

## The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable



Wincent Fahrizal<sup>1</sup>, Mokhamad Natsir<sup>2</sup>, Harianto Respati<sup>3</sup>

<sup>1</sup>Student of Postgraduate Magister Management, University of Merdeka Malang, Indonesia

<sup>2,3</sup>Postgraduate Program, University of Merdeka Malang, Indonesia

**ABSTRACT:** This study investigates the effects of the 46-year retirement age policy and rewards on employee performance at Bank Indonesia's East Java Province branch, with work motivation as a mediating variable. Using a quantitative approach, data were collected from 35 employees impacted by the policy and analyzed using Structural Equation Modeling (SEM) with SmartPLS. The findings reveal that the retirement age does not significantly affect employee performance or motivation. Rewards, while not directly influencing performance, have a significant indirect effect on performance through motivation. This highlights motivation's critical role in enhancing the effectiveness of reward systems. While rewards alone may not drive performance, their impact is amplified when they successfully enhance employee motivation. The study underscores the importance of designing integrative human resource policies. Leveraging rewards to foster motivation can effectively improve performance, even when the direct influence of rewards is limited. Organizations should develop reward systems that not only offer financial incentives but also promote intrinsic motivation and engagement. Creating a supportive work environment and providing career development opportunities are also essential to enhance employee well-being and organizational outcomes. The study contributes theoretically by affirming the mediating role of motivation in the rewards-performance relationship. It also highlights the complexities of these dynamics, challenging traditional theories like Herzberg's Two-Factor Theory and Vroom's Expectancy Theory. Future research is encouraged to explore additional factors, such as leadership and organizational culture, to better understand employee performance.

**KEYWORDS:** retirement age, rewards, work motivation, employee performance

### I. INTRODUCTION

Employee performance is a major factor in determining organizational success, especially in large institutions such as Bank Indonesia. With a network of representative offices throughout Indonesia, BI has a strategic role in maintaining national economic and financial stability. To ensure organizational effectiveness, BI implements policies such as employee relocation to enhance their capabilities and maintain good governance principles. Job transfer or employee relocation are usually intended for they who get promoted. However, this policy is not always well received by all employees, especially those who feel comfortable with their current position and are reluctant to face a transfer. These employees ultimately do not provide maximum performance because they are worried about getting promoted and having to undergo a relocation to another unit or region.

Bank Indonesia took a strategic step to get around this by making a policy of limiting the retirement age to 46 years for junior staff rank employees appointed after July 2018. If the employee performs well, his retirement age will increase if he gets a promotion in rank and position. The employee's retirement ages will increase to 50 years at the rank of Staff and 56 years at the rank of Assistant Manager. By getting a promotion, the relocation policy will follow.

This policy also aims to increase productivity and invigorate the organization, but on the other hand, it creates new challenges, such as career uncertainty and anxiety for employees affected by this policy. Studies show that a lower retirement age can be demotivating as employees feel less secure about their future. However, rewards such as promotions provide incentives to improve performance, as employees who move up the ranks can earn an extension to their retirement age.

Aldriani & Widyastuti (2021) examined the effect of adversity intelligence on anxiety in facing retirement. This research shows that employees who have high adversity intelligence tend to be more prepared for retirement, which can contribute to better performance before they retire. Mental readiness for retirement can affect how employees go about their tasks at work, thus affecting overall performance.

Topa (2018) in her research explains that a person's psychological feelings regarding retirement age can be influenced by various factors, including individual perceptions about whether it is time to retire. Research shows that age can serve as a proxy variable

# The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable

that hides various perceptions and feelings of individuals regarding retirement, including anxiety and insecurity regarding their financial future. Another study by Saeed, et al (2023) showed a significant negative relationship between job insecurity and work-related well-being, while the direct relationship between perceived employability and work-related well-being was not significant. Job uncertainty can arise from employees' anxiety due to the establishment of a retirement age policy that is faster than other employees.

Edirisooriya (2014) concluded in his research that the reward system has a significant impact on employee performance. If the rewards provided are getting better, it can spur work motivation. In addition, it is important to understand the reward preferences of employees in the public sector to improve their performance.

Fauzi (2022) in his research concluded that financial rewards, social rewards and promotions have a positive and significant effect on performance. Rashid, et al (2018) found that awards and promotions have a positive and significant effect on performance. Yani (2021) concluded that awards have a significant effect on employee performance. Financial rewards, social rewards, and promotions themselves can be categorized as one reward variable.

Work motivation has a significant influence on employee performance in various sectors. Research shows that work motivation can contribute directly to performance improvement. For example, Setiawan found that work motivation has a significant effect on employee performance at PT Pusri Palembang, with a direct effect of 26.68% (Setiawan, 2016). In addition, Farhah et al. suggested a 14.52% contribution of motivation to employee performance, which indicates that work motivation is an important factor in improving performance (Farhah et al., 2020). Another study by Elazhari et al. makes it clear that motivation has a significant positive contribution of 74.8% to performance (Elazhari et al., 2022). This suggests that high motivation can drive better performance in the education sector.

