

Employee Performance in the Manufacturing Industry: Predictors of Rewards and Punishments

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ABSTRACT

Rewards are not about gifts or generosity, and giving punishment is clearly caused by indiscipline which can result in employee performance increasing, stagnating, or decreasing. Therefore, the aim of this research is to determine the effect of reward and punishment on employee performance in the manufacturing industry, in the Indonesian context. A quantitative method with a survey type was used to collect and estimate 114 respondent response data selected using a purposive sampling technique. Data analysis was verified with instrument tests, R²-based relationship prediction models, hypothesis testing with effect significance applied to the critical criterion of 1.96 at alpha 0,05, by adapting the regression model estimated using SPSS v.28. Research findings confirm that reward and punishment have a positive and significant effect on employee performance, both partially and simultaneously. However, rewards have moderate predictive power in explaining employee performance variance compared to punishment. These findings confirm that with the increasing complexity of organizational departments with various programs that present different challenges in the manufacturing industry, the management of reward and punishment programs that are fair, transparent and firm and implemented effectively, has the potential to make a positive contribution to improving employee performance which is relevant and can be applied in various companies.

DOI: <https://doi.org/10.56442/ijble.v7i1.1441>

Keywords:

Rewards;
Punishment;
Employee
Performance;
Manufacturing
Industry; Business
Organizations

INTRODUCTION

In modern business practices, Human Resources (HR) has been recognized as a crucial and strategic aspect that must be managed through sound management processes to maximize its contribution to achieving organizational goals (Firmansyah, 2023), including for administrative purposes, financial management and the application of management accounting that supports strategic decision making for management and business oriented to the present and future, all of which require competent and qualified human resources (Wahdiniwaty et al., 2026). The reason is because the development of the business world landscape in the modern era is currently experiencing increasingly rapid changes and the shift in increasingly tighter and more dynamic competition is becoming a challenge for business organizations and non-business organizations (Suparman et al., 2024).

For example, to support the effectiveness of business operations among small and medium enterprises (SMEs) which are known to be lean, flexible, and agile in business steps in the digital era, where HR intelligence and competence (production and marketing), as well as managerial aspects are important parts that underlie their success in independence that remains resilient (Firmansyah et al., 2026). Even in business organizations in the manufacturing industry with all its complex management functions, achieving desired targets requires improving the quality of employee performance (Pranajaya et al., 2026; Suparman et al., 2023). Consequently, human

resources are seen as a key element related to this goal, compared to other resource elements. Other resources, such as capital, finance, infrastructure, and technology, are driven by human resources, namely competent employees (Pranajaya & Susetyo, 2026).

Therefore, human resources play a key role in every company activity, where management and leadership are the legislative actors of business organizations in the process of empowering and developing HR management (Suparman & Purnama, 2025). Interestingly, even with adequate infrastructure and technology, without skilled and reliable human resources, management, leadership, and company activities will not run smoothly. Considering the importance of human resources whose role includes managing and utilizing employees needed to increase employee morale and work productivity, companies must fulfill several criteria through appropriate human resource management concepts and techniques (Suparman & Rahayu, 2026), as well as influencing employee work behavior and actions, including by preparing and implementing programs and sanctions (e.g., Noorazem et al., 2021; Layek & Koodamara, 2024; Hustia & Rahmawati, 2024; Kahono et al., 2026).

Referring to reinforcement theory, or the theory of reinforcement and behavior proposed by Skinner (1931); Burrhus Frederic Skinner (1931); Burrhus F Skinner (1958); Burrhus F Skinner (1963), in the book "Principles of Neuropsychology" by Erik Kandel (2021); Ioannou & Anastassiou-Hadjicharalambous (2021), the behavioral reinforcement theory Schoenfeld (1995) states that behavior can be modified through its accompanying consequences. This theory is based on the principle of operant conditioning, which states that behavior can be strengthened or weakened through its accompanying consequences, such as rewards (positive reinforcement) or punishments (negative reinforcement). Applying this theory to employee management involves creating an effective reward and punishment system to improve employee performance and behavior in line with organizational goals. Rewards are used to increase the likelihood of repeating certain behaviors, while punishments or sanctions are used to reduce undesirable behaviors.

