

# Analysis of Non-Financial Compensation in Improving Employee Work Motivation in the Hybrid Work Era

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**ARMADA**  
JURNAL PENELITIAN MULTIDISIPLIN

e-ISSN: 2964-2981

ARMADA : Jurnal Penelitian Multidisiplin

<https://ejournal.45mataram.ac.id/index.php/armada>

Vol. 04, No. 04 April, 2026

Page: 196-204

DOI:

<https://doi.org/10.55681/armada.v4i4.1959>

#### Article History:

Received: Maret 07, 2026

Revised: March 29, 2026

Accepted: April 18, 2026

**Abstract :** *This study aims to analyze the role of non-financial compensation in enhancing employee motivation in the hybrid work era. Digital transformation and global shifts are driving companies to implement more flexible work models, which have implications for human resource management, particularly regarding employee motivation and performance. In this context, non-financial compensation is becoming increasingly important as it can address employees' psychological and social needs that cannot be met by financial rewards alone. This study employs a literature review method to analyze various relevant recent scientific journals. The findings indicate that non-financial compensation, such as recognition, a supportive work environment, career development opportunities, and work flexibility, has a positive and significant impact on employee motivation. Additionally, the implementation of a hybrid work system further underscores the importance of non-financial elements in enhancing employee engagement and satisfaction. However, challenges such as digital fatigue and a decline in social interaction still need to be managed effectively. Therefore, companies must balance financial and non-financial compensation appropriately to foster sustainable work motivation and improve employee performance in the hybrid work era.*

**Keyword:** *Non-Financial Compensation, Work Motivation, Hybrid Work*

## INTRODUCTION

Developments in digitalization and shifts in the way of working at the global level have encouraged organizations to adopt more adaptive work models, including blended work models. This approach combines working from home and working from the office, which provides flexibility in time and place adjustment for staff. This transformation not only changes work methods, but also has an impact on the dynamics of human resource management, especially in terms of maintaining productivity, welfare, and employee morale. Research shows that the implementation of a blended work model has a major impact on staff productivity and well-being, although at the same time it presents new challenges in human resource management. (Ayu & Putri, n.d.). On the other hand, hybrid's work system also presents various challenges, such as digital fatigue, reduced social interaction, and blurring the line between work and personal life. This situation can result in low employee motivation if not managed effectively. Research shows that while hybrid work can provide increased flexibility, work-life balance and motivation remain crucial factors in creating employee satisfaction. (Novyansyah & Rosalina, 2025)

In this context, conventional compensation methods that only focus on financial aspects such as salaries and incentives are no longer considered adequate to increase work morale. This is due to the fact that the demands of today's employees are not only material, but also include emotional and social needs. Therefore, organizations should implement a more comprehensive compensation

approach, including non-financial compensation that includes awards, flexibility in work, career development, and a supportive work environment. Research shows that non-financial compensation has a positive impact on employee motivation and performance because it can meet the intrinsic needs of individuals (Andriani & Suryani, 2025). In addition, literature studies also show that the combination of financial and non-financial rewards is a crucial element in advancing worker performance and motivation in a sustainable manner. Non-financial rewards such as rewards, recognition, and opportunities for self-development have been shown to increase employee inner satisfaction which has an impact on increased work productivity. Even in a hybrid work environment, forms of non-financial rewards such as flexibility in work and mental well-being are the main factors that affect worker performance. (Silvia Manurung *et al.*, 2024) (Singh & Singh, 2024)

