Article history:

Received: 20 March 2020; Revised: 31 March 2020; Accepted: 08 April 2020; Available online: 15 April 2020

The Impact Of Compensation And Work Environment On Employee Performance Through Job Satisfaction Zulher¹, Suarni Norawati², Zahmir Basem³, Ulul Azmi⁴

¹²Sekolah Tinggi Ilmu Ekonomi Bangkinang suarni.norawati@yahoo.com

This research seeks to discover the impact of compensation and office environment on employee performance as well as their overall sense of fulfillment. This is accomplished by including job satisfaction as a secondary variable in a regression analysis. Analysis of data comes from secondary research files and questionnaires. The most important data comes from the Smart PLS Version 3 SEM model. That data type is called primary data. The study proves that employee performance is affected by compensation, while the work environment has no effect on performance. However, compensation affects employee job satisfaction, while the work environment has no effect on it. Additionally, this study reveals that job satisfaction has an effect on the relationship between compensation and performance on work environment— leading to improved employee performance.

Keywords: Performance, Compensation, Work Environment, Job Satisfaction

Introduction

Employee loyalty in a company is one of the desired manifestations of the company in achieving its goals. According to Dessler (2010) employee loyalty is an emotional attitude that is fun and loves his job. So that a person who has loyalty at work is willing to work overtime to complete work that is loved and liked by him, so that the employee's work results can be improved. Companies can realize their goals through the contribution of employees to achieve maximum performance. Employees who are loyal to the company will be able to provide maximum work results, so that employee performance will increase, as well as company performance (Garika & Jatiningrum, 2020)

Increased work loyalty and employee performance is the existence of employee satisfaction with the compensation they receive. Because the size of this compensation can be considered by employees towards their families in maintaining and improving their work results. PTPN V is a company engaged in the plantation sector. Based on the results of pre-survey interviews with the Head of Personnel and Legal, several problems were found related to employee loyalty and job satisfaction. In more detail, the following are the results of interviews with informants regarding the problems that occurred at the Head Office of PT PN V Riau.

Based on the interview results above, it can be concluded that there is employee dissatisfaction with what the company provides and there are indications of employee performance that is not good enough. Dissatisfaction with these employees becomes a problem that can reduce

¹Coressponden: Suarni Norawati. STIE Bangkinang. Jl. Dr. A Rahman Saleh, Bangkinang, Kec. Bangkinang, Kabupaten Kampar, Riau 28463. suarni.norawati@yahoo.com

employees loyalty and performance. Another phenomenon encountered is that there are still many employees who are absent or absent, take leave for no apparent reason, abuse the use of leave, and this high rate of lateness indicates that employees do not feel happy and love their work so that it can reduce their loyalty to the company. It is suspected that the variables in the form of the compensation system and the surrounding physical work environment can influence the high level of absenteeism. The results of the evaluation of the factors that have an effect on employee satisfaction that have an impact on the performance of employees of PT PN V Riau are documented.

Table 1. Summary of Pre-survey Interview Results

No	Human Resource Problems at PT PN V Pekanbaru			
1	There are employees who abuse the system by allowing sudden leave requests to			
1	avoid delays, this reflects employees who are less responsible			
2	There are still many employees who are late and absent without explanation and			
	there is abuse of the leave allotment given to employees to avoid disciplinary action			
	so that it still does not show an indicator of loyalty to the company to be honest			
	and obey regulations without the need for very strict supervision			
2	Employees take the number of leave outside with their allotment but without clear			
3	explanation			
4	Payroll systems that are still changing and are just starting a system that is			
	considered the most appropriate system to be implemented in the Company			

Source: Interview Results

This research gap is also found in research conducted by Tjandra and Meilinda (2014) at a hotel in Surabaya which shows that the physical work environment has no significant effect on job satisfaction as in the previous research conducted by Ratnasari and Dewi. Job satisfaction can be influenced by compensation and the physical work environment on one object but not so on other objects.

Job satisfaction also has a close relationship with employee performance (Luthans, 2011). Locke in Luthans (2011) explains that job satisfaction is a cognitive, affective and evaluative reaction or action that expresses pleasure and happy positive emotions resulting from an assessment of his work experience. This is consistent with research conducted by Khuong and Tien (2013) which states that employee job satisfaction has a direct positive effect on employee performance.

