and professional goals.

Within BPS, extrinsic motivation is particularly important because employee responsibilities are closely associated with performance targets, data accuracy, timeliness, and

public service obligations. Employees with strong extrinsic motivation are more likely to demonstrate discipline, complete tasks on time, maintain work quality, and pursue organizational objectives. Amindrawati et al. (2025) found that employees with higher levels of extrinsic motivation tended to demonstrate stronger work discipline and responsibility. Moreen et al. (2025) also explained that clear and fair reward systems could strengthen employees' attachment to organizations. Therefore, extrinsic motivation may serve as a mechanism linking compensation procedural fairness with improved employee performance.

Previous research further supports this relationship. Saldiansyah Sabara et al. (2025) found that organizational justice had a positive and significant effect on extrinsic motivation and employee performance. Hwang (2024) also demonstrated that extrinsic motivation could mediate the relationship between organizational justice and organizational performance in public organizations. These findings indicate that perceptions of fairness may not always translate directly into improved performance but may first influence employees' motivation. When employees perceive compensation procedures as fair, transparent, and proportional, they are more likely to feel valued by the organization, which subsequently strengthens extrinsic motivation and encourages improved performance.

The research gap emerges because previous studies have often positioned compensation fairness as a direct predictor of employee performance, while empirical findings remain inconsistent. Some studies have identified significant direct effects, whereas others have shown that the relationship becomes stronger when mediated by variables such as work motivation, job satisfaction, or employee engagement. Arimbawa et al. (2025) demonstrated that compensation in the public sector became more meaningful for performance when mediated by job satisfaction. Meanwhile, Dwi Ardian et al. (2023) showed that compensation procedural fairness among BPS employees in West Sulawesi did not directly improve performance but operated through intermediary mechanisms. These findings highlight the need to further examine the role of extrinsic work motivation as a mediating variable in the relationship between compensation procedural fairness and employee performance.

The novelty of this research lies in positioning extrinsic work motivation as a mediating mechanism that explains how compensation procedural fairness influences employee performance in public sector organizations, particularly BPS offices throughout West Sulawesi Province. This study not only examines whether compensation fairness affects performance but also explains the process through which external work motivation facilitates this relationship. This approach provides a more comprehensive understanding that improving employee performance requires not only a compensation system that complies with regulations but also a system capable of fostering perceptions of fairness and strengthening employee motivation.

Based on this background, this research provides both theoretical and practical contributions. Theoretically, this study enriches public sector human resource management literature by integrating Equity Theory and extrinsic motivation perspectives to explain employee performance. Practically, the findings provide input for BPS in designing compensation and reward systems that are not only administratively fair but also effective in strengthening employee motivation and performance. Therefore, this study aimed to examine the effect of compensation procedural fairness on employee performance, with extrinsic work motivation as a mediating variable among BPS employees throughout West Sulawesi Province.

METHOD

This study employed a quantitative approach with an explanatory research design. This approach was selected to examine the causal relationships among the variables formulated in the research model. The independent variable was compensation procedural fairness, the mediating variable was extrinsic work motivation, and the dependent variable was employee performance. The research model was tested using Partial Least Squares Structural Equation Modeling (PLS-SEM), which was appropriate for examining predictive models involving latent constructs and mediated relationships (Hair et al., 2019; Sarstedt et al., 2022).

The research was conducted at BPS offices throughout West Sulawesi Province, including BPS West Sulawesi Province and district-level BPS offices. The study population consisted of BPS employees within these work units. Primary data were collected through questionnaires distributed to 147 respondents. The research instrument used a five-point Likert scale ranging from strongly disagree to strongly agree. Compensation procedural fairness was measured using indicators of procedural consistency, equal treatment, absence of personal bias, bias prevention, fact-based evaluation, and involvement of relevant parties. Extrinsic work motivation was measured using indicators of financial rewards, nonfinancial rewards, promotion opportunities, recognition, and job security. Employee performance was assessed through indicators of job knowledge, accuracy, productivity, independence, procedural compliance, initiative, and cooperation.

Data analysis was conducted in two stages. The first stage involved evaluating the measurement model, including convergent validity, discriminant validity, Cronbach's alpha, and composite reliability. The second stage involved evaluating the structural model through multicollinearity testing using the Variance Inflation Factor (VIF), assessment of the coefficient of determination (R^2), and hypothesis testing through bootstrapping procedures. A hypothesis was considered supported when the p-value was below 0.05. The mediation analysis was conducted by examining the significance of the indirect effect of compensation procedural fairness on employee performance through extrinsic work motivation.