Furthermore, various studies indicate that motivation in the workplace serves as an important link between employee rewards and achievement. Appropriate rewards, especially those that are not financial in nature, can trigger an increase in work motivation, which ultimately contributes to improved organizational performance. In addition, this study also emphasizes that motivation and commitment are the main elements in increasing employee productivity and work quality. (Dwianto & Damanik, 2024; Tanjung *et al.*, 2025). In the Indonesian organizational environment, this study shows that compensation and work motivation have a significant impact on the performance of employees and are crucial elements in keeping individuals engaged in the organization. In addition, non-financial forms of compensation also contribute to strengthening commitment to the organization and lowering employee resignation rates, especially in changing work situations (Apriliani & Keiko Hubbansyah, 2024; Gienardy *et al.*, n.d.). However, this study on non-financial rewards in the context of hybrid's work still shows mixed results and has not been comprehensively integrated. Some studies focus more on motivation, while other studies focus on performance or job satisfaction separately. This shows that there is a *Research Gap* that requires a more in-depth analysis of the ways in which non-financial rewards can efficiently boost employee motivation in the hybrid work era. It can be concluded that non-financial rewards have a strategic function in increasing employee motivation, especially when facing changes in work patterns towards a hybrid work model. Therefore, this research is important to be carried out in order to analyze how the provision of non-financial rewards can support employee work motivation in the context of increasingly flexible and digital work.

### **Non-Financial Compensation**

Non-financial compensation is a form of reward given by the company to employees other than in the form of money, which aims to meet psychological and social needs. This is in accordance with the definition that non-financial compensation is a return for services that are not in the form of money, but in the form of facilities or other benefits. Further, this compensation can also be understood as a reward in the form of satisfaction that individuals get from the job itself as well as from the physical and psychological environment in which they work. This form of compensation includes recognition of performance, a comfortable work environment, harmonious working relationships, and opportunities for self-development through factors such as job promotions, job security, and job variations that suit the employee's interests. In addition, the creation of a work environment with effective communication between employees has also been proven to be able to create a harmonious work atmosphere, so that it can increase work morale.

Non-financial compensation is intrinsic because it can provide inner satisfaction and increase employee attachment to the organization. This is supported by research findings that show that non-financial compensation has a significant effect on intrinsic motivation as well as encouraging employees to achieve personal goals. Research by confirms that non-financial compensation has a positive and significant influence on work motivation, even under certain conditions it can be more dominant than financial compensation. Non-financial factors such as non-physical work environment, organizational culture, and interpersonal relationships, are becoming increasingly important to maintain employee engagement in the hybrid work era. This is reinforced by research that states that the fulfillment of basic needs and self-development through non-material factors contribute to improving employee performance through the mediation of intrinsic motivation. (Kamaliyah Khalidah Management *et al.*, 2022; Falqi & Bestari, 2025).

## Work Motivation

Motivation is one of the factors that drives employee morale or productivity to achieve company goals, which also provides benefits for the company and employees to improve their performance levels. Meanwhile, performance is the results achieved by employees in an effort to meet the company's goals. In performance appraisals, the main focus is always placed on the tasks that employees perform on a regular basis, paying attention to the effectiveness of individual work through the process of evaluating work results. This is the basis for salary increases, promotions, motivation, compensation, and other forms of rewards given by the company. Motivation arises from the needs of the individual himself who needs to better understand his desires in order to make a strategy to achieve them. Basically, it is important to know in advance what you want in order to make a plan to achieve it, it is a sequence of motivation created from individual needs. (Setyo Widodo *et al.*, 2022; Utami, n.d., 2023). According to , motivation produces actions that affect and change a person's true character and behavior. These functions are (Setyo Widodo *et al.*, 2022). a) Giving rise to an action or an activity, without encouragement, action or activity will not occur. b) Motivation acts as an influence, which means directing actions to achieve desired goals. c) Motivation functions as a driver, the level of motivation that exists will affect how quickly or slowly a task is completed.

