

## ABSTRACT

*In the development of MSMEs, a business cannot escape the assessment of the performance of its employees. A job will produce good results if the performance of the employee also improves. One way to ensure that the company's goals are achieved is to pay attention by providing compensation to employees. The phenomenon that occurs in MSMEs in Yogyakarta is in the form of giving salaries that are not in accordance with the UMR and paying less attention to allowances which are the rights of these employees. In addition, employee attendance has not been recorded properly. The purpose of this study was to determine the implementation of compensation, motivation and performance at MSMEs in Yogyakarta, as well as the effect of compensation and motivation on employee performance at MSMEs in Yogyakarta, either partially or simultaneously.*

*This study uses quantitative methods. Data collection techniques used questionnaires distributed to MSME employees in Yogyakarta. The samples obtained in this study were 131 employees. Based on the involvement of the researcher, the researcher did not intervene in the data. Based on the implementation time, the researcher used the cross section method and the data analysis techniques used were descriptive analysis and path analysis with the help of IBM SPSS version 24 software.*

*The results of this study indicate that compensation, work motivation are in the good category, and employee performance is in the very good category. Compensation and work motivation have no significant effect on employee performance either partially or simultaneously. The magnitude of the effect of compensation and motivation on employee performance simultaneously is 26.9% and 73.1% is influenced by other factors. The indirect effect of compensation and work motivation on employee performance is 7.18%, the direct effect of compensation is 4.62% so that the total effect of compensation is 11.8% while the direct effect of work motivation is 11.15 so that the total effect of work motivation is 11.33%. So that work motivation has a more dominant influence on employee performance.*

*The influence of compensation and work motivation on employee performance, therefore to improve employee performance, companies can improve compensation and motivation in the company. With increased employee performance will affect the achievement of company goals. For further research, it is expected to conduct research by adding other factors, using different analytical techniques with different research objects.*

**Keywords:** *Compensation, Work Motivation, Employee Performance*