In short, rewards are one of the most important control tools companies use to boost morale and motivate employees to achieve company goals and objectives. According to Ivancevich & Matteson (2008) rewards are a form of appreciation given for a person's work performance within predetermined targets, demonstrating that competent individuals can motivate themselves and develop their thinking to achieve maximum results. Rewards are typically associated with intrinsic and extrinsic motivation and can be financial or non-financial (Olai, 2024; Taba, 2018; Samosir, 2020). Rewards are given to employees for achievements and accomplishments, including work compliance, which simultaneously motivates other employees to be more diligent and productive. Therefore, sanctions are unpleasant or undesirable consequences imposed by superiors for certain behaviors or violations (Suparman, 2021). Sanctions, when used effectively, can suppress behavior within an organization. Therefore, punishment or sanctions are penalties imposed by superiors on employees who violate rules or fail to achieve predetermined targets. There are three dimensions to measuring punishment: mild, moderate, and severe (Sinambela, 2021).

Rewards and punishments are important aspects in influencing employee work behavior, motivating them to continuously improve their performance and recognizing

them as employees who must serve the company (Kahono et al., 2026; Hustia & Rahmawati, 2024). Other literature also confirms that rewards can effectively influence employee performance in business organizations (e.g., Pratama & Handayani, 2022; Noorazem et al., 2021; Siswanto et al., 2021; Bolatito & Mohamoud, 2024). Literatur lain juga mengonfirmasi bahwa punishment secara efektif dapat mempengaruhi kinerja karyawan (Layek & Koodamara, 2024; Hanadelansa, 2023; Frimayasa et al., 2021; Hinelo et al., 2023; Fajar et al., 2022). Unfortunately, exploration of the impact of reward and punishment in the context of the international manufacturing industry is still limited. To fill this gap, this research aims to explore the influence of rewards and punishment on employee performance in a manufacturing company located in Sukabumi, Indonesia.

Empirically, management in the operator section of this company has implemented reward programs to improve employee performance, including job promotions, awards to the best employees (often called "exemplary employees"), bonuses and incentives. However, these awards often cause problems because they are often given to employees who are close to their superiors, which can cause social jealousy. In addition, the Best Employee award is only held once a year and does not fit into the limited quota. Many employees registered by their superiors failed to meet their targets. This often gives rise to employee complaints and problems which lead to decreased employee performance.

Unfortunately, initial observations and surveys show that the bonus and incentive programs for employees in this division are still inadequate and inconsistent. As a result, many employees in this division do not work optimally, this can be seen from the quantity and results of work, punctuality and time utilization. As stated by Sinambela (2021) in the ideal concept of employee performance reflects the work results that can be achieved by a person or group of people in an organization, in accordance with their respective authority and responsibilities, in an effort to achieve the goals of the organization concerned legally, without violating the law and in accordance with morals and ethics.

Meanwhile, sanctions are given in various ways according to established standard operating procedures (SOP), including warnings from superiors to employees, letters of reprimand, and even severe sanctions such as termination of employment. Sanctions given to employees who violate regulations and neglect their duties are often ineffective in providing a deterrent effect. Sanctions often do not provide a deterrent effect for violators due to a lack of understanding of the purpose of sanctions, namely to motivate performance improvement. However, some employees harbor resentment when punished, which can lead to emotional instability and a decrease in the quality of their performance.

Ideally, companies should apply rewards and sanctions appropriately and fairly. Companies cannot provide rewards and sanctions based on preferences or dislikes. However, in reality, the bonus and incentive programs and their implementation are considered by employees in this field to be inappropriate and inconsistent. From the results of initial observations and surveys in this research, the fairness of various sanctions felt by employees in this field is still not appropriate and seems unfair. As a result, most employees in this field do not work optimally, both in terms of quantity and output of work, punctuality, and maximizing the time spent on each task.

Therefore, the contribution of the application of rewards and punishment to employee performance in companies in this sector still needs to be explored through this research, especially in the Indonesian context. The contribution of this research also adds insight into the field of human resource management, especially regarding managerial matters in managing reward programs and implementing punishment to tighten rules and bind all employee work behavior in various functional areas of management in various existing divisions so that their achievements and productivity are maintained and they perform well. This research also provides a practical illustration of how employee empowerment and development can be strengthened through the management of fair reward programs, as well as the application of strict punishment, so that both can work side by side and become instruments for sensitive but strategic solutions in efforts to maintain and improve employee performance.

