

Analysis Of Compensation, Work Environment On Employee Performance With Satisfaction Employment As An Intervening Variable

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Abstract— The purpose of this study is to try and look into how compensation (X1), and work environment (X2) on employee performance affect employee performance (Y), which is mediated by satisfaction (Z). The people in this study were customers, and 120 samples were taken. From December 2023 to January 2024, the study was done. The SEM-PLS analysis model with Smart PLS 3.0 application was used to process the quantitative data used in this work. Primary data came from people who answered the survey, and secondary data came from talking to people who work at the Department of Industry, Trade, Energy, and Mineral Resources in North Sumatra Province. The study's findings indicate that compensation has a good and major impact on happiness. This means that