## Hybrid Work Era

The current era of digitalization has taken over the world, becoming one of the important elements in every line of life, starting from social, cultural, and economic aspects, to crawling into the work aspect. Digitalization in work is a trend that continues to be discussed and always adjusted, because of its very wide scope, one example is hybrid work. Hybrid work is an approach to work where workers spend part of their time in the office and some work remotely (from home or other locations in the office). Unlike traditional models that are fully in the office or fully remote models, hybrid work aims to combine the advantages of both; direct interaction and freedom in determining the work location. This era of hybrid work began and is increasingly developed after the pandemic era, many companies are implementing various hybrid mechanisms. (Sugiarto *et al.*, 2025)

In a hybrid work model, the importance of upskilling appropriately is crucial for employees to adapt to changing technology and existing job demands. Qualified digital skills are indispensable in hybrid work situations, such as the ability to use collaboration software, time management efficiently, and the ability to communicate in digital formats. The findings also indicate that companies that offer technology-based skills training to their employees will have more productive teams and be prepared to face the various challenges that arise when doing work, even remotely. In addition to technical skills, interpersonal skills continue to play an important role even though interactions are more common virtually. Skills such as providing constructive feedback, resolving conflicts, and building positive working relationships through digital media are important. Thus, skill development in the context of hybrid work does not only focus on the technological aspect, but also on the ability to communicate and collaborate effectively in virtual groups (Laelawati *et al.*, 2025 ; Cynthia & Sihotang, n.d.).

## RESEARCH METHODS

This study will use a qualitative approach with a literature *review* method (literature study) to analyze the role of non-financial compensation in increasing employee work motivation in the hybrid work era. This method was chosen because the literature study serves as an important foundation to explore and understand various existing approaches, as well as help researchers stay at the forefront of research practice. This method was also chosen because it is able to systematically integrate various empirical and conceptual findings from previous research (Febrianto & Siroj, 2024).

Conceptually, the literature review has a function to find research *gaps* that can later be used as a basis for formulating problems and hypotheses. Conceptually, the *literature review* has a function to find research *gaps* that can later be used as a basis for formulating problems and hypotheses. Through this process, researchers can map the development of existing theories and empirical findings, so that the position of the research becomes clearer and the level of novelty is

measurable. Literature reviews play a crucial role in synthesizing existing knowledge to generate new perspectives or identify areas that have not been explored. By synthesizing various views from previous studies, researchers are able to build a solid framework of thinking to support the argument and ensure that the research results have a strong academic foundation and can be accounted.

## RESULTS AND DISCUSSION

### The Effect of Non-Financial Compensation on Work Motivation

From the point of view of HR management, non-financial rewards have a significant contribution to increasing employee morale. This can be explained through various motivation theory approaches, such as Need Theory and Herzberg's Two-Factor Theory, which is one of the motivational approaches that highlights the elements that affect job satisfaction and dissatisfaction. Herzberg categorized these elements into two main groups: the motivational element and the hygienic element. This theory provides a crucial frame of reference for understanding how job satisfaction can affect the relationship between employee motivation and performance.

Motivational elements are factors that directly contribute to job satisfaction and increased work motivation, including achievement, which refers to a sense of success in the tasks performed where individuals feel proud of the results they attain; recognition, which involves appreciation and acknowledgment from leaders and colleagues for individual achievements and contributions; responsibility, which provides opportunities to take on greater duties in work and thus gives a sense of control over work outcomes; opportunities for advancement, which refer to chances for career development and promotion; the work itself, which brings a sense of accomplishment and intrinsic satisfaction; and personal growth, which includes opportunities to learn and develop within a specific field on an ongoing basis. These motivational elements are directly related to job satisfaction and have a significant influence on employee performance. When these elements are met, employees are more likely to feel motivated and satisfied, which can contribute to their improved performance.

This theory refers to components that, when inadequate, can cause job dissatisfaction, but when fulfilled do not directly increase job satisfaction. These factors include company policy, which relates to organizational rules and procedures that influence employee comfort and overall satisfaction; relationships with supervisors, referring to the quality of interaction between employees and their superiors which can affect levels of satisfaction or dissatisfaction; working conditions, which encompass the physical work environment including facilities and equipment used; salary and benefits, which refer to financial compensation and additional rewards received by employees; and relationships with peers, which involve social interactions and working relationships among colleagues in the workplace. These elements serve to prevent dissatisfaction but are not enough to directly motivate employees. Dissatisfaction arises when these elements are not met, but the fulfillment of the elements does not always significantly increase job satisfaction.