This study was intended to determine the direct effect of compensation, the physical environment and job satisfaction on employee performance at PT PN V Riau. The primary goal of this study is to determine the indirect effect of compensation, the physical environment on job satisfaction and employee performance.

Related Works/Literature Review (Optional)

Performance is derived from the employee's work that is seen through the lens of quality, quantity, working time, and cooperation in order to achieve the organization's goals. Performance in an organization is governed by different standards depending on the company's policies. The causes of performance are diverse and each perspective has a different approach. Performance indicators are quantitative or qualitative measures that describe the degree to which a goal or target has been achieved.

Evaluation of employee performance is very important to find out how far the performance that has been carried out by employees. By evaluating each employee's performance per period, it will be known what deficiencies the employee has, as well as what are the employee's strengths that must and must be maintained. In this case, through evaluation, the office can also find out

which employees are working optimally and which employees are not working optimally. This can be a benchmark and consideration for the organization.

Several factors have an effect on performance, one of which is employee satisfaction. The results of Zupri's study (2022) demonstrate that job satisfaction is in fact influenced by leadership, and that job satisfaction also has a significant effect on performance. The results of Eni's research (2018) also demonstrate that based on the results of the path analysis test, it is evident that the Job Satisfaction variable has a significant effect on the Employee Performance variable. Factors that have an effect on employee satisfaction according to Abdurrahmat (2016) include a fair and decent salary, the severity of the work, the atmosphere and work environment, the placement according to expertise, the leader's leadership style, the work's monotony or not, and the equipment's support.

Locke (2010) defines job satisfaction as a level of positive and gratifying emotions that individuals experience. In other words, job satisfaction is derived from an individual's estimation of a positive and enjoyable job or experience. According to Wexley and Yukl in Wikipedia, job satisfaction is 'the way an employee feels about their job'. This implies that employee satisfaction is the degree to which employees feel positive about themselves or their work. Job-related emotions involve aspects such as effort, career advancement opportunities, relationships with other employees, job placement and organizational structure. The feelings associated with him include his age, health condition, ability and education.

Additionally, job satisfaction is influenced by numerous factors, including compensation received by employees (Pariyanti, et al, 2020). According to Simamora (2014), compensation is the monetary compensation that employees receive in exchange for their contribution to the organization. Tohardo (2015) suggests that compensation is based on the evaluation of the job. Compensation is more than just wages or salaries. Wages or salaries primarily focus on monetary compensation. Compensation includes both financial and non-financial benefits. Compensation is the provision of monetary compensation either directly or indirectly in the form of awards.

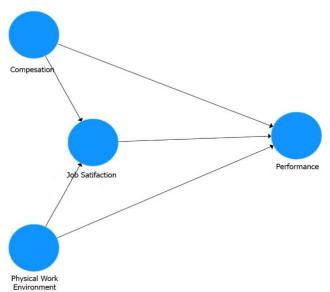
The previous study of Pratama (2014) demonstrated that compensation has a positive and significant effect on employee commitment and performance. This is in line with the research of Suarni, et al (2021) which concluded that discipline, competence, motivation, compensation and training have a significant impact on employee performance, both collectively and individually. The results of Alvi and Sri (2017) investigation also demonstrate that compensation has a significant effect on employee performance, this means that if compensation increases, employee performance will also increase and the opposite is true.

Other factors that affect the performance and job satisfaction of employees include the workplace environment. Mardiana (2015) documented that the workplace is an environment where employees perform their daily tasks. A conducive workplace promotes a sense of safety and facilitates optimal performance. The workplace can have an effect on the emotions of employees. If employees enjoy their workplace, they will feel at home there, which will lead to them having a positive attitude towards their work, which will lead to them using their time effectively and being optimistic about their employee performance.

Sedarmayanti (2011) listed several factors that can have an effect on the workplace environment, including lighting, temperature, humidity, air circulation, noise, mechanical vibrations, smells, color, and decoration. However, a more tangible factor that can affect workers' behavior is their physical condition. The findings of Suarni, et al (2021) demonstrate that the workplace and workload have a significant impact on employee performance. This result is also consistent with the research conducted by Lyta and Harmon (2017), which found that the workplace and employee performance in the Detail Part Manufacturing Division of the Production Directorate of PT Dirgantara Indonesia (Persero) have a moderate positive relationship with a value of 0.438, the workplace has an effect on employee performance. As a result, the hypothesis can be stated in this study, namely:

- 1. Allegedly compensation and work environment and job satisfaction have a direct effect on employee performance.
- 2. It is suspected that compensation and work environment through job satisfaction have an indirect effect on employee performance.