RESULTS AND DISCUSSION

Respondent Characteristics

This study involved 147 BPS employees throughout West Sulawesi Province. The characteristics of the respondents showed that the majority of respondents were men as many as 85 people or 57.82%, while women as many as 62 people or 42.18%. Based on age, the largest group was in the range of 25-34 years with 51 respondents or 34.69%. Based on the working period, the majority of respondents had a working period of more than 6 years, as many as 96 respondents or 65.31%. In terms of education, most of the respondents were educated in Diploma IV/S1 as many as 109 respondents or 74.15%. These characteristics indicate that respondents have sufficient work experience and educational background to provide an assessment of compensation, motivation, and performance practices in the BPS environment.

Table 1. Characteristics of Respondents

Features	Category Dominance	Frequency	Percentage
Gender	Male	85	57,82%
Age	25-34 years old	51	34,69%
Working period	> 6 years old	96	65,31%
Final education	Diploma IV/S1	109	74,15%
Departments	Functional office	98	66,67%

Source: Processed Researcher (2026)

Descriptive Statistics of Variables

The results of descriptive statistics show that all variables are in the good category. Procedural fairness of compensation obtained an average of 3.61. This value shows that employees generally consider compensation procedures to be quite consistent, fair, and rules-based, although there is still room for improvement in the aspects of communication and employee involvement. Extrinsic work motivation obtained an average of 3.84, indicating that financial rewards, recognition, promotional opportunities, and a sense of security are enough to motivate employees to work better. Employee performance obtained an average of 4.02, so it can be said that BPS employees throughout West Sulawesi Province have good work achievements in terms of knowledge, accuracy, productivity, procedural compliance, and cooperation.

Table 2. Summary of Descriptive Statistics of Variables

Variabel	Average	Criteria	Interpretasi
Procedural Justice Compensation	3,61	Good	The compensation procedure is perceived to be fairly fair and consistent.
Extrinsic Work Motivation	3,84	Good	External incentives such as rewards and recognition are relatively strong.
Employee Performance	4,02	Good	Employees show good performance in the implementation of duties.

Source: Processed Researcher (2026)

Evaluation of Measurement Models

Evaluation of the measurement model is carried out to ensure that the indicator is able to represent the measured construct. The results of outer loading show that most of the indicators have values that meet the validity criteria. In the compensation fairness variable, indicators X01 to X06 have a loading between 0.726 to 0.820 so that they are entirely valid. In the variables of extrinsic work motivation and employee performance, some indicators have loading values below 0.70, but are still used considering theoretical contribution and construct reliability values. Cronbach's alpha value of all variables was above 0.70, which was 0.862 for compensation fairness, 0.803 for extrinsic work motivation, and 0.909 for employee performance. Composite reliability was also above 0.70. Thus, the research instrument can be declared reliable (Hair et al., 2021).

Table 3. Construct Reliability and Validity Results

Variabel	AVE	Cronbach's Alpha	Composite Reliability	Remarks
Procedural Justice Compensation	0,593	0,862	0,884	Reliable; AVE meets the criteria
Extrinsic Work Motivation	0,423	0,803	0,811	Reliable; AVE needs to be looked at
Employee Performance	0,484	0,909	0,918	Reliable; AVE approaches criteria

Source: Processed Researcher (2026)

The AVE value on extrinsic work motivation and employee performance has not fully reached the ideal limit of 0.50. This is an important note that some indicators still need to be improved in further research. However, adequate reliability values indicate that the construct still has good internal consistency. In addition, the results of discriminant validity through the square root of AVE show that the construct has an acceptable difference compared to other constructs. The VIF value of the relationship between variables is below 5, namely 1.246 and 1.000, so there is no problem of multicollinearity in the structural model.

Structural Model Evaluation

Evaluation of the structural model shows that the R-square value for employee performance is 0.231. This means that procedural fairness of compensation and extrinsic work motivation can explain 23.1% of the variation in employee performance. The R-square value for extrinsic work motivation is 0.198, which means that the procedural fairness of compensation is able to explain 19.8% of the variation in extrinsic work motivation. This value shows that the model has relatively limited clear power, so there are other factors outside the model that also affect employee performance, such as leadership, organizational culture, workload, job satisfaction, work environment, and organizational commitment.