METHOD

The explanatory survey type is a quantitative method adapted as an operational approach for this study (e.g., Creswell & Creswell, 2017; Agranoff & Kolpakov, 2019; Budiarti & Firmansyah, 2025). The population in this study were employees in the operator department at a company engaged in the manufacturing industry located in Sukabumi, West Java, Indonesia. The research data source is a primary source obtained from the responses of respondents who became the sample of this study. The sample was taken using a non-probability sampling method with a purposive sampling technique (Firmansyah, 2022), with the determination of the sample size using the Slovin formula so that a research sample of 114 respondents was obtained, namely employees placed in the operator department. Data collection techniques included observation, interviews, documentation, and distribution of instruments by providing a series of questions in a questionnaire with a Likert scale by applying a scale of 1-5, which was distributed to employees selected as respondents in this study. The questionnaire distribution began in September 2025 and ended in November 2025. The reward construct consists of two dimensions described by nine statements (R1-R9). Punishment consists of three dimensions described by nine statement indicators (P1-P9). Employee performance consists of three dimensions developed by eight instruments (EP1-EP8).

The data analysis and estimation method was carried out by instrument testing, namely the validity test with the statistical criteria $r > r_{\text{critical}}$ 0,3 (Gujarati, 2012), and the instrument reliability test with the criteria of Crobach alpha value greater than 0,7 (Hair et al., 2019); Hair Jr et al., 2020), then the classical assumption test was carried out, namely the normality test with the one-sample K-S Npart test with the criteria = $\text{Sig} > 0,05$, the heteroscedasticity test with the Glejser model with the criteria $\text{Sig} > 0,05$ (Ghozali, 2021), the multicollinearity test with the criteria of tolerance value $> 0,10$; and the Variance Inflation Factor (VIF) was strictly applied with the criteria of $\text{VIF} < 5$, and the tolerance index $> 0,10$. The parameters of the reward, punishment, and employee performance data built in the multiple linear regression model were estimated using the SPSS v.28 application. The correlation test was applied to the threshold criteria of $r < 0,8$ (Firmansyah et al., 2025), and the hypothesis test was carried out by applying the correlation test, calculation and analysis of the coefficient of determination on the summary statistics sub-model (R^2) to determine the predictive power of the independent variable in explaining the dependent variable on the criteria of $R^2 = 0,25$,

$R^2 = 0,50$ to $R^2 = 0,75$ (Marselia & Firmansyah, 2025; Susetyo & Sarah, 2026). The significance test of the influence, both partial and simultaneous, was estimated by applying the t-statistic criteria and the F statistic greater than the critical number of 1,96, at alpha (α) = 0,05 (following, Rahma Wahdiniwaty et al., 2025), on the number (Σn) as many as the sample data studied.

RESULTS AND DISCUSSION

Research Instrument Testing

Instrument testing was conducted to evaluate the instrument's validity and reliability in terms of reward, punishment, and employee performance parameters. In addition, classical assumption criteria were also evaluated.

Validity Test of Rewards, Punishment, and Employee Performance Instruments

The validity of the response data related to rewards (R) consisting of nine parameters in the questionnaire, punishment (P) consisting of nine indicators, and employee performance (EP) consisting of eight response parameters in the statement, will all be tested based on the statistical criteria r which is greater than the critical value of r of 0.3, as presented in Table 1.

Table 1. Results of the Validity Test of the Reward, Punishment, and EP Instruments

Reward Indicators	r-Stat	Punishment Indicators	r-Stat	EP Indicators	r-Stat	Critical r-value	Information
R1	0.852	P1	0.816	EP1	0.781	0.3	Valid
R2	0.887	P2	0.806	EP2	0.812	0.3	Valid
R3	0.890	P3	0.829	EP3	0.844	0.3	Valid
R4	0.903	P4	0.872	EP4	0.849	0.3	Valid
R5	0.881	P5	0.881	EP5	0.858	0.3	Valid
R6	0.883	P6	0.888	EP6	0.870	0.3	Valid
R7	0.850	P7	0.776	EP7	0.846	0.3	Valid
R8	0.899	P8	0.805	EP8	0.796	0.3	Valid
R9	0.893	P9	0.764	-	-	0.3	Valid

Note: r-stat > r-critical 0.3, instrument item is valid.