Based on the hypothesis above, the framework of this research can be described as follows:



Furthermore, in Table 2, you can also see the operational definitions of the research variables

Table 2 Operational Definition of Research Variables

No	Variable	Definition	Indicator	Scale
1	Perfomance (Y ₂)	Performance is the willingness to protect and save one's body and feelings	 Quality of Work Working Quantity Target achievement Goals Understanding of work 	Ordinal
2	Compensation (X_1)	Compensation is something that employees receive as remuneration for their achievements in carrying out their duties	 Salary Wages Incentives Allowances Facilities 	Ordinal
3	Physical Work Environment (X ₂)	The physical work environment is all physical conditions that exist around the workplace that can affect employees either directly or indirectly	 Light Lighting Air Temperature Noise Use of Color Space to Move Work Security 	Ordinal
4	Job Satisfaction (Y ₂)	Job satisfaction is a person's attitude towards their service, that attitude comes from their perception of their work	 Supervision Awards Work procedures Colleagues The work itself Communication 	Ordinal

Methods

This study is considered survey research because it collects information from respondents via a questionnaire. Survey research is conducted directly on a population that is selected as the subject of the research and utilizes a questionnaire as the primary means of collecting data. This type of investigation is a comparative causal investigation that focuses on the employees of PT PN V Riau as the unit of analysis. The study was conducted at PT PN V (Persero), which is located at Jalan Rambutan No. 43 Sidomulyo Timur, Marpoyan Damai District, Pekanbaru City, Riau 28294. The study was conducted from May to June of 2021. The participants were all employees at PT PN V. The data collected was primary and secondary. Data obtained through interviews, observation or observation, questionnaires. This population consisted of employees of PT PN V, which had a total of 413 employees. The number of samples is determined using the following Slovin formula:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{413}{413 + 0.01^2} = 80.59 = 81$$

The stages of data analysis were conducted using a hierarchical model structure that was based on a tiered model. The model was then analyzed using the Structural Equation Modeling technique, which was operated through the Smart PLS Version 3.00 program. After a theory or theoretical model has been described in a flowchart, the researcher can begin to convert the model's specifications into a series of structural equations as follows:

$$\begin{split} Y1 &= \beta_1 X_1 + \beta_2 X_2 + Z_1 \\ Y2 &= \beta_3 X_1 + \beta_4 X_2 + \beta_5 Y_1 + Z_2 \end{split}$$

Description: Y1 = Job Satisfaction; Y2 = Performance; X1 = Compensation;

X2 = Physical Work Environment and β1- β5 = Regression Coefficient

The selection of the PLS method in this study was based on the fact that in this study, there were three variables that were formed with formative indicators and had a moderating effect. The formative model assumes that the variable or construct has an effect on the indicator, the direction of the causal relationship is from the variable to the indicator (Ghazali, 2006). The formative model assumes that the indicators have a direct effect on the construct, the direction of the relationship between the indicator and the construct is then the direction of the quality

Results

A concept or model cannot be evaluated in a causal and relational relationship prediction model if it has not been purified in the measurement model. The measurement model (outer model) is employed to assess the validity and reliability of instruments. The reliability and validity of the questionnaire was tested to ensure that the statements used in this study were understood by the respondents. Based on the results of the assessment, it is evident that all statements have a value of ≥ 0.60 (loading factor) and are considered valid.

Another metric that can be employed to assess validity is the Average Variance Extracted (AVE). The AVE value must be greater than 0.50. All variables have an AVE greater than 0.50, the lowest value is 0.501 in the work environment variable and the highest is 0.616 in the compensation variable.