Table 4. R-square values

Variable endogenous	R-square	Interpretasi
Employee Performance	0,231	The model explains 23.1% variation in employee performance.
Extrinsic Work Motivation	0,198	The model explains 19.8% variation in extrinsic work motivation.

Source: Processed Researcher (2026)

Hypothesis Testing

The results of the hypothesis testing showed that of the four hypotheses proposed, three hypotheses were supported and one hypothesis was not supported. Procedural fairness of compensation had a positive but insignificant effect on employee performance with a coefficient of 0.123, t-statistics 0.901, and p-value of 0.368. Procedural fairness of compensation had a positive and significant effect on extrinsic work motivation with a coefficient of 0.444, t-statistics of 4.885, and p-value of 0.000. Extrinsic work motivation had a positive and significant effect on employee performance with a coefficient of 0.418, t-statistics of 4.492, and p-value of 0.000. Furthermore, the indirect effect of procedural justice compensation on employee performance through extrinsic work motivation was also significant with a coefficient of 0.186, t-statistics 3.770, and p-value of 0.000.

Table 5. Hypothesis Test Results

Intervariable Relationships	Original Sample	T-statistics	P-value	Verdict
Compensation fairness -> Employee performance	0,123	0,901	0,368	Not supported
Compensatory justice -> Extrinsic motivation	0,444	4,885	0,000	Supported
Extrinsic motivation -> Employee performance	0,418	4,492	0,000	Supported
Compensation fairness -> Extrinsic motivation -> Employee performance	0,186	3,770	0,000	Supported

Source: Processed Researcher (2026)

The Effect of Compensation Procedural Justice on Employee Performance

The results of the study showed that the procedural fairness of compensation had a positive but not significant effect on employee performance. This means that the higher the employee's perception of compensation fairness, the more employee performance tends to increase, but the increase is not statistically strong enough. Thus, the hypothesis that the procedural fairness of compensation affects employee performance is unacceptable. This finding provides an understanding that in the context of BPS throughout West Sulawesi Province, compensation fairness has not yet become the main factor that directly determines employee performance.

Theoretically, this result is interesting because Equity Theory explains that employees will compare the inputs given, such as time, effort, competence, experience, and responsibilities, with the outputs received, such as salaries, benefits, awards, and promotions. If employees feel that the ratio of input and output is fair, then employees should be encouraged to provide better performance. However, the results of this study show that the perception of compensation fairness does not automatically result in improved performance. This means that even if employees consider that compensation procedures are relatively fair, they are not necessarily directly reflected in more productive work behavior or higher performance achievements. (Robbins & Judge, 2026)

This condition can be explained through the characteristics of public organizations, especially BPS. In government bureaucracy, the compensation system has generally been nationally regulated and relatively standardized. Salary, allowances, and reward systems are not fully determined by the local work unit, but follow the provisions of applicable regulations. Therefore, employees may view compensation as an administrative right inherent in employment status, rather than as a direct incentive that encourages improvement in daily performance. As a result, although compensation procedures are perceived to be fair, their effect on performance does not appear directly.

This finding can also be understood from the nature of the work of BPS employees who are closely tied to standard procedures, institutional targets, bureaucratic discipline, and statistical service responsibilities. The performance of BPS employees is not only determined by the perception of compensation, but also by other factors such as technical competence, workload, leadership, organizational culture, coordination between units, quality of evaluation systems, and organizational support. Thus, compensation fairness is only one factor that affects performance, but not the only determining factor. This is in line with the thesis conclusion

which states that employee performance can also be influenced by work motivation, leadership, organizational culture, competence, workload, work environment, and performance evaluation system.

The results of this study support the findings that also examined the context of BPS in West Sulawesi Province and found that compensation procedural fairness did not have a significant direct effect on employee performance. These findings are also in line with those that show that compensation in government agencies does not always have a direct effect on employee performance, but can be more meaningful when it comes to other psychological variables such as job satisfaction. Thus, the results of this study reinforce the view that the relationship between compensation justice and the performance of public sector employees is complex and not always linear. (Dwi Ardian et al., 2023) (Arimbawa et al., 2025)

In other words, the procedural fairness of compensation remains important, but its role is more in shaping employees' positive perceptions of the organization. Employees who feel that compensation is given fairly will feel valued, treated appropriately, and see that the organization has a commitment to the principles of fairness. However, these feelings need to first be translated into work drive, commitment, satisfaction, or motivation before they can ultimately have an impact on performance improvement. Therefore, the insignificance of the direct influence in this study does not mean that compensation fairness is not important, but rather shows that its effect on performance requires an intermediary mechanism.