This research focuses on how the 46-year retirement age policy and rewards affect employee performance with work motivation as the mediating variable. A deeper understanding of this relationship is expected to provide more effective policy recommendations for Bank Indonesia in improving employee motivation and performance. In addition, this research contributes academically by adding insight into the impact of organizational policies on employee performance, which can also serve as a reference for other institutions facing similar challenges.

## II. METHODS

An explanatory design in a quantitative approach was used in this study. Sampling in this study used a census technique with 35 respondents of junior staff affected by the 46-year retirement age policy and worked at the Bank Indonesia Representative Office (KPwBI) in East Java Province, namely KPwBI Prov. East Java, KPwBI Malang, KPwBI Kediri, and KPwBI Jember. Data collection was carried out by distributing questionnaires using a Likert scale of 1-5 with statements related to each variable.

**Table 1. Operational Matrix of Research Variables**

No	Variable	Indicator
1.	Retirement Age	Perception of Retirement Age
		Organizational Pressure
		Sense of Security
		Sense of Anxiety
2.	Rewards	Incentives
		Promotions
		Recognition
		Career Opportunities
3.	Work Motivation	Physiological Needs
		Social Needs
		Esteem Needs
		Self-Actualization Needs
4.	Employee Performance	Work Achievement
		Competence
		Achievement of Strategic Values

This research was analyzed using the Partial Least Squares (PLS) method, which is one of the techniques in Structural Equation Modeling (SEM). This analysis consists of outer model evaluation, inner model evaluation, and hypothesis testing. SmartPLS was the best choice for this study. This is because of its flexibility in handling small samples, complex models, and mediating

# The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable

relationships. In addition, the output supports comprehensive hypothesis testing, which is essential for structural model-based research such as this one.

## III. RESULTS

### A. Respondent Overview

The majority of respondents were male and some of the respondents were in the 31-34 age group. However, looking at the overall age of the respondents, it can be concluded that all respondents are in the productive age phase. Most respondents have a Bachelor's degree (S1), as many as 27 people or 77% of the total respondents. Meanwhile, as many as 8 people or 23% of respondents have a Postgraduate (S2) education level. This shows that the majority of respondents have a fairly high level of education, with most being undergraduate graduates. The working period of all respondents is 5-6 years.

**Table 2. Respondent Characteristics**

Criteria	Category	Sum	Percentage (%)
Gender	Women	2	6%
	Men	33	94%
	Total	35	100%
Ages	27–30 years	12	34%
	31–34 years	20	57%
	35-38 years	3	9%
	Total	35	100%
Education	Bachelor (S1)	27	77%
	Postgraduate (S2)	8	23%
	Total	35	100%
Length of Works	5-6 years	35	100%

### B. Convergent Validity Testing

The convergent validity test aims to measure the extent to which indicators of one construct are correlated or consistent in measuring the construct. Convergent validity ensures that all indicators designed to measure a construct truly reflect the same concept. In assessing convergent validity, we can see from the Outer Loading value (r value) and also the Average Variance Extracted (AVE) value.

**Table 3. Convergent Validity Testing**

Variables and Indicators	Item	Outer Loading Item	Outer Loading Indicators	AVE	Results
Retirement Age (UP)	X1			0.573	Valid
Perception of Retirement Age (UP1)	X1.1	0.758	0.868		Valid
	X1.2	0.735			Valid
Organizational Pressure (UP2)	X1.3	0.805	0.806		Valid
	X1.4	0.625			Valid
Sense of Security (UP3)	X1.5	0.773	0.894		Valid
	X1.6	0.81			Valid
Sense of Anxiety (UP4)	X1.7	0.777	0.853		Valid
	X1.8	0.757			Valid
Rewards (P)	X2			0.609	Valid
Incentives (P1)	X2.1	0.769	0.76		Valid
	X2.2	0.652			Valid
Promotions (P2)	X2.3	0.817	0.885		Valid
	X2.4	0.887			Valid
Recognition (P3)	X2.5	0.724	0.869		Valid
	X2.6	0.79			Valid
Career Opportunities (P4)	X2.7	0.799	0.852		Valid

