

Effectiveness of Reward and Punishment Systems in Enhancing Employee Motivation and Performance: A Human Resource Management Case Study at Medika Clinic, Lelilef Village, North Maluku, Indonesia

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ABSTRACT

This study explores the effectiveness of the reward and punishment system at Medika Pratama Perkasa Clinic, a private healthcare facility located in the remote mining area of Lelilef Village, Central Halmahera, North Maluku. Operating with Sukur, P. A. (2025). Effectiveness of reward limited human resources and high and punishment systems in enhancing workloads, the clinic applies a qualitative employee motivation and performance: A exploratory case study approach, using human resource management case study interviews, observations, and document at Medika Clinic, Lelilef Village, North Maluku, Indonesia. *Journal of International Conference Proceedings*, 8(5), 1-7. The findings show that rewards—such as financial incentives, certificates, additional leave, and training—positively improve staff motivation and loyalty. Meanwhile, punishments including verbal and written warnings and incentive reductions help enforce discipline, although they generate psychological pressure for some employees. The remote context intensifies challenges related to limited facilities, referral constraints, and stressful work conditions. The study concludes that the system works adequately but requires greater consistency, clearer criteria, and stronger non-financial support through mentoring and coaching. These results contribute to understanding human resource management in healthcare organizations operating in remote areas.

Keywords: Reward, Punishment, Motivation, Performance, Human Resource Management.

INTRODUCTION

Human resource management (HRM) plays a decisive role in sustaining service quality in geographically isolated workplaces, where limited infrastructure and high operational costs challenge employee retention and performance. Remote healthcare facilities, in particular, face acute shortages of qualified staff, high turnover intentions, and chronic workload pressures. These conditions require management to implement effective motivational systems that not only attract and retain employees but also maintain high service standards despite persistent constraints.

This study investigates how a combined system of rewards and punishments affects employee motivation and performance in *Klinik Medika*, a privately managed healthcare clinic located in the mining area of Lelilef Village, Halmahera Tengah, North Maluku, Indonesia. The clinic serves up to 150 patients per day with only a small team of doctors, nurses, and administrative staff, operating under conditions of limited facilities, difficult access, and high living costs. Such an environment provides a unique setting to examine the interaction of financial and non-financial incentives, constructive disciplinary measures, and managerial support in shaping employee behavior.

The research was designed as an exploratory qualitative case study. Data were collected over three months through in-depth interviews, observations, and document reviews involving doctors, nurses, administrative staff, and key management personnel. Analysis followed the (Miles A. M. & Saldaña, 2014) interactive model data reduction, data display, and conclusion drawing with verification while ensuring data trustworthiness through source triangulation, member checking, and an audit trail.

Key findings show that financial rewards such as monthly incentives, hardship allowances, and annual bonuses function as essential *hygiene factors* that reduce dissatisfaction and encourage employees to remain in a remote, high-cost environment. Non-financial rewards verbal recognition in staff meetings, public acknowledgment, and professional development opportunities strengthen intrinsic motivation and foster loyalty. Punishment, applied mainly through constructive verbal feedback and administrative guidance, promotes discipline without lowering morale. The interaction of these mechanisms, supported by active managerial engagement, creates a fair and predictable system that enhances both motivation and performance despite heavy workloads that exceed international safety standards for patient consultation.

This article contributes to mid-range theory by integrating Herzberg's Two-Factor Theory, Skinner's Reinforcement Theory, and Vroom's Expectancy Theory into the context of remote healthcare management. Practically, the findings provide actionable insights for policymakers and healthcare managers operating in similar environments, demonstrating how tailored reward and punishment systems can stabilize workforce motivation and sustain service quality in geographically isolated settings.

LITERATURE REVIEW

The literature review provides an overview of theoretical foundations and empirical findings related to human resource management, motivation theories, and the application of reward and punishment systems in healthcare settings, particularly in remote areas. This section synthesizes previous studies to construct a conceptual understanding of how these mechanisms influence employee behavior and organizational effectiveness.

Human Resource Management and Motivation in Healthcare Settings

Human resource management (HRM) plays a pivotal role in sustaining organizational performance, particularly in sectors that demand high service quality under challenging conditions such as health care. Numerous scholars emphasize that effective HRM

practices are not limited to recruitment and training, but also involve the design of motivational mechanisms that can encourage employees to maintain optimal performance despite structural limitations (Boxall & Purcell, 2016). Among these mechanisms, *reward* and *punishment* systems have received extensive attention in the management literature for their ability to influence employee behavior, satisfaction, and long-term commitment.