The Effect of Compensation Procedural Justice on Extrinsic Work Motivation

The results of the study showed that the procedural fairness of compensation had a positive and significant effect on extrinsic work motivation. A p-value of 0.000 indicates that the relationship is significant at the level of 5%. This means that the higher the employee's perception of procedural justice of compensation, the higher the extrinsic work motivation felt by employees. These findings show that fairness in the compensation process can be a source of external work encouragement for BPS employees throughout West Sulawesi Province.

Conceptually, these results are in line with the concept of organizational justice. Procedural fairness relates to the extent to which the compensation determination process is carried out in a transparent, consistent, objective, bias-free, and accountable manner. When employees feel that compensation procedures are being done fairly, they will judge that the organization values their contributions. This feeling of being valued then forms an extrinsic work drive, such as the desire to obtain awards, recognition, promotions, a sense of security, and rewards that are commensurate with work contributions.

This finding can also be explained through Self-Determination Theory which states that extrinsic motivation arises due to the presence of external factors that motivate individuals to act, such as salary, benefits, bonuses, promotions, recognition, and job security. In the context of this study, compensation perceived to be fair led employees to see a clearer relationship between work contributions and organizational rewards. The clearer the connection between effort and reward, the greater the employee's motivation to work better. (Ryan) & Deci, 2000)

In the context of BPS, procedural fairness of compensation is important because the work of employees demands precision, discipline, timeliness, and high responsibility for the quality of statistical data. Employees who feel that compensation procedures are done fairly will be more motivated to maintain the quality of work, follow procedures, complete targets, and

demonstrate job responsibility. This happens because employees feel that the organization cares about their contributions and rewards them based on clear principles.

The results of this study are in line with explaining that compensation plays an important role in increasing employee work motivation because compensation is perceived as a form of appreciation for work contributions. It was also found that organizational justice had a positive and significant effect on extrinsic motivation. In addition, it emphasized that compensation fairness and work motivation are closely related in encouraging employee work behavior. Thus, the results of this study reinforce empirical evidence that fairness in the compensation system can be a source of extrinsic motivation for employees. (Rismawati et al., 2021) (Saldiansyah Sabara et al., 2025) (Nugraha et al., 2024)

The implication is that BPS needs to ensure that the compensation system is not only in accordance with formal rules, but also understood fairly by employees. Transparency in explaining the basis for providing benefits, objectivity of performance assessments, consistency in the application of rules, and good communication from leaders are important factors in strengthening extrinsic work motivation. If employees understand that compensation is given based on clear and accountable procedures, then employees will be more motivated to work in a disciplined manner and oriented towards achieving organizational targets.

The Effect of Extrinsic Work Motivation on Employee Performance

The results of the study show that extrinsic work motivation has a positive and significant effect on employee performance. These findings mean that the higher the extrinsic work motivation of employees, the higher the performance displayed. Thus, the hypothesis that extrinsic work motivation affects employee performance is acceptable. These results show that external incentives such as rewards, recognition, a sense of security, promotion opportunities, and decent compensation have an important role in encouraging BPS employees to improve their performance.

Theoretically, extrinsic work motivation is a person's motivation to work because of external results or consequences that are to be achieved. Robbins and Judge (2026) explain that extrinsic motivation is related to impulses that come from outside the individual, such as salary, bonuses, awards, promotions, and recognition. In the context of public organizations, extrinsic motivation can be an important factor because employees work in a formal system that is heavily influenced by rules, awards, performance appraisals, and career paths.

This result is also in line with Expectancy Theory, which explains that employees will work better if they believe that the effort given will result in good performance and that performance will result in valuable rewards. In the context of BPS, employees who have high extrinsic motivation will be more motivated to complete work on time, maintain data accuracy, follow standard procedures, and achieve organizational targets. They see that good work efforts can have positive consequences, both in the form of recognition, good performance evaluation, career opportunities, and a sense of security at work.