**The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable**

Variables and Indicators	Item	Outer Loading Item	Outer Loading Indicators	AVE	Results
	X2.8	0.786			Valid
Work Motivation (M)	Y1			0.664	Valid
Physiological Needs (M1)	Y1.1	0.799	0.854		Valid
	Y1.2	0.676			Valid
Social Needs (M2)	Y1.3	0.816	0.909		Valid
	Y1.4	0.808			Valid
Esteem Needs (M3)	Y1.5	0.862	0.934		Valid
	Y1.6	0.78			Valid
Self-Actualization Needs (M4)	Y1.7	0.884	0.928		Valid
	Y1.8	0.876			Valid
Employee Performance (K)	Y2			0.675	Valid
Work Achievement (K1)	Y2.1	0.885	0.904		Valid
	Y2.2	0.823			Valid
	Y2.3	0.593			Valid
Competence (K2)	Y2.4	0.857	0.919		Valid
	Y2.5	0.855			Valid
	Y2.6	0.802			Valid
Achievement of Strategic Values (K3)	Y2.7	0.874	0.911		Valid
	Y2.8	0.885			Valid
	Y2.9	0.779			Valid

The loading factor test is calculated on each statement item and also on each indicator itself. Based on the loading factor test results, the X1.4; X2.2; Y1.2; and Y2.3 outer loading statement items show a value of <0.70, but are still between the values of 0.50-0.70. Referring to several guidelines in the statistical and structural modeling literature, especially those related to PLS-SEM, this value is still acceptable and considered valid.

The Outer loading test results carried out on each indicator also show valid results, because all research indicators have a value of > 0.70. That is, they have a strong contribution to the measured construct. This means that the constructs K (Performance), M (Work Motivation), P (Reward), and UP (Retirement Age) can be relied upon as measures of the latent variables in question, and the data used in this study can be considered valid in terms of measuring these constructs.

The Average Variance Extracted (AVE) test is carried out on statement items (indicators) in the context of latent constructs. What you want to see is the extent to which these indicators are collectively able to explain the variance of the latent construct. In other words, AVE helps evaluate the convergent validity of a latent construct based on the contribution of its indicators. All constructs in this study have an AVE value >0.5, which means that the indicator variance is explained by the latent construct, and the constructs are considered to have good convergent validity. The results are reliable for further analysis in the study.

**C. Construct Reliability Testing**

Reliability testing is conducted before continuing further research to ensure that the measuring instrument used (for example, a questionnaire) is able to produce consistent and stable results. In assessing construct reliability, we can look at the composite reliability and Cronbach's alpha values.

**Table 4. Construct Reliability Testing**

Variable	Cronbach's alpha	Composite reliability (rho_c)	Results
Retirement Age (X1)	0.894	0.914	Reliable
Rewards (X2)	0.907	0.925	Reliable
Work Motivation (Y1)	0.927	0.94	Reliable
Employee Performance (Y2)	0.938	0.949	Reliable

All constructs in this study have Composite Reliability (rho\_c) values greater than 0.7, indicating that they have excellent reliability. These constructs can be relied upon to measure the intended latent variables in the model, with indicators showing high internal consistency.

# The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable

Cronbach's alpha is a measure used to assess the internal consistency or reliability of a construct in a research model. The Cronbach's alpha value measures the extent to which the indicators in a construct collaborate to measure the construct. All constructs in this study have a Cronbach's alpha value greater than 0.8, which indicates that the constructs have good to excellent internal consistency. The indicators for each construct can reliably measure the variable in question, and the results indicate that the measurement model used in this study is trustworthy and has high reliability.

### D. Discriminant Validity Testing

Discriminant validity test is conducted to ensure that each construct in the research model is truly conceptually different from other constructs. To ensure that each construct in the model is truly unique and does not overlap significantly with other constructs. We can see discriminant validity through the Fornell-Larcker Criterion value.

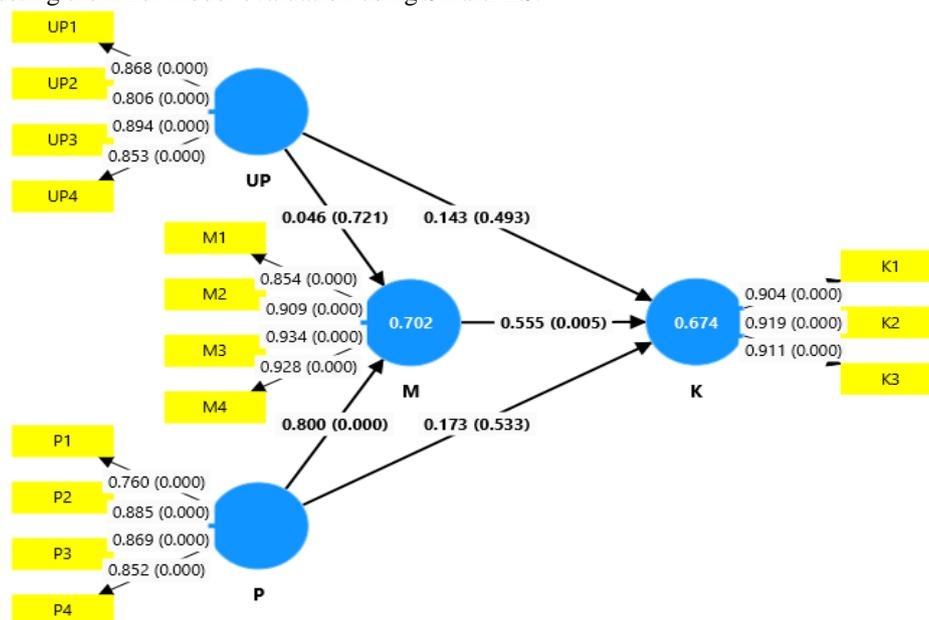
**Table 5. Discriminant Validity Testing**