Based on the findings from a comprehensive literature review of various journals and scientific research sources, it is revealed that non-financial compensation has a significant impact on employee work motivation. Non-financial compensation refers to rewards that are not provided in monetary form, but rather through facilities, work environment, and opportunities for self-development. Common forms of non-financial compensation identified in the literature include a comfortable and supportive working atmosphere, recognition or appreciation for work achievements, opportunities for career development and training, as well as harmonious working relationships with supervisors and co-workers. The findings from various studies indicate that employees who receive adequate non-financial compensation tend to demonstrate higher levels of work motivation. This is because employees' psychological needs, such as the need for recognition, self-actualization, and comfort in the workplace, can be fulfilled. Furthermore, several studies also suggest that in the long term, non-financial compensation may have a more sustainable impact compared to financial compensation, as it is closely related to job satisfaction and employee attachment to the organization.

In the study by the Communist Party, there was a finding that "Non-financial compensation has a positive and significant effect on (Falqi & Bestari, 2025) *intrinsic motivation*". The hypothesis

for this test was carried out by SEM analysis through SmartPLS which showed a t-statistic value of  $0.561 > 1.985$  (T table), probability value (P values) of  $0.006 < 0.500$  or 5%. Based on the existing results, it can be concluded that the better the non-financial compensation facilities, such as a pleasant work atmosphere, rewards for achievements, and opportunities for self-improvement, the higher the *intrinsic* motivation of employees at work. These findings confirm that the non-financial element has a crucial role to encourage work spirit that comes from individuals, not just because of material gifts.

### The Effect of Hybrid Work on Work Motivation

From a human resource management perspective, hybrid work models that combine in-office and remote work are becoming a popular method among modern-era organizations to increase work flexibility as well as employee motivation related to their productivity levels at work. In Indonesia, the implementation of hybrid's work has experienced rapid growth and has a significant impact on the psychological aspects of employees, especially work motivation. The impact of hybrid work on work motivation can be understood through the latest motivation theory that highlights the importance of flexibility, *work-life balance*, and organizational support in increasing employee morale (Purnama *et al.*, 2025).

Based on the synthesis of the latest literature on modern work dynamics, hybrid work models have been shown to be an important contextual factor influencing employee work motivation. Hybrid work, which combines the flexibility of remote work and face-to-face work in the office, is not only a change in the physical workplace but also reflects a shift in how employees perceive autonomy and work-life balance. Key elements of hybrid work that contribute to work motivation include autonomy and flexibility, which refer to employees' ability to independently manage their time, working methods, and workplace; work-life balance, which supports a healthier integration between professional and personal life; and output-based management, which shifts the focus from monitoring working hours to evaluating performance outcomes.

Based on the findings of the literature review and empirical testing on the relationship between hybrid work systems and work motivation, the results show a significant relationship, as indicated by a p-value of 0.000, which is below the significance level of 0.05. Therefore, hypothesis 2 (H2) is accepted, meaning that the hybrid work system has a significant effect on employee work motivation (Kurniawan, 2024). Thus, the effect of hybrid work on work motivation in this study is positioned as a modern factor that strengthens the effectiveness of non-financial compensation. In today's digital era, hybrid work policies are no longer seen as an additional facility, but have also become one of the important non-financial compensation in maintaining loyalty and increasing employee motivation in the long run.

**Table 1.** Literature Review on the Effect of Non-Financial Compensation and Hybrid Work System on Employee Work Motivation and Performance

Yes	Researcher Name & Year	Research Title	Research Results
1	Falqi Amira Edwin (2025)	Bestari The Effect of Non-Financial Compensation, Work Discipline and Non-Physical Work Environment on Employee Performance with Intrinsic Motivation as an Intervening Variable	Non-financial compensation has a significant effect on intrinsic motivation. This shows that non-material rewards are very effective in encouraging work motivation from within employees.
2	Dede Dewantara & Rakhman (2025)	Mohamad Sitti Work From Home, Leadership Behavior and Employee Performance in the Hybrid Work Era in Indonesia	In the hybrid work era, work motivation is influenced by support for employee needs. Flexibility (such as WFH) acts as a form of