Table 3. Average Variance Extracted (AVE) Value

No	Variable	AVE	Status
1	Compensation	0,616	Valid
2	Physical Work Environment	0,501	Valid
3	Job Satisfaction	0,544	Valid
4	Performance	0,538	Valid

Source: Results of Data Processing

A reliability test was conducted using the Cronbach's Alpha and Composite Reliability metrics. It must be acknowledged that the Cronbach's Alpha value must be ≥ 0.50 and the Composite Reliability value must be ≥ 0.70 . The following is Cronchbach's Alpha and Composite Reliability statistics:

Table 4. Cronchbach's Alpha dan Composite Reliability

No	Variable	Cronchbach's Alpha	Composite Reliability	Status
1	Compensation	0,922	0,935	Reliabel
2	Physical Work Environment	0,875	0,900	Reliabel
3	Job Satisfaction	0,916	0,929	Reliabel
4	Performance	0,904	0,921	Reliabel

Source: Results of Data Processing

From Table 4, it is evident that all of the variables had a Cronchbach's Alpha value ≥ 0.50 and a Composite Reliability value ≥ 0.70 . The lowest Cronbach's Alpha is 0.875 on the work environment variable and the highest is 0.922 on the compensation variable, however, the lowest Composite Reliability is 0.900 on the work environment variable and the highest is 0.935 on the compensation variable. After that, it's possible to evaluate the model's feasibility by paying attention to the value of R2. The R2 value used to measure the degree to which the variance has changed.:

Table 5. R Square Value

No	Variable	R ²
1	Job Satisfaction	0,849
2	Performance	0,901

Source: Results of Data Processing

Based on the table above, the R2 value of the job satisfaction variable is 0.849, which means that the job satisfaction variable is primarily explained by the compensation and work environment variables by 84.9%, while the remaining 15.1% is explained by other variables that are not part of this research model. The R2 value on the performance variable is 0.901, which means that the performance variable can be explained by the compensation, work environment, and job satisfaction variables by 90.1%, while the remaining 9.9% is explained by other variables that are not part of this research model.

The relationship between latent variables in this model can be observed from the estimated path coefficients and their significance (p values). To evaluate the proposed hypothesis, the p values can be observed. If the p values are <0.05, then Ho is rejected or the effect is significant. The estimated values of the path coefficients that test the strength of the association between

variables and explain the firmness of the relationship between variable directions can be observed in the table below.:

Tuble 6.1 and Coefficients Estimation Results					
No	Hypothesis	Path Coefficients	Std. Errors	P Values	Information
1	$X1 \rightarrow Y$	0,318	0,101	0,002	Significant
2	$X2 \rightarrow Y$	0,032	0,054	0,557	Not Significant
3	$X1 \rightarrow X3$	0,633	0,073	0,000	Significant
4	$X2 \rightarrow X3$	0,361	0,073	0,000	Significant
5	$X3 \rightarrow Y$	0,631	0,103	0,000	Significant

Table 6. Path Coefficients Estimation Results

Source: Results of Data Processing

This can be presented in the form of Figure 2 below:

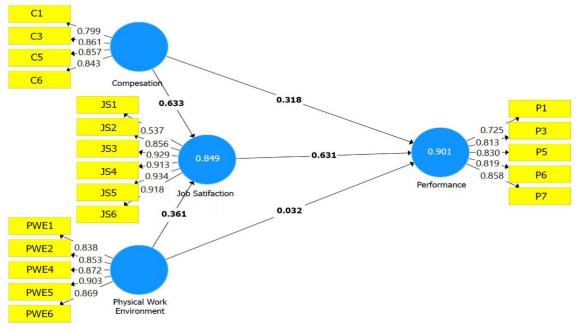


Fig 2. Path Coefficients Estimation Results

Source: Results of Data Processing

Based on the data processing above, it's evident that compensation has a positive effect on employee performance, this is evidenced by the p values that are <0.05. This implies that the greater the fair, proper and reasonable compensation that employees receive, the greater their performance and the inverse is true with a 95% certainty and a 5% error rate. Additionally, it was also observed that the workplace environment had no positive effect on employee performance, this can be observed in the p values > 0.05. This implies that the more conducive the existing work environment, with indicators of equipment, service to employees, working conditions, and personal relationships, the higher or lower employee performance and the inverse with a confidence level of 95% and an error rate of 5%. Compensation has a positive effect on job satisfaction, this is evidenced by the p values that are <0.05. This implies that the more just, proper and reasonable the compensation given to employees, the higher their satisfaction with their jobs and the inverse is

true with a 95% certainty and a 5% error rate. The workplace's atmosphere has a positive effect on job satisfaction, this is evidenced by the p values that are <0.05. This implies that a more conducive environment for work equipment, service to employees, working conditions, and personal relationships will lead to higher employee satisfaction and a lower error rate of 5%.