These findings are also supported by the finding that employees with high levels of extrinsic motivation tend to show greater discipline and job responsibility. also explains that a clear and fair reward system can increase employees' attachment to the organization. Thus, extrinsic motivation not only encourages employees to work for material rewards, but also strengthens employees' sense of value, security, and attachment to the organization. (Amindrawati et al., 2025) (Moreen et al., 2025)

In the context of BPS in West Sulawesi Province, extrinsic motivation is very relevant because employee work is related to high public responsibility. The quality of statistical data produced by BPS is highly dependent on the discipline, accuracy, and commitment of employees in carrying out their duties. Employees who have high extrinsic motivation tend to be more serious about their work because they have the drive to get work results that are recognized by the organization. This drive can be reflected in discipline, punctuality, responsibility for tasks, and willingness to achieve work targets.

The results of this study reinforce the findings, as well as , which show that extrinsic motivation has a positive effect on employee performance, especially in public sector organizations. This means that public sector employees still need clear external encouragement to be able to work optimally. Although civil servants have formal responsibilities, extrinsic motivation still plays an important role in maintaining morale, discipline, and results-orientedness. (Elamalki et al., 2024) (Rachman & Hapzi Ali, 2025)

Thus, BPS needs to strengthen aspects that can increase employee extrinsic work motivation. Rewards for work achievements, objective promotions, leadership recognition, career development opportunities, and a transparent evaluation system can be important instruments to improve employee performance. If the organization only relies on the formal obligations of employees without providing motivational reinforcement, then employee performance has the potential to be stagnant. On the other hand, when the organization is able to provide fair and meaningful external stimulus, employees will be more motivated to work optimally.

The Role of Extrinsic Work Motivation Mediation

The results of the study showed that extrinsic work motivation mediated the influence of compensation procedural justice on employee performance. These findings are the most important outcome of the study because they explain why the direct influence of procedural justice compensation on performance is not significant, but the indirect influence through extrinsic work motivation is significant. In other words, compensation fairness does not directly improve employee performance, but first increases extrinsic work motivation, then this motivation encourages improvement in employee performance.

These findings suggest that extrinsic work motivation acts as a psychological bridge between procedural fairness, compensation, and employee performance. Employees who feel that compensation is given fairly will feel valued by the organization. That feeling of being valued then increases external work motivation, such as the desire to gain recognition, maintain good performance appraisals, get career opportunities, and demonstrate work responsibility. This encouragement ultimately encourages employees to work more disciplined, focus more on targets, and be more responsible for work results.

Theoretically, these results strengthen Equity Theory and Self-Determination Theory. From the perspective of Equity Theory, compensation fairness shapes the perception that organizations treat employees proportionately based on the contributions made. From the perspective of Self-Determination Theory, the perception of justice becomes an external stimulus that can increase extrinsic motivation. When extrinsic motivation increases, employees have a stronger drive to perform well. Thus, the relationship between compensation justice and performance does not stand alone, but works through psychological processes in the form of work motivation.

These results are in line with Sabara et al. (2025) who found that extrinsic motivation is able to explain the mechanism of the influence of organizational fairness on employee performance. Research by XBAH (2024) also shows that in public organizations, the influence of organizational justice on organizational performance becomes stronger when mediated by motivation. In addition, Arimbawa et al. (2025) found that compensation does not always have a direct effect on employee performance, but can be significant through mediation variables. Thus, the results of this study support the previous finding that the relationship between compensation fairness and the performance of public sector employees is more accurately understood as an indirect relationship through psychological factors.

In the context of BPS in West Sulawesi Province, the findings of this mediation have an important practical meaning. BPS as a public organization not only needs a compensation system that complies with the rules, but also a compensation system that is able to build a perception of justice and generate work motivation. Employees may understand that salaries and benefits are determined by government regulations, but they still need transparency, consistency, and good communication regarding compensation and award procedures. If the procedure is perceived as fair, employees will be more motivated to give the best performance.

These findings also explain why compensation fairness has no direct effect on performance. In public organizations, employees often remain employed based on formal obligations, standard procedures, and institutional targets, although perceptions of compensation vary. Therefore, compensation fairness does not always appear to be a direct driver of performance. However, when compensation fairness succeeds in fostering extrinsic work motivation, its effect on performance becomes more real. This shows that compensation needs to be managed not only as an administrative instrument, but also as a motivational instrument.

Thus, the role of extrinsic work motivation mediation shows that it is not enough to improve employee performance just by ensuring that compensation is provided according to the rules. Organizations also need to ensure that employees understand the basis for compensation, feel that the procedure is fair, and see a relationship between work contributions and awards received. When these three aspects are met, compensation fairness will be more effective in improving employee motivation and performance.