	K	M	P	UP
K	0.911			
M	0.802	0.907		
P	0.757	0.837	0.843	
UP	0.681	0.709	0.830	0.856

In conclusion, all constructs in this study (K, M, P, UP) meet the criteria for discriminant validity based on the Fornell-Larcker Criterion, because the square root of the AVE for each construct is greater than the correlation between constructs. Thus, it can be concluded that the constructs in this model have good discriminant validity, which means that each construct is measured independently of the other constructs.

### E. Inner Model Evaluation

The inner model evaluation aims to test the relationship between constructs in the proposed structural model, namely the relationship between retirement age, rewards, motivation and performance. This analysis includes the R-squared ( $R^2$ ) test, Predictive Relevance ( $Q^2$ ) test and hypothesis testing. The inner model evaluation in this study was carried out using the Bias-corrected and accelerated (BCa) two-tailed bootstrapping method with  $\alpha = 95\%$  and using indicators to describe the construct. The following is a research model from testing the inner model evaluation using SmartPLS.



**Figure 1. Inner Model Testing (Bootstrapping)**

### F. R-Squared ( $R^2$ ) and Predictive Relevance ( $Q^2$ ) Testing

R-square is a measure that shows how much variation in the dependent variable can be explained by the independent variables in the model. The adjusted R-square is an adjusted version of the R-square, which considers the number of independent variables in the model and avoids overestimation when the number of independent variables increases.  $Q^2$ predict Measures the predictive ability of the model. A  $Q^2$ predict value  $> 0$  indicates that the model can predict well. The closer to 1, the higher the predictive ability.

# The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable

**Table 6. R-Squared (R2) and Predictive Relevance (Q2) Testing**

	R-square	R-square adjusted	Q <sup>2</sup> predict
DK	0.674	0.642	0.539
MM	0.702	0.683	0.649

Performance Variable (K): The R-square value of 0.674 indicates that 67.4% of the variation in performance can be explained by the independent variables in the model, namely motivation, rewards, and retirement age. The adjusted R-square value of 0.642 shows that after adjusting for the number of independent variables, the contribution remains high at 64.2%. This indicates that the model has a good ability to explain variations in performance. Work Motivation Variable (M): The R-square value of 0.702 indicates that 70.2% of the variation in motivation can be explained by the reward and retirement age variables. The adjusted R-square value of 0.683 shows that the contribution remains high, even after adjusting for the number of independent variables. This suggests that rewards play a large role in influencing motivation, while retirement age has a very small contribution.

The Q<sup>2</sup>predict value of the Performance variable (K) of 0.539 indicates that the model has a fairly good predictive ability for the performance variable. This value is above 0, which indicates that the model can predict performance with a good level of accuracy. The Q<sup>2</sup>predict value of the Work Motivation variable (M) of 0.649 indicates that the model has very good predictive ability for the motivation variable. This value is higher than the Q<sup>2</sup>predict for performance, which indicates that the model is more accurate in predicting motivation.

## G. Hypothesis Testing

Hypothesis testing is done by testing p-values and t-statistics. The following is a table of hypothesis testing results in this study.

**Table 7. Hypothesis Testing**

Hypothesis	P-values	T-statistics	Conclusion
Retirement Age -> Employee Performance	0.493	0.685	Rejected
Rewards -> Employee Performance	0.533	0.623	Rejected
Work Motivation -> Employee Performance	0.005	2.803	Accepted
Retirement Age -> Work Motivation	0.721	0.357	Rejected
Rewards -> Work Motivation	0.000	6.107	Accepted
Retirement Age -> Work Motivation -> Employee Performance	0.723	0.354	Rejected
Rewards -> Work Motivation -> Employee Performance	0.019	2.346	Accepted

The hypothesis that retirement age positively and significantly affects employee performance was tested, but the results showed a p-value of 0.493 and a t-statistic of 0.685. Since the p-value is greater than 0.05 and the t-statistic is below 1.96, this relationship is not statistically significant, leading to the rejection of the hypothesis. This suggests that changes in the retirement age do not directly impact employee performance.