Employee satisfaction has a positive effect on employee performance, this is demonstrated by the p values that are <0.05. This implies that the higher the level of employee satisfaction with indicators of satisfaction with salary, satisfaction with the work itself, satisfaction with the attitude of superiors, satisfaction with colleagues, and satisfaction with promotions, the higher the employee's performance and vice versa with a confidence level of 95% and an error rate of 5%. This investigation attempts to determine if job satisfaction (X3) has an effect on performance (Y), compensation (X1) or the workplace (X2). The findings of the research that has been conducted by researchers indicate that compensation has a positive effect on performance, which means that the more just, proper and reasonable the compensation received by employees, the better the performance of employees because employees can produce quality, quantity, timeliness, effectiveness, independence, and good work commitment while working at PT Perkebunan Nusantara V.

This study is in line with research by Khasanah (2016) that states that compensation has a positive effect on employee performance, according to the theory of Dessler (2015) and Pariyanti et al. (2020) providing a fair, proper and reasonable compensation will have an effect on the employee's performance. The findings of the study conducted by the researchers indicate that the workplace has no positive effect on performance, which means that the equipment, service to employees, working conditions, and personal relationships have no direct effect on employee performance while at PT Perkebunan Nusantara V. This is contrary to research by Khaled Al-Omari and Hannen Okasheh (2017), which states that the workplace has a positive effect on performance and is not in accordance with the theory of Surodilogo (2010), the workplace has an effect on performance.

Researchers believe that the causes of the work environment are not responsible for the performance of employees, specifically because employees have experienced various different work environments throughout their careers and are capable of adapting to their new environment, this results in a work that does not directly affect performance.

The results of the study conducted by the researchers indicate that compensation has a positive effect on job satisfaction, which means that the more just, proper, and reasonable the compensation given to employees, the higher their job satisfaction and their productivity will increase when working at PT Perkubunan Nusantara V. This research is in accordance with research conducted by Husni, Said Musnadi, and Faisal (2018) which states that compensation has a positive effect on job satisfaction and is in accordance with the theory proposed by Siagian (2004: 128), providing compensation that is appropriate, fair, and reasonable will have a significant impact on the level of employee satisfaction.

Conclusion

This investigation examined the relationship between compensation and performance, the effect of compensation, the environment's effect on job satisfaction, and the effect of job satisfaction on performance, the effect of compensation, the environment's effect on employee performance with job satisfaction as an intervening variable, at PT PN V Office Riau. The results of the SEM analysis are that compensation and job satisfaction have an effect on employee performance at PT Perkebunan Nusantara V Riau Head Office in Riau Province. The environment has no effect on the performance. The results of the next evaluation demonstrate that compensation and job satisfaction have an effect on employee satisfaction at the PT Perkebunan Nusantara V Riau Office in Riau.

The following variables are examined in this study: compensation has an effect on employee performance, job satisfaction is an intervening variable at the PT Perkebunan Nusantara V Riau Office. After that, the workplace has an effect on employee performance with job satisfaction as an intervening variable at PT Perkebunan Nusantara V Riau Office. This study contributes to the Office of PT Perkebunan Nusantara V Riau, specifically to the HRD of PT Perkebunan Nusantara V Riau, by utilizing the results of this study as additional information and material that can be considered for improving the performance of employees in the future, the hope is that this will lead to a higher percentage of employees with high performance levels. The tallest of the three. The findings of this study suggest that job satisfaction has an indirect effect on compensation that is mediated by other factors, this means that other variables can be used as intervening variables for the effect of compensation on employee performance. The author recommends additional research to further explore this concept. Other variables that could be considered include employee motivation and discipline, which may be able to counteract the effect of compensation on performance.