Based on Table 1, it can be seen that all items in the rewards, punishments, and employee performance instrument have met the validity criteria, namely r statistics for R1–R9 > r-critical 0,3; r statistics P1-P9 > 0,3; and r statistics EP1-EP8 > 0,3.

Reliability Test of Reward, Punishment, and EP Instruments

Reliability is evaluated starting from the response of each respondent as a parameter of each construct, to verification at the latent variable level, namely rewards, punishments, and employee performance (EP), at the threshold of Cronbach's Alpha value > 0,7, loading factor, loading factor (λ) > 0,7 and CR > 0,7, which ensures that everything is stated as reliable and consistent data, see Table 2.

Table 2. Reliability Test of the Reward, Punishment, and EP Instruments

Rewards (R)			Punishment (P)			Employee Performance			Conclusion
R	λ	C α ; C.R	P	λ	C α ; C.R	EP	λ	C α ; C.R	
R1	0.962	0.948	P1	0.930	0.919	EP1	0.893	0.890	Reliable
R2	0.947		P2	0.901		EP2	0.922		
R3	0.959		P3	0.929		EP3	0.919		
R4	0.958		P4	0.926		EP5	0.908		
R5	0.944		P5	0.904		EP5	0.899		
R6	0.932		P6	0.925		EP6	0.911		
R7	0.961		P7	0.906		EP7	0.827		
R8	0.954		P8	0.931		EP8	0.842		
R9	0.921		P9	0.915		-	-		

Note: Cronbah's Alpha value (α), λ , C.R >0.7 reliable instrument item.

The data in table 2 shows all data parameters at the indicator level to the variable level, each of which has a good level of reliability and consistency, all of which are on the loading factor criteria (λ) and $C\alpha$; C.R is above the threshold of 0,7.

Classical Assumption Test

In this study, the classical assumption test evaluates three assumptions: data normality based on the Kolmogorov-Smirnov model, data heteroscedasticity using the Glejser model, and data multicollinearity test based on the VIF criterion, at an alpha of 0,05. The test results are presented in Table 3.

Table 3. Results of data normality tests, Glejser model heteroscedasticity, and VIF statistical multicollinearity

Data Normality	Independent Variables	Heteroscedasticity-Glejser Model	Tolerance	Multicollinearity-VIF Statistics
One-Sample K-S Test, Asymp. Sig. (2-tailed) = 0.200; α = 0.05; N = 114 Rewards; Punishment; EP	Rewards	Sig. > 0.05	0.495	2.022
	Punishment	Sig. > 0.05	0.495	2.022

Note: Data Normality, Sig.>0.05; Heteroscedasticity, Sig.>0.05; Tolerance >0.10; VIF must be <5.

There are four assessments based on Table 3. First, the data normality criteria for the One-Sample Kolmogorov-Sminrov model are met with an Asymp.Sig. (2-tailed) value of 0,200, which is greater than 0,05 (0,200>0,05) at $n = 114$. Therefore, it can be concluded that the research data meets the normal distribution criteria. Second, referring to the results of the Glejser model heteroscedasticity test, it is clear that each reward and punishment variable has a Sig. value >0,05 (Sig. Reward; Sig. Punishment>0.05), so there is no heteroscedasticity problem in this research model. Third, the multicollinearity criteria based on the tolerance index meet the criteria greater than 0,10, namely 0,994>0,10. Fourth, the results of the multicollinearity evaluation based on the VIF criteria obtained show that the reward and punishment latent variables have a VIF value of 2,022 <5, so that the VIF of Rewards; VIF of Punishment = 2,022 <5. Thus, the results of the multicollinearity statistical test based on the Tolerance index and multicollinearity statistics-VIF conclude that the research data does not show any multicollinearity problems between the independent latent variables, namely between Rewards and Punishments.

Estimation and Prediction of Relationship Closeness

In addition to applying the strict collinearity criterion (VIF) and tolerance index, to avoid statistical bias at all levels of the model for all constructs, the estimated predictive relationships between rewards, punishments, and employee performance parameters will be tested using the closeness criterion of $r < 0,80$, as presented in Table 4.