Reward Systems and Employee Motivation

Rewards, both financial and non-financial, are consistently identified as key drivers of motivation and retention. According to Herzberg's Two-Factor Theory (Herzberg, 1966), financial rewards such as salary increases, bonuses, and allowances function as *hygiene factors* that reduce dissatisfaction, whereas non-financial rewards like recognition, opportunities for skill development, and supportive supervision act as *motivators* that enhance intrinsic satisfaction. Contemporary studies further argue that a combination of financial and non-financial incentives is more effective than relying on either alone, as they address both extrinsic and intrinsic needs of employees (Wahyuni et al., 2024). In the context of remote workplaces, where living costs and personal sacrifices are higher, financial incentives often serve as an indispensable means to attract and retain talent (Latif et al., 2024).

Punishment and Behavioral Regulation in Organizations

Punishment, on the other hand, is designed to correct undesirable behaviors and maintain discipline. (Skinner, 1953) posits that both positive and negative reinforcements can shape employee behavior, provided that they are applied consistently and accompanied by constructive feedback. While harsh penalties can demotivate workers, educative or constructive punishment such as verbal warnings or structured feedback has been shown to encourage learning and reduce the likelihood of repeated errors without lowering morale (Hinelo et al., 2023).

Theoretical Perspectives on Motivation

Motivation itself can be further explained through *Expectancy Theory* (Vroom, 1964), which suggests that employees are motivated when they believe that effort will lead to performance (*expectancy*), performance will lead to rewards (*instrumentality*), and the rewards have personal value (*valence*). In challenging environments, the alignment of these three elements becomes critical, as employees weigh the physical and emotional costs of remaining in a difficult workplace against the tangible and intangible rewards they receive.

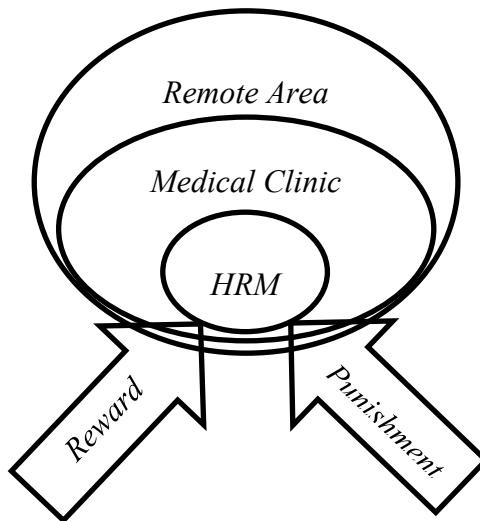
Reward and Punishment Systems in Remote Healthcare Contexts

Research on health-care organizations in remote areas highlights the unique pressures of high patient loads, limited infrastructure, and social isolation. These conditions intensify the importance of effective reward and punishment systems to sustain employee motivation and prevent turnover (BMA, 2023). Case studies from rural clinics reveal that when rewards are perceived as fair and punishment is constructive, staff members are more likely to develop a strong *intention to stay* despite the hardships of working in isolated settings (Wahyuni et al., 2024).

Conceptual Framework

The study framework model is depicted in [Figure 1](#).

Figure 1. Research Framework



Taken together, these theoretical perspectives provide a robust framework for analyzing how reward and punishment mechanisms operate in remote health-care facilities. They suggest that a nuanced combination of financial incentives, non-financial recognition, and educative disciplinary measures can create a balanced motivational environment that supports both employee well-being and organizational performance. This study builds on these insights by examining how such systems are implemented and experienced at *Klinik Medika*, a primary health-care clinic operating in a geographically isolated mining area in North Maluku, Indonesia.

RESEARCH METHOD

This research employed a qualitative *exploratory case study* approach to gain an in-depth understanding of how reward and punishment systems influence employee motivation and performance in a remote healthcare setting. The study was conducted at *Klinik Medika*, a privately managed clinic located in Lelilef Village, Halmahera Tengah, North Maluku, Indonesia. The clinic was selected because it operates in an isolated mining area with limited facilities, high living costs, and heavy workloads, making it a critical site for examining human resource management practices under extreme conditions.

Data were collected over a three-month period through multiple techniques to ensure rich and credible information. Primary data were obtained from semi-structured, in-depth interviews with six key informants, including a general practitioner, nurses, administrative staff, and a midwife from the nearby community health center. An additional former employee was interviewed by telephone to capture retrospective insights. These informants were purposefully chosen for their direct involvement in the clinic's daily operations and their knowledge of the reward and punishment mechanisms. Observations of daily activities and reviews of internal documents, such as staff policies and patient service records, complemented the interview data and provided contextual verification.

All interviews were recorded with consent, transcribed verbatim, and analyzed using the interactive model ([Miles A. M. & Saldaña, 2014](#)). The analysis followed a continuous cycle of data reduction, data display, and conclusion drawing with verification, enabling patterns to emerge and ensuring that interpretations remained grounded in the empirical

evidence. Credibility and trustworthiness of the findings were strengthened through source triangulation by comparing interview, observation, and document data, member checking by returning preliminary interpretations to participants for confirmation, and an audit trail documenting each step of the research process.