Similarly, the hypothesis that rewards have a significant positive effect on employee performance was not supported, with a p-value of 0.533 and a t-statistic of 0.623. These values indicate a lack of statistical significance, leading to the rejection of this hypothesis. This implies that rewards do not directly influence performance, though they may play an indirect role through other variables.

On the other hand, motivation was found to have a significant positive impact on performance, with a p-value of 0.005 and a t-statistic of 2.803. Since the p-value is below 0.05 and the t-statistic exceeds 1.96, this relationship is statistically significant, confirming that higher motivation leads to improved employee performance.

The analysis also examined whether retirement age affects employee motivation. With a p-value of 0.721 and a t-statistic of 0.357, the results indicate no significant relationship. This suggests that changes in the retirement age do not directly influence employee motivation.

Conversely, rewards were found to have a strong and significant impact on motivation. The analysis produced a p-value of 0.000 and a t-statistic of 6.107, confirming a statistically significant relationship. This means that employees who receive better rewards tend to have higher motivation levels.

Regarding the indirect effects, the study tested whether motivation mediates the relationship between retirement age and performance. The results, with a p-value of 0.723 and a t-statistic of 0.354, indicate that this mediation effect is not statistically significant. Thus, retirement age does not significantly influence performance, either directly or through motivation.

## **The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable**

Finally, the hypothesis that rewards influence performance through motivation was supported. The results showed a p-value of 0.019 and a t-statistic of 2.346, indicating a statistically significant indirect effect. This suggests that while rewards may not directly impact performance, they enhance motivation, which in turn leads to better performance outcomes.

### **IV. DISCUSSION**

#### **A. The Influence of Retirement Age on Employee Performance at Bank Indonesia**

The research findings indicate that the retirement age policy does not directly affect employee performance at Bank Indonesia. The implementation of a retirement age of 46 for employees at the Junior Staff level does not significantly impact productivity or performance outcomes. This may be influenced by promotion and reward policies that provide opportunities for career extension, reducing employees' concerns about their career future. As a result, employees can focus more on improving their performance to achieve organizational goals without viewing the retirement age as a major obstacle.

These findings align with Adams' (1965) Equity Theory, which suggests that employees' perceptions of fairness in organizational policies, including retirement, can influence their motivation and performance. Although retirement age is not a significant factor, employees' perceptions of rewards and career development opportunities play a more substantial role.

Atchley's (1971) Activity Theory provides another perspective, stating that individuals who remain engaged in work and social roles tend to experience higher satisfaction, regardless of age. In this context, Bank Indonesia employees who have opportunities for promotions and rewards are likely to maintain stable performance levels. Kohli and Bansal (2018) argue that retirement policies can impact employees' attitudes and motivation, though their effects are often more psychological than directly performance-related. Similarly, Aldriani and Widyastuti (2021) suggest that an individual's mental preparedness for retirement has a greater impact on productivity than the retirement age itself.

Overall, the findings confirm that retirement age at Bank Indonesia does not directly influence employee performance. Instead, factors such as rewards, promotions, and perceptions of fairness within the organization play a more dominant role. Therefore, it is essential for the organization to support its retirement policies with career development and employee well-being strategies to ensure long-term performance sustainability.

#### **B. The Influence of Rewards on Employee Performance at Bank Indonesia**

The research findings indicate that rewards do not have a direct impact on employee performance at Bank Indonesia. This contrasts with previous studies, such as those by Fauzi (2022) and Rashid et al. (2018), which found that financial rewards, promotions, and recognition directly enhance productivity and performance. Instead, this study suggests that rewards influence performance indirectly through work motivation as a mediating factor.

Employee perceptions of rewards may not always be positive, especially if they are perceived as unfair or irrelevant to their contributions. According to Adams' (1965) Equity Theory, unfair rewards can diminish their positive effect on work behavior, including performance.

Rewards tend to have a stronger impact on employee motivation rather than directly on performance. Herzberg (1959) suggests that non-financial rewards, such as recognition, act as motivators that enhance job satisfaction and intrinsic drive, ultimately influencing performance indirectly.

Other factors, such as the work environment, organizational pressure, and workload, may play a more significant role in shaping employee performance at Bank Indonesia than rewards alone. This suggests that rewards, while important, are insufficient to drive performance improvement without support from other contributing factors.

Nevertheless, rewards remain a crucial component of human resource management. To maximize their impact, organizations must ensure that rewards are fair, relevant, and integrated with broader efforts to enhance employee motivation. This approach can help make rewards an effective part of a comprehensive strategy for optimizing performance at Bank Indonesia.