Table 4. Predictive Correlation Test Results

Model	Rewards	Punishment	EP
Pearson Correlation			
Rewards	-	0.711**	0.634**
Punishment		-	0.576**
EP	0.634**	0.576**	-

Note: $r < 0.80$; **Significance at $p < 0.01$.

The results of the estimation of the predictive model of the relationship between variables in Table 4 confirm that rewards and employee performance have a significant predictive correlation with a relationship strength of $r = 0,634$ at alpha 0,05, included in the strong relationship strength category. The relationship model between punishment and employee performance shows a significant correlation with a value of $r = 0,576$ at alpha 0,05, included in the medium relationship closeness category. In addition, the relationship model between rewards and punishment also shows a strong relationship closeness with $r = 0,711$ at alpha 0,05. The three relationship models are dominated by strong and adequate relationship closeness but do not exceed $r = 0,80$ (r -rewards and r -employee performance = $0,634 < 0,80$; r -punishment and employee performance = $0,576 < 0,80$; r -rewards and r -punishment = $0,711 < 0,80$), where all directions in the relationship model are confirmed to be positive and have a significant reciprocal relationship.

Regression Model Fit Evaluation Based on R^2

The predictive power of the R^2 model from the coefficient of determination of the sub-model summary statistics was evaluated to estimate the fit of the regression model, for both partial and simultaneous effects models, as shown in Table 5.

The data in Table 5 shows the predictive power of each predictor on the dependent variable based on the determination coefficient R^2 in the summary model. The findings show that the R^2 value of Regression Model 1, which reflects the predictive ability of Rewards in explaining variance in Employee Performance, is 0,405 greater than the criteria $R^2 = 0,25$ approaching $R^2 = 0,50$, included in the category of predictive power with a low effect size approaching a medium effect size.

Table 5. Predictive Power Test Results of the R^2 Model

Regression Model R^2 – 1	Regression Model R^2 – 2	Regression Model R^2 – 3
<i>Employee Performance</i>	<i>Employee Performance</i>	<i>Employee Performance</i>
Rewards 0.402	-	Rewards 0.434
-	Punishment 0.332	Punishment

Note: $R^2 > 0.25$ is considered weak; $R^2 > 0.5$ is considered to have moderate predictive power.

Regression Model 2 shows the predictive ability of Punishment in explaining variance in Employee Performance of $R^2 = 0,332$ greater than $R^2 = 0,25$ which means it is included in the category of predictive power with a low effect size. Regression Model 3 has an R^2 value of 0.434 approaching $R^2 = 0,50$, which reflects the category of low effect size approaching a medium effect size, which overall confirms that Rewards and Punishments together can explain variance in Employee Performance. Therefore, rewards and punishments simultaneously have moderate predictive power in explaining the total variance in employee performance. These findings as a whole confirm that the construction of the regression model in this study has good overall model fit.

Hypothesis Testing

Hypothesis testing is important to be carried out in this phase, to test and prove the significance of partial effects (H1 and H2) and the significance of simultaneous

effects (H3). H1, namely testing the significance of the effect of rewards on employee performance, H2, testing the significance of the effect of punishment on employee performance, and H3, testing the significance of the effect of rewards and punishment simultaneously on employee performance. All proposed hypotheses were tested by applying the criteria of t statistics and F statistics greater than the critical number of 1,96, with the probability of significance of the effect applied at the p value; $\alpha = 0,05$. The results of the partial and simultaneous effect significance tests are presented in Table 6.

Table 6. Results of the Significance Test of Individual Effects

Hypothesis Model	β	R	R ²	t-Stat.	F-Stat.	Sig.	Results
H1: Rewards → EP	0.428	0.634	0.402	4.476***	-	0.000	Accepted
H2: Punishment → EP	0.286	0.576	0.332	2.494*	-	0.000	Accepted
H3: Rewards+Punishment→EP	-	0.659 ^a	0.434	-	42.579***	0.000	Accepted

Note: Significance of effect, t-stat>t-critical = 1.96; Sig.<p; $\alpha = 0.05$; ***Significance at $p<0.001$.