This methodological design allowed the study to capture the complex dynamics of financial and non-financial rewards, constructive disciplinary practices, and managerial interventions, and to explain how these mechanisms collectively shape motivation and performance among healthcare workers operating in a challenging remote environment.

RESULTS

The findings reveal a clear pattern in the way *Klinik Medika* implements and experiences the effects of reward and punishment systems on employee motivation and performance. Data from interviews, observations, and internal documents consistently show that both financial and non-financial rewards play a decisive role in sustaining employee commitment in this remote clinic, where high living costs and limited infrastructure create extraordinary pressures. Financial rewards such as monthly incentives, annual bonuses, and performance allowances were described by all informants as vital for meeting daily needs and offsetting the higher cost of living. A general practitioner (AH#1) emphasized that *“bonus or incentive payments are crucial to support daily necessities, especially in a remote area like this.”* Similar views were expressed by nursing and administrative staff, who highlighted that financial incentives provide not only material support but also peace of mind, encouraging them to remain in a difficult location despite personal sacrifices.

Non-financial rewards also emerged as a powerful motivator, complementing financial benefits by strengthening intrinsic commitment. Verbal recognition during staff meetings, public appreciation from management, and opportunities for professional development were repeatedly mentioned as important sources of psychological satisfaction. A nurse (RS#2) noted that *“simple words of thanks or public acknowledgment make me feel valued,”* while another staff member (F#2) described how recognition in meetings gave a sense of pride that surpassed monetary benefits. These statements indicate that the combination of financial and non-financial rewards creates a dual reinforcement effect: material incentives reduce dissatisfaction, while social recognition fosters emotional attachment to the organization.

Punishment practices, in contrast, were applied in a deliberately constructive and educational manner. Rather than imposing severe penalties, management relied primarily on verbal warnings and corrective feedback designed to guide employees toward improved performance. Informants consistently described these measures as fair and instructive. For example, a doctor (AH#3) explained that *“verbal warnings help me be more careful and always include an explanation of why it was wrong and how to avoid it in the future.”* Staff members reported that this approach maintained discipline without creating fear or resentment, thereby preserving morale in a challenging work environment.

The combined influence of rewards and punishments was particularly evident in shaping employees' motivation to remain in the clinic despite harsh conditions. Most staff members originate from outside the local area, including Makassar, Surabaya, and Bacan, and therefore face the dual challenges of geographic isolation and social adaptation. Financial rewards served as a strong extrinsic motivator for retention, while non-financial recognition and constructive discipline fostered a sense of belonging and professional pride. Several participants acknowledged that without adequate incentives they would struggle to justify continuing their work in Lelilef, yet they also valued the non-financial support that affirmed their contributions to the community.

These mechanisms ultimately translated into measurable effects on performance. The clinic serves an average of 150 patients per day with only one general practitioner and limited support staff, creating a workload that exceeds international safety recommendations. Observations showed that each shift approximately eight hours—handled about 50 patient visits, roughly double the safe limit of 25 patient contacts per physician per day suggested by the British Medical Association. Despite this extreme workload, employees maintained high service standards through efficient teamwork, careful scheduling, and mutual support. Both medical and administrative staff linked their ability to cope with this pressure to the motivation provided by rewards and the guidance reinforced through constructive punishment.

Overall, the results demonstrate that the interplay of financial incentives, social recognition, and educational discipline enables *Klinik Medika* to sustain employee motivation and performance under conditions that would otherwise drive high turnover and declining service quality. This integrated system not only encourages intention to stay among non-local staff but also helps maintain operational stability and patient care quality despite severe environmental and resource constraints.

DISCUSSION

The results of this study highlight how a carefully balanced system of rewards and punishments can sustain employee motivation and performance in a remote health-care setting characterized by limited resources and heavy workloads. At *Klinik Medika*, financial rewards such as monthly incentives, annual bonuses, and special allowances emerge as critical hygiene factors in Herzberg's *Two-Factor Theory*. By reducing dissatisfaction associated with high living costs and geographic isolation, these extrinsic benefits allow staff to focus on their work rather than financial survival. Consistent with Skinner's *Reinforcement Theory*, these monetary rewards act as positive reinforcements that encourage the repetition of desired behaviors, including punctuality, patient care diligence, and adherence to clinical protocols.

Yet the study also demonstrates that financial incentives alone are insufficient to secure long-term commitment. Non-financial rewards verbal praise during staff meetings, public recognition from management, and opportunities for skills development provide the intrinsic motivation that strengthens employees' emotional attachment to the organization. These forms of appreciation align with Herzberg's motivator factors and build a sense of purpose that goes beyond economic necessity. Informants frequently described feelings of pride and personal value when their efforts were acknowledged, a finding that resonates with prior research showing that social recognition enhances job satisfaction and retention in challenging environments.