General Discussion

Overall, the results of this study show that extrinsic work motivation is a key variable in explaining the performance of BPS employees throughout West Sulawesi Province. Procedural fairness of compensation is important, but its effect on performance does not appear directly. Compensation fairness only becomes meaningful when it is able to increase the extrinsic work motivation of employees. This means that employees not only need a formally fair compensation system, but also need an external push that makes them feel valued, recognized, and have opportunities to grow.

These findings make an important contribution to the study of public sector human resource management. So far, many studies have placed compensation as a direct factor that affects performance. However, this study shows that in the context of public organizations, compensation needs to be understood as a factor that works through psychological mechanisms. Public sector employees do not always improve performance simply because

compensation is considered fair, but because that fairness shapes motivation, a sense of value, and the drive to contribute better.

For BPS, the results of this study imply that employee performance improvement policies need to be directed at two main aspects. First, strengthen the procedural fairness of compensation through transparency, consistency, objectivity, and clear communication. Second, strengthening extrinsic work motivation through non-financial awards, recognition of achievements, promotional opportunities, career development, and an objective performance evaluation system. These two aspects need to go together so that compensation is not only understood as an administrative right, but also as a form of organizational appreciation for employee contributions.

In addition, BPS also needs to pay attention to that employee performance is influenced by many other factors beyond compensation fairness and extrinsic motivation. Work culture, work environment, employee relationships, leadership, competencies, workload, and organizational support remain important factors in creating optimal performance. Therefore, improving employee performance needs to be carried out comprehensively through fair, transparent, and oriented human resource management that is oriented towards strengthening employee motivation. This is in line with the thesis that the management of compensation justice needs to be complemented by a supportive work culture and a positive work environment.

Thus, the results of this study confirm that extrinsic work motivation is an important mediator in the relationship between procedural justice of compensation and employee performance. Perceived fairness of compensation can be a trigger for work motivation, while extrinsic work motivation is a factor that encourages employees to show better performance. Therefore, the strategy to improve the performance of BPS employees throughout West Sulawesi Province needs to be directed at strengthening a fair compensation system while strengthening extrinsic work motivation in a sustainable manner.

CONCLUSION

This study concluded that compensation procedural fairness had a positive but nonsignificant effect on the performance of BPS employees throughout West Sulawesi Province. This finding indicated that perceptions of compensation fairness had not directly become the primary factor influencing employee performance. However, compensation procedural fairness had a positive and significant effect on extrinsic work motivation, and extrinsic work motivation had a positive and significant effect on employee performance.

The main finding of this study was that extrinsic work motivation mediated the relationship between compensation procedural fairness and employee performance. Thus, compensation fairness was more effective in improving employee performance when it first strengthened employees' external motivation through factors such as financial rewards, recognition, promotion opportunities, job security, and appreciation of work contributions. Theoretically, this study strengthened Equity Theory within the public sector context by demonstrating that perceptions of fairness needed to be translated through motivational mechanisms to influence performance outcomes.

Practically, BPS offices throughout West Sulawesi Province are encouraged to strengthen the transparency of compensation procedures, clarify the basis of performance

evaluations, improve communication regarding reward systems, and provide more targeted forms of recognition. Future research should expand the research scope by examining BPS offices in other provinces and incorporating additional variables, such as job satisfaction, organizational culture, leadership, workload, and organizational commitment, to improve the explanatory power of the model in predicting employee performance.