The findings in Table 6 confirm the existence of partial and simultaneous effects. The partial effects model indicates that rewards have a positive effect on employee performance with a β coefficient of 0.428, significant at p-value; $\alpha = 0,000<0,05$ with a t-statistic of = 4,475> 1,96, thus H1 is accepted. Punishment also has a positive effect on employee performance with a β coefficient of 0.286, significant at p-value; $\alpha = 0,014<0,05$ with a statistical value of t = 2,4947> 1,96, so H2 can be accepted. These findings conclude that the test results support all proposed partial hypotheses. Therefore, partially, both rewards and punishments each have a positive and significant effect on employee performance in the IP department in this manufacturing industry.

The simultaneous effects model reveals evidence that rewards and punishments simultaneously have a positive effect on employee performance and are significant at p-value; $\alpha = 0,05$, with Sig. 0,000 <0,05, and the F statistic value is 42,579>1,96. These findings support the proposed hypothesis, so H3 is proven and accepted. Rewards and punishments can explain the total variance of employee performance with a strong predictive effect size. However, punishment reflects low predictive power in explaining employee performance compared to the predictive power of rewards, which has a moderate effect size in this manufacturing company.

Discussion

Referring to the response categories, ranging from strongly disagree to strongly agree on a 1- to 5-point scale, the results of this study indicate that the majority of respondents in this study agreed or strongly agreed with statements regarding the parameters of employee rewards, punishments, and performance measurement. Therefore, it can be explained that rewards are appropriate and appropriate, punishment is clear and firm, and employee performance in the operator section is in good and adequate condition.

The findings from the closeness of the relationships mostly indicate that each construct in the regression model has a strong and significant relationship, also confirming that all relationships move in a positive direction. This illustrates the existence of a reciprocal relationship while reflecting a causal relationship in the linear regression model, which confirms that employee performance can change along with changes in the reward program and the level of punishment in this manufacturing company.

In line with the above findings, the research results confirm that rewards have a positive and significant effect on employee performance. Both financial and non-financial rewards have been shown to significantly impact employee performance. This finding aligns with research by Noorazem et al., (2021); Bolatito & Mohamoud (2024); Pratama & Handayani (2022); Siswanto et al., (2021). A structured and truly implemented reward program, which is not merely a matter of mitigation and encouragement, but is also awarded fairly to high-performing employees (Firmansyah & Wahdiniwaty, 2023), has been proven to directly and indirectly increase their motivation, performance, and loyalty. This award is a form of positive appreciation that encourages employees to achieve their best work results and creates a productive work environment. Therefore, a fair and transparent reward program has been proven to be a key driver of employee motivation to maintain, improve, and maximize their performance. In short, awards given based on tangible achievements such as achievement data and work targets, to exemplary employees, can stimulate and create a supportive and positive work environment, which encourages employees to give their best contribution.

Punishment also has a positive and significant impact on employee performance in the operator division of the manufacturing industry sector. The application of light, moderate, and heavy punishments to employees who commit indiscipline has been shown to contribute to more careful work behavior and in accordance with standard operating procedures, which ultimately can positively affect employee performance. The findings of this study are in line with the results of research by Layek & Koodamara (2024); Hineo et al., (2023); Hanadelansa (2023); Frimayasa et al., (2021); and Fajar et al., (2022). The application of appropriate, firm, and consistent punishment or sanctions regardless of position, proximity or distance, like or dislike towards employee disciplinary actions has been proven to have a significant positive impact on the suitability of work behavior, job implementation, and organizational performance. Appropriate punishment given to employees who commit violations against customers is not solely the authority of company management, but rather a form of training and encouragement so that employees can improve their behavior, comply with SOPs, uphold regulations, contribute to creating a conducive organizational climate, and strive to improve performance in a better direction.

The research findings also revealed evidence that rewards and punishments simultaneously have a positive and significant effect on employee performance in the manufacturing industry. Although punishments individually have weak predictive power in explaining employee performance compared to rewards, which have a strong influence, rewards and punishments together can explain the total variance in employee performance, with moderate predictive power. Rewards and punishments are important aspects in influencing employee work behavior, motivating them to continuously improve their performance and recognizing them as employees who must serve the company (Kahono et al., 2026; Hustia & Rahmawati, 2024). This study has uncovered sufficient evidence to address this gap, emphasizing that with the increasing complexity of organizational departments with diverse scopes and programs that present different challenges in the manufacturing industry, and with all its complexity, managing reward programs and implementing punishments becomes increasingly important for controlling undisciplined behavior. If implemented

effectively, this has the potential to positively contribute to improving employee performance and can even be implemented across multiple departments.