- non-material compensation that maintains work effectiveness.
- 3 Kania Laelawati (2025) Building Productive Human Resources in the Flexible Work Era: An Analysis of Challenges and Solutions in Remote and Hybrid Work Management Welfare policies that support *work-life balance* are a crucial form of non-financial compensation in the hybrid era to maintain employee productivity and motivation amid digital communication challenges.
  - 4 Budi Sugiarto, et al (2025) Leadership in the Hybrid Work Era: Challenges, Opportunities, and Effective Strategies The use of collaborative technology and the empathy of leaders becomes non-financial compensation that increases team engagement. *Outcome-based leadership* encourages motivation without the need for strict physical supervision.
  - 5 Hayani, et al. (2022) Financial Incentives and Non-Financial Incentives on Employee Work Motivation Non-financial incentives have a positive and significant influence on work motivation. Giving awards outside of salary remains a key factor in maintaining work morale.
  - 6 Nur Kamaliyah Khalidah & Agung Nugroho Adi (2022) The Effect of Financial and Non-Financial Compensation on Employee Work Motivation Non-financial compensation simultaneously and partially has a major impact on motivation. This reinforces the argument that non-financial factors are an important pillar in HR management.
  - 7 Iwanussoleh, et al (2023) Digital Compensation and Rewards: Building Performance Systems, Bonuses, and a Flexible Approach to Employee Rewards in the Digital Age In the digital age, compensation approaches must be flexible. A technology-adaptive reward system helps increase employee engagement and motivation digitally.

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| 8  | Vivi Mega Utami, et al (2023)           | Improving employee performance; Reviewed from Work Motivation                                | Motivation (both internal and external) largely determines employee responsibility. Skill development (non-financial) is crucial to prevent performance decline.            |
| 9  | Djoko Setyo Widodo & Andri Yandi (2022) | Employee Performance Model: Competence, Compensation and Motivation (MSDM Literature Review) | Compensation is a variable that cannot be separated from motivation. Managers need to combine different forms of compensation to maximize the potential of human resources. |
| 10 | Rezki Wahyuni, et al (2023)             | The Influence of Work Motivation and Work Environment on Employee Performance                | Work motivation is the main determining factor. A conducive work environment (as part of non-physical/non-financial compensation) greatly affects employee morale.          |

The managerial implications for the hypothesis test results state that the relationship between all variables is positively correlated or significantly interrelated with each other, as non-financial compensation has been shown to increase work motivation, especially with the support of the current hybrid work era. Employee work motivation has increased due to the support of non-financial compensation. Therefore, the focus that companies see needs to extend to elements related to non-financial compensation, such as awards, promotions and other things that are part of non-financial compensation.

## CONCLUSION AND SUGGESTIONS

Based on the synthesis of the reviewed literature, it can be concluded that non-financial compensation plays a crucial role in enhancing employee work motivation across various organizational contexts. Forms of non-financial compensation such as recognition, supportive work environments, career development opportunities, flexible work arrangements, and positive leadership behavior, consistently show a significant positive effect on employee motivation and performance. In addition, the hybrid work system further strengthens the importance of non-financial factors by emphasizing autonomy, work-life balance, and output-based performance management. Overall, the combination of non-financial compensation and hybrid work practices contributes to higher employee engagement, motivation, and long-term organizational commitment, even though challenges such as digital fatigue and reduced social interaction still need to be managed effectively.

Organizations are recommended to balance financial and non-financial compensation systems in order to optimize employee motivation and performance, particularly in the hybrid work era. Managers should strengthen non-financial rewards such as recognition systems, career development programs, and supportive leadership styles that prioritize employee well-being and engagement. Furthermore, companies need to design clear hybrid work policies that maintain productivity while ensuring employees' psychological and social needs are met. Future research is encouraged to explore more specific models of non-financial compensation implementation in

different industries and cultural contexts, as well as to examine long-term impacts on employee performance sustainability in hybrid work environments.

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