#### **C. The Influence of Work Motivation on Employee Performance at Bank Indonesia**

The research findings confirm that work motivation significantly influences employee performance at Bank Indonesia. This aligns with previous studies, such as those by Setiawan (2016) and Farhah et al. (2020), which found that high work motivation drives employees to work harder and more efficiently, leading to better performance.

Several theories support this finding. Herzberg's Two-Factor Theory (1959) identifies motivation as a key driver of performance through recognition, achievement, and responsibility. Vroom's Expectancy Theory (1964) suggests that employees strive for optimal performance when they believe their efforts will yield desirable outcomes. Additionally, intrinsic motivation factors like achievement and self-actualization, as discussed by Maslow (1943) and Deci & Ryan (2000), also play a crucial role.

At Bank Indonesia, motivation is influenced by factors such as a well-structured reward system and career development opportunities, which enhance both intrinsic and extrinsic motivation. A strong organizational culture that promotes individual achievement and teamwork further supports employee motivation. However, if employees perceive rewards as unfair, their motivation may decline, potentially weakening performance despite its overall significance.

## **The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable**

This study reinforces existing literature that identifies work motivation as a key factor in driving employee performance. Therefore, Bank Indonesia must continue prioritizing policies that support and enhance motivation to maintain consistent and optimal employee performance. The stronger the motivation-supporting policies, the greater the potential for improved employee performance.

### ***D. The Influence of Retirement Age on Employee Work Motivation at Bank Indonesia***

The research findings indicate that retirement age does not significantly influence employee motivation at Bank Indonesia. This contrasts with previous studies suggesting that a higher retirement age boosts motivation, while a lower retirement age can lead to financial insecurity and job uncertainty, reducing motivation.

Studies by Kharisma (2023) and Kartikasari (2020) found that a higher retirement age allows employees more time to plan and contribute, enhancing motivation. In contrast, a lower retirement age often creates anxiety and uncertainty. However, at Bank Indonesia, employees affected by this policy do not exhibit a significant decline in motivation, likely due to alternative career pathways.

Bank Indonesia's promotion policy allows employees to extend their retirement age up to 50 years for Staff and 56 years for Assistant Managers, providing opportunities for career advancement. This enables employees to focus on performance improvement for promotions rather than worrying about retirement limits.

Employee motivation at Bank Indonesia is likely influenced more by factors such as rewards, recognition, and career development opportunities. When employees perceive fair rewards and career growth potential, their motivation remains high regardless of retirement age policies.

Although retirement age does not significantly impact employee motivation, its psychological effects should be considered. The organization should review its retirement policies and strengthen reward systems that support promotions and career growth. A holistic approach to human resource management is essential to maintaining a supportive work environment, irrespective of the set retirement age.

### ***E. The Influence of Rewards on Employee Work Motivation at Bank Indonesia***

The research findings indicate that rewards significantly influence employee motivation at Bank Indonesia, aligning with existing theories and studies. Herzberg (1959) classifies rewards as motivators that drive individuals to work harder and with greater focus. Gagné and Deci (2005) highlight the role of non-financial rewards, such as recognition and career development opportunities, in enhancing intrinsic motivation.

Financial rewards, including incentives, bonuses, and allowances, fulfill employees' basic needs, as outlined in Maslow's hierarchy (1943). Meanwhile, non-financial rewards like promotions and recognition provide a sense of achievement and self-actualization, further boosting motivation. When perceived as fair and relevant, these rewards encourage employees to contribute their best efforts.

This study aligns with Firzansah (2023), who found that rewards strongly impact motivation across various sectors. Similarly, Febriarni (2014) concluded that well-designed financial and non-financial rewards enhance employee motivation.

These findings reinforce the importance of fair and relevant reward systems in sustaining motivation. Organizations like Bank Indonesia should continuously refine their reward policies to maintain and enhance employee motivation at all levels.

### ***F. The Influence of Retirement Age on Employee Performance Through Work Motivation at Bank Indonesia***

The research findings indicate that retirement age does not influence employee performance through work motivation. While retirement policies may affect motivation, their impact is not strong enough to enhance performance. This suggests that employees' perception of retirement age policies does not significantly affect their performance via motivation.

This finding contrasts with previous studies, such as those by Kohli and Bansal (2018) and Stinebrickner (2018), which found that retirement age influences motivation, particularly for employees nearing retirement. They suggested that lower retirement ages create uncertainty, potentially reducing motivation and negatively impacting performance. However, in the context of Bank Indonesia, while retirement age may cause anxiety, it does not significantly affect motivation or performance.

One explanation is Bank Indonesia's promotion policy, which allows employees to extend their retirement age, providing career security and development opportunities. Additionally, individual perceptions of retirement may vary, with some employees viewing it as a natural transition rather than a limitation.

These findings highlight that retirement age is not a primary factor influencing employee motivation or performance at Bank Indonesia. Instead, organizational policies that offer flexibility and relevant rewards play a more crucial role in maintaining motivation and performance, reinforcing the importance of a holistic human resource management approach.