REFERENCES

- Abbas, A., Nurdin, D., & Adda, H. W. (2022). Analysis of the employee performance evaluation related to bureaucratic reform at the Central Bureau of Statistics, Central Sulawesi Province. *2021 Tadulako's International Conference on Social Sciences (TICoSS 2021)*, 125–132.
- Adibrata, R. H., & Maani, K. D. (2025). Strategic partnership management in statistical operations: A case study of Indonesia's Central Bureau of Statistics (BPS). *Journal of Educational Management Research*, 4(5), 2079–2089.
- Ahmaddien, I., Purwanto, B. H., & Aziz, Y. M. A. (2024). Dynamic systems model of organizational performance in improving public service quality of BPS in Bandung Raya Region. *Journal of Ecohumanism*, 3(8), 4438–4455.
- Amindrawati, T., Bodroastuti, T., & Ginanjar, R. (2025). Work motivation and compensation on employee performance. *Philanthropy: Journal of Psychology*, 9(1), 74–87. <https://doi.org/10.26623/philanthropy.v9i1.10761>
- Arimbawa, A. A. G. A., Wijana, I. M. D., Landra, N., & Imbayani, I. G. A. (2025). Work-life balance, compensation, and employee performance: The mediating effect of job satisfaction in the procurement division of Denpasar City Government. *Golden Ratio of Human Resource Management*, 6(1), 152–167. <https://doi.org/10.52970/grhrm.v6i1.1650>
- Armstrong, M., & Taylor, S. (2023). *Armstrong's handbook of human resource management practice: A guide to the theory and practice of people management*. Kogan Page.
- Colquitt, J. A., LePine, J. A., & Wesson, M. J. (2019). *Organizational behavior: Improving performance and commitment in the workplace*. McGraw-Hill Education.
- Dwi Ardian, Nurhayati, M., & Madris, M. (2023). Influence of compensation procedural fairness and employee engagement on workforce agility and its impact on employee performance. *International Journal of Applied Management and Business*, 1(2), 95–104. <https://doi.org/10.54099/ijamb.v1i2.676>
- Elamalki, D., Kaddar, A., & Beniich, N. (2024). Impact of motivation on the job performance of public sector employees: The case of Morocco. *Future Business Journal*, 10(1), 53. <https://doi.org/10.1186/s43093-024-00342-4>
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Moreen, J. T., Letangule, L., Chirchir, K. M., & Sylvia, C. T. (2025). Extrinsic motivation and employee performance among law enforcement personnel. *European Journal of Human Resource Management Studies*, 9(1). <https://doi.org/10.46827/ejhrms.v9i1.1952>
- Nugraha, H., Hamid, R. S., & Qamaruddin, M. Y. (2024). Pengaruh keadilan kompensasi dan motivasi kerja terhadap kinerja karyawan. *Studi Ilmu Manajemen dan Organisasi*, 5(1), 105–114. <https://doi.org/10.35912/simo.v5i1.3229>
- Pertiwi, V. I., & Fitrie, R. A. (2019). Implementation of pay for performance in the public sector in Indonesia. *IAPA Proceedings Conference*, 210. <https://doi.org/10.30589/proceedings.2019.228>

- Putri, T. N. (2025). Discipline, work environment, and employee performance: The mediating role of organizational commitment at the Central Bureau of Statistics, Kendari City. *International Journal of Management and Education in Human Development*, 5(4), 1662–1669.
- Rachman, F., & Ali, H. (2025). Influence of intrinsic and extrinsic motivation on employee performance: The mediating role of mission commitment at BPJS Ketenagakerjaan. *Jurnal Ekonomi Manajemen Sistem Informasi*, 6(6), 4157–4166. <https://doi.org/10.38035/jemsi.v6i6.5866>
- Rangkuti, S., Yusriani, S., Razali, A., Nurlinda, H., Gunarto, M., & Azzam, M. S. I. (2024). Enhancing accuracy in statistics: Examining work and performance in Indonesia's BPS. *Scaffolding: Jurnal Pendidikan Islam dan Multikulturalisme*, 6(2), 443–460.
- Rismawati, D., Hadian, D., Manik, E., & Titi, T. (2021). Pengaruh kompensasi dan motivasi kerja terhadap kinerja karyawan. *Majalah Bisnis & IPTEK*, 14(2), 83–93. <https://doi.org/10.55208/bistek.v14i2.234>
- Robbins, S. P., & Judge, T. A. (2026). *Organizational behavior*. Pearson.
- Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, 55(1), 68–78. <https://doi.org/10.1037/0003-066X.55.1.68>
- Saldiansyah Sabara, Nasrul, N., Hayat Yusuf, & Muhammad Masri. (2025). The effect of organizational justice on extrinsic motivation, intrinsic motivation, job satisfaction and employee performance in the banking sector. *Ecotechnopreneur: Journal Economics, Technology and Entrepreneur*, 4(4), 394–402.
- Sarstedt, M., Ringle, C. M., & Hair, J. F. (2022). Partial least squares structural equation modeling. In *Handbook of Market Research* (pp. 587–632). Springer International Publishing. https://doi.org/10.1007/978-3-319-57413-4_15
- Хван, Ю. (2024). Organizational justice, diversity, and organizational performance in the public sector: More robust evidence of the mediating role of motivation. *Public Administration Issues*, (6), 7–22. <https://doi.org/10.17323/1999-5431-2024-0-6-7-22>