References

- Abdurrahmat (2016), Manajemen Sumber Daya Manusia. Penerbit Rineka Cipta, Bandung.
- Alvi Nugraha dan Sri Surjani Tjahjawati (2017), *Pengaruh Kompensasi Terhadap Kinerja Karyawan*, Jurnal Riset Bisnis dan Investasi Vol. 3, No. 3, Desember 2017 24 ISSN 2460-8211
- Dessler (2010), Manajemen Sumber Daya Manusia, Edisi Kesepuluh. Penerbit PT Indeks, Jakarta
- Eni Erlina Ritonga (2018), Peran Organizational Citizenship Behavior Sebagai Pemediasi Pengaruh Kepuasan Kerja Terhadap Kinerja Perawat, Jurnal Iqtishoduna Vol. 14 No. 1
- Fahmi & Irham.(2017). Pengantar Manajemen Sumber Daya Manusia Konsep dan Kinerja. Penerbit Mitra Wacana Media, Jakarta
- Garaika & Jatiningrum, C. (2020). <u>The Mediating of Organizational Commitment on Work Motivation and Lecturer Performance: The Four-Dimensional Model of Organizational Commitment</u>. *Revista TURISMO: Estudos e Práticas*
- Ghazali Imam. (2006), *Aplikasi Analisis Multivariate dengan Menggunakan Program SPSS*. UNDIP, Semarang
- Khuong, M. N., & Tien, B. D. (2013). Factors Influencing Employee Loyalty Directly and Indirectly Through Job Satisfaction-A Study Of Banking Sector in Ho Chi Minh City, 1(4), 81–95
- Locke (2010), Esensi Kepemimpinan, Cetakan Kedua, Penerbit Mitra Utama, Jakarta
- Luthans, Fred, (2011), Perilaku Organisasi. Edisi Sepuluh, Penerbit PT. Andi, Yogyakarta
- Lyta Lestary dan Harmon (2017), *Pengaruh Lingkungan Kerja Terhadap Kinerja Karyawan*, Jurnal Riset Bisnis & Investasi Vol. 3, No. 2, Agustus 2017 ISSN 2460-8211
- Nurhayati, D., Minarsih, M. M., & Wulan, H. S. (2016). Pengaruh Kepuasan Kerja, Lingkungan Kerja dan Loyalitas Kerja Terhadap Organizational Citizenship Behavior (OCB) (Studi Kasus Pada PT. Perwirabakti Sentrasejahtera Di Kota Semarang). Journal Of Management, 2(2), 1–24
- Pariyanti, E., Jatiningrum, C., S Asminar, Rinanik, Buchori. (2020). <u>The Analysis of Job Satisfaction as Mediating On Work Motivation And Employee Performance: Case At Indonesia Financing Company</u>. *Journal of Critical Reviews*. 7 (10).
- Pratama Adhitia, at al. (2014), Pengaruh Kompensasi, Lingkungan Kerja, dan Beban Kerja Terhadap Loyalitas Karyawan Melalui Kepuasan Kerja (Studi Kasus Pada Karyawan PT.

- Kawasan Berikat Nusantara Persero Jakarta). Jurnal Ilmu Administrasi Bisnis, Vol 4, No
- Riansari, Titi, Achmad Sudiro dan Rofiaty (2012), *Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kepuasan Kerja dan Kinerja Karyawan (Studi Kasus PT. Bank Tabungan Pensisunan Nasional, Tbk Cabang Malang)*. Jurnal Aplikasi Manajemen. Vol. 10. No. 4. Desember 2012. Universitas Brawijaya. Malang.
- Robbin dan Coulter (2017), Management. 8th Edition. Prentice Hall, New Jersey
- Simamora, Henry (2014), Manajemen Sumber Daya Manusia. Edisi 1. Penerbit STIE YKPN, Yogyakarta
- Suarni Norawati, dkk (2021), Analisis Disiplin, Kompetensi, Motivasi Kerja, Kompensasi, Pelatihan Pada Kinerja Karyawan (Studi pada PKS PT. Tunggal Yunus Estate Kabupaten Kampar), Jurnal Menara Ilmu, Vol. XV No.01 Oktober.
- Suarni Norawati, dkk (2021), Analisis Lingkungan Kerja Dan Beban Kerja Dan Pengaruhnya Terhadap Kinerja Pegawai Bapenda Kabupaten Kampar, Jurnal Menara Ilmu, Vol. XV No.01 Juli
- Suhana. 2017. Relationship Analysis of Leadership Style, HRM Practices, Organizational Culture, Commitment and Performance (Study in People Crediting Bank (BPR) in Central Java), Usahawan No. 10, TH XXXVI, Oktober 2007, h. 47-53
- Sutrisno, Edy (2012), Manajemen Sumber Daya Manusia, Penerbit Kencana Pernada Media Group, Jakarta
- Zupri, dkk (2022), *Peningkatan Kinerja Karyawan melalui Kepuasan dan Komitmen yang Dipengaruhi oleh Gaya Kepemimpinan*, Jurnal Pendidikan Tambusai, Volume 6 Nomor 2, ISSN: 2614-3097(online)