Punishment, while less influential than rewards, plays a complementary role by maintaining discipline without eroding morale. The clinic's reliance on verbal warnings and corrective feedback reflects a constructive approach consistent with Skinner's view that negative reinforcement can prevent undesirable behaviors when applied fairly and explained clearly. Staff members reported that these sanctions functioned more as guidance than as deterrence, helping them correct mistakes and maintain service standards without experiencing fear or resentment. This balance between reinforcement and gentle correction ensures that discipline supports, rather than undermines, motivation.

The combined impact of these mechanisms is particularly important in understanding employees' *intention to stay*. Many staff members come from outside the region, leaving behind urban conveniences and family support. According to Vroom's *Expectancy Theory*, their decision to remain depends on three elements: expectancy (belief that effort leads to performance), instrumentality (belief that performance leads to rewards), and valence (the value of those rewards). Financial incentives provide the instrumental

link between high effort and tangible benefits, while non-financial recognition increases the perceived value of remaining with the clinic. Punishment, applied constructively, reinforces expectations for performance without threatening the psychological contract between employer and employee.

The relationship between rewards, punishments, and performance is especially evident when considering the extraordinary workload faced by the clinic. Serving an average of 150 patients per day about 50 patients per eight-hour shift exceeds the British Medical Association's recommended safe limit of roughly 25 patient contacts per physician per day. Despite this excessive demand, employees maintain service quality through strong teamwork and efficient coordination, behaviors that are reinforced by both financial incentives and social recognition. The finding that staff continue to meet performance targets under such pressure underscores the motivational power of a dual reward system in contexts where structural improvements, such as additional staff or advanced medical equipment, are not immediately feasible.

Beyond individual motivation, the study highlights the strategic role of management in shaping these outcomes. By designing reward packages that combine financial and non-financial elements, ensuring fairness in distribution, and providing transparent feedback when discipline is necessary, management acts as the critical enabler of system effectiveness. This managerial involvement aligns with contemporary human resource management literature, which emphasizes that supportive leadership and equitable policies enhance the positive effects of reinforcement mechanisms, particularly in high-stress environments.

Overall, the discussion underscores that the effectiveness of reward and punishment at *Klinik Medika* lies not in any single element but in their integration and contextual adaptation. Financial incentives reduce dissatisfaction and secure basic commitment, non-financial recognition nurtures intrinsic motivation and loyalty, and constructive punishment maintains discipline without damaging morale. Together, these mechanisms create a sustainable framework that allows a small team of health professionals to deliver consistent care in a remote Indonesian community despite severe resource limitations. This case contributes to mid-range theory by illustrating how classic motivational frameworks can be applied and extended to explain employee retention and performance in isolated health-care settings where traditional HR strategies are constrained.

CONCLUSION

This study concludes that a carefully balanced system of rewards and punishments plays a decisive role in sustaining employee motivation and performance in a remote health-care environment. At *Klinik Medika*, financial rewards such as monthly incentives, annual bonuses, and special allowances reduce dissatisfaction caused by high living costs and geographic isolation, enabling staff to remain focused on patient care. Non-financial rewards including verbal praise, public recognition, and opportunities for professional development strengthen intrinsic motivation and foster a sense of belonging that supports long-term commitment. Punishment, applied mainly through verbal warnings and constructive feedback, serves as a corrective mechanism that maintains discipline without undermining morale. Together, these mechanisms explain the strong *intention to stay* expressed by employees, even though most come from outside the local community and face extreme workloads of approximately 150 patients per day. The findings extend classic motivational theories by demonstrating how financial and non-financial incentives, combined with educative sanctions, can be adapted to remote health settings to achieve both retention and high service quality.

The practical implications of these findings are significant for human resource management in isolated health facilities and other resource-constrained organizations.

For clinic managers, the results highlight the importance of integrating financial and non-financial rewards to balance extrinsic and intrinsic motivation, while ensuring fairness and transparency to maintain organizational justice. Constructive punishment should be maintained as a supportive learning tool, accompanied by clear feedback and opportunities for improvement. At a broader policy level, the case underscores the need for local government particularly the regional administration of Central Halmahera—to strengthen health infrastructure by upgrading primary care centers into well-equipped hospitals and improving transportation access. Such structural interventions would complement the clinic's internal reward–punishment system, reduce the excessive workload that currently exceeds international safety standards, and enhance both employee well-being and patient outcomes. For scholars, this case contributes to mid-range theory by showing how classical motivational frameworks can be operationalized in extreme contexts, offering a foundation for comparative research across other remote service sectors.

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DECLARATION OF CONFLICTING INTERESTS

We declared that there will be no conflicts of interest concerning the study, authorship, and/or publication of this article.

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