### ***G. The Influence of Rewards on Employee Performance Through Work Motivation at Bank Indonesia***

The research findings indicate that rewards influence employee performance at Bank Indonesia through work motivation. Most of the impact of rewards on performance occurs indirectly via motivation.

## The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable

This aligns with previous studies by Wirawan (2018) and Nurjiasih (2023), which found that fair and relevant rewards enhance motivation, ultimately improving performance. Herzberg's Two-Factor Theory (1959) also supports this, emphasizing that intrinsic motivators like recognition and career growth boost job satisfaction and motivation, leading to better performance.

This relationship can be explained by the role of rewards in fulfilling employee needs. Financial incentives, recognition, and career opportunities address basic, social, and self-actualization needs, as outlined in Maslow's Hierarchy of Needs (1943). When rewards are well-structured, employees feel valued, which increases their motivation to perform.

Overall, fair and well-aligned rewards drive higher motivation, which in turn enhances employee performance. These findings highlight the importance of integrating rewards into human resource management strategies to foster a productive and goal-oriented work environment.

### V. CONCLUSIONS

To enhance employee performance and motivation, Bank Indonesia should refine its retirement age policy, ensuring it aligns with employee needs and organizational productivity. Regular policy reviews, transparent communication, and career transition programs can help mitigate uncertainty among employees. Additionally, offering phased retirement options or alternative roles can retain experienced talent while easing workforce transitions.

Strengthening the reward system is crucial, as rewards significantly impact motivation and performance. Bank Indonesia should ensure a transparent, merit-based reward structure that balances financial and non-financial incentives. Expanding career development opportunities, ensuring fairness in reward distribution, and offering personalized benefits can enhance motivation, leading to sustained employee engagement and productivity.

Beyond rewards and retirement policies, a holistic HR strategy is essential. Regular employee engagement initiatives, clear career growth pathways, and a performance-driven culture can maintain motivation and commitment. By prioritizing these strategic actions, Bank Indonesia can create a supportive work environment that drives both individual and organizational success.

### REFERENCES

- 1) Adams, J. S. (1965). Inequity in social exchange. *Advances in Experimental Social Psychology*, 2, 267–299.
- 2) Aldriani, N. dan Widyastuti, A. (2021). Kecerdasan Adversity dan Kecemasan Menghadapi Masa Pensiun. *Psikobuletin Buletin Ilmiah Psikologi*, 2(2), 154
- 3) Atchley, R. C. (1971). Retirement and Leisure Participation: A Longitudinal Study. *Journal of Gerontology*, 26(1), 5-12
- 4) Boyatzis, R.E. (1982). *The Competent Manager: A Model for Effective Performance*. Wiley
- 5) Cumming, E., & Henry, W. E. (1961). *Growing Old: The Process of Disengagement*. Basic Books, New York
- 6) Deci, E. L., & Ryan, R. M. (2000). The "What" and "Why" of Goal Pursuits: Human Needs and the Self-Determination of Behavior. *Psychological Inquiry*, 11(4), 227-268
- 7) Deci, E.L., & Ryan, R.M. (1985). *Intrinsic Motivation and Self-Determination in Human Behavior*. Springe
- 8) Edirisooriya, W. A. (2014). Impact of Rewards on Employee Performance: With Special Reference to ElectriCo. Dalam *Proceedings of the 3rd International Conference on Management and Economics (Vol. 26, No. 1, hal. 311–318)*. Fakultas Manajemen dan Ekonomi, Universitas Ruhuna, Sri Lanka
- 9) Elazhari, E., et al. (2022). Pengaruh Motivasi dan Gaya Kepemimpinan Kepala Sekolah Terhadap Kinerja Guru di SMP Negeri 2 Tanjung Balai. *All Fields of Science Journal Liaison Academia and Society*, 1(1), 1-12
- 10) Farhah, A., Ahiri, J., & Ilham, M. (2020). Pengaruh Motivasi Kerja dan Disiplin Kerja Terhadap Kinerja Karyawan. *Jurnal Online Program Studi Pendidikan Ekonomi*, 5(1), 1
- 11) Fauzi, F. dan Dorry, I. (2022). The Contribution of Monetary Rewards, Social Rewards and Promotions on Worker Performance (Small-Business of Textile and Its Products). *Journal of Management And Business*, 21(2), 149
- 12) Fauzi, F. dan Dorry, I. (2022). The Contribution of Monetary Rewards, Social Rewards and Promotions on Worker Performance (Small-Business of Textile and Its Products). *Journal of Management And Business*, 21(2), 149
- 13) Febrianti, Silfia. 2014. Pengaruh Reward dan Punishment Terhadap Motivasi Kerja Serta Dampaknya Terhadap Kinerja (Studi Pada Karyawan PT. Panin Bank Tbk. Area Mikro Jombang). *Jurnal Administrasi Bisnis S1 Universitas Brawijaya*, Vol. 12, No. 1
- 14) Firzansah, M. A., dan Yuska, S. (2023). Pengaruh Penghargaan Terhadap Motivasi Kerja Petugas Regu Jaga Di Lapas Narkotika Kelas IIA Bandung. *Jurnal Intelektualita: Keislaman, Sosial Dan Sains*, 12(02)
- 15) Gagné, M., & Deci, E. L. (2005). Self-Determination Theory and Work Motivation. *Journal of Organizational Behavior*, 26(4), 331-362
- 16) Hair et al. (2021) - "A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)"
- 17) Hasibuan, M. S. P. (2016). *Manajemen Sumber Daya Manusia*. Edisi Revisi. Jakarta: Bumi Aksara
- 18) Kartikasari, D. (2020). Pengaruh Dana Pensiun Terhadap Partisipasi Kerja Lanjut Usia. *Ekonomi Bisnis*, 25(2), 86