Mechanistically, the implementation of a coherent, well-programmed, and well-managed reward and punishment system is a crucial human resource management tool. This system serves as a driver for work behavior in accordance with company regulations, motivates employees, and creates a conducive work environment for maximizing performance (Rustiawan et al., 2024; Purnama et al., 2022). Successful implementation is achieved through efforts to improve employee performance based on rewards and punishments. Fair rewards and firm punishments as deterrents given to employees contribute to creating a work-life balance that supports organizational goals. Employees who are aware of all their achievements and actions will be more motivated to set an example and improve their best performance to continue receiving rewards, including avoiding sanctions, which can directly direct behavior towards company targets. However, leadership style can also serve as a reference and example in implementing the effectiveness of programs aimed at empowering and improving employee performance (Suparman & Purnama, 2025; Purnama et al., 2022; Suparman et al., 2023). Accuracy and precision in giving rewards to employees must also be considered so as not to damage and destroy the solidarity of the work team or cause feelings of envy and conflict between workers (Firmansyah et al., 2024; Black & Allen, 2018), but more towards motivating and appreciating their achievements so that they remain solid, respect each other and still feel happy working side by side in a team without feeling hatred or envy towards other people's achievements (Firmansyah & Wahdiniwati, 2023). Therefore, this study emphasizes that to be more effective, management and leaders at the strategic functional level in implementing this system must be designed fairly, transparently, consistently, and educationally, with motivating, constructive, and encouraging content, not causing fear or excessive conditions, but instead encouraging the growth of more positive work behaviors and supporting the company's efforts in achieving overall goals. This can be applied generally, both in the manufacturing industry, business and non-business organizations, as well as in business operations among SMEs in the contemporary era that are increasingly adapting to advances in digital technology integrated into digital HR processes.

CONCLUSION

The findings of this study conclude that rewards have a positive and significant impact on employee performance. Punishment also has a positive and significant impact on employee performance in the manufacturing industry. The findings also confirm that rewards and punishment together have a positive and significant impact on employee performance in this sector. Rewards and punishment together can explain the total variance in employee performance, with moderate predictive power.

This study acknowledges that rewards are more dominant and have strong predictive power in influencing employee performance. However, this study also acknowledges that, despite its weaker contribution and lower predictive power, punishment remains significant in explaining variance in employee performance. Therefore, this study has uncovered sufficient evidence to address this gap, emphasizing that with the increasing complexity of organizational departments with diverse scopes and programs that present different challenges in the manufacturing industry, managing reward and punishment programs becomes increasingly important to control undisciplined behavior. If implemented effectively, this has the potential to make a positive contribution to improving employee performance and can be implemented across departments, even in non-manufacturing and non-business organizations.

The contribution of this research also adds insight into the field of human resource management, especially regarding managerial matters in managing reward programs and implementing punishment to tighten rules and bind all employee work behavior in various functional areas of management in various existing divisions so that their achievements and productivity are maintained and they perform well. For managerial implications, this research also provides a practical illustration of how employee empowerment and development can be strengthened through managing reward programs that are transparent and fair, as well as implementing clear and firm punishment, so that both can work side by side and become instruments for sensitive but strategic solutions in efforts to maintain and improve employee performance. The limitation of this research is that it predicts the performance of operator employees in one of the manufacturing industries based on rewards and punishments which are estimated based on respondent response data in a limited sample size, thus allowing for statistical bias at a more global level of generalization. Future research needs to expand the sample size by completing aspects of explanatory predictors in more multilevel statistical estimation modeling to produce findings that are of higher quality and have wider generalizability with the assumption of low bias. Apart from that, the comparison of response data parameters of employees working between departments and between different companies as research subjects still needs to be researched and analyzed in depth to obtain research findings that are more ideal and more valuable and useful for the business world, practitioners, academics and other interested parties.

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