## The Influence of Retirement Age and Rewards on Employee Performance at Bank Indonesia with Work Motivation as a Mediating Variable

- 19) Kharisma, I. (2023). Peran Rekrutmen dan Seleksi Terhadap Kinerja Karyawan Perusahaan: Sebuah Tinjauan Literatur Sistematis. *Jurnal E-Bis (Ekonomi-Bisnis)*, 7(1), 61-80
- 20) Kohli, M., Rein, M., & Leisering, L. (1991). *Time for Retirement: The Social Policy of Ageing*. Cambridge University Press
- 21) Kohli, S., & Bansal, M. (2018). Impact of Retirement Age on Employee Motivation and Performance. *International Journal of Human Resource Management*, 11(2), 44-56
- 22) Locke, E.A., & Latham, G.P. (1990). *A Theory of Goal Setting and Task Performance*. Prentice Hall
- 23) Maslow, A. H. (1943). A Theory of Human Motivation. *Psychological Review*, 50(4), 370–396
- 24) Nurjiasih, L. Y., dan Sudarnaya, K. (2023). Peran Motivasi Kerja Dalam Memediasi Pengaruh Reward dan Lingkungan Kerja Terhadap Kinerja Karyawan Pada PT. Indah Permai Singaraja. *Jurnal Daya Saing*, 9(2), 343-354
- 25) Rashid, S., Hamza, M., dan Said, H. (2018). Impacts of Rewards, Promotions and Supervisor Support on Academic Staff's Performance: An Empirical Study in Malaysian Universities. *International Journal of Academic Research in Business and Social Sciences*, 8(9)
- 26) Saeed, S., et al. 2023. The Route to Well-Being at Workplace: Examining The Role of Job Insecurity and Its Antecedents. *European Journal of Management and Business Economics*, Vol. 32 No. 1, 2023 Pp. 47-72
- 27) Setiawan, K. C. (2016). Pengaruh Motivasi Kerja Terhadap Kinerja Karyawan Level Pelaksana di Divisi Operasi PT. Pusri Palembang. *Psikis : Jurnal Psikologi Islami*, 1(2), 43-53
- 28) Stinebrickner, R., & Stinebrickner, T. R. (2018). The Effect of Retirement Age on Job Performance: Evidence from a Retirement Age Policy. *Journal of Economic Behavior & Organization*, 153, 30-42
- 29) Topa, Gabriela, et.al. 2018. Early Retirement: A Meta-Analysis of Its Antecedent and Subsequent Correlates. *Frontiers in Psychology*. January 2018 | Volume 8 | Article 2157
- 30) Vroom, V. H. (1964). *Work And Motivation*. New York: Wiley
- 31) Warren, A. M. (1983). *Generational Dynamics in the Workforce: Implications for Aging and Retirement Policy*. *Journal of Aging & Social Policy*, 7(2), 1-12. isengagement. New York: Basic Books
- 32) Wirawan, A. dan Afani, Ismi Nur. 2018. Pengaruh Reward dan Punishment Terhadap Kinerja dan Motivasi Karyawan Pada CV Media Kreasi Bangsa. *Journal Of Applied Business Administration* Vol 2, No 2, September 2018, Hlm. 76-91
- 33) Yani, David A. 2021. Pengaruh Penghargaan dan Budaya Organisasi Terhadap Kinerja Karyawan Pada PT. Widya Pratama Perkasa. *Jurnal Manajemen Dan Bisnis* Vol. 11 No. 2 April 2021: 77 – 90



There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non Commercial 4.0 International (CC BY-NC 4.0) (<https://creativecommons.org/licenses/by-nc/4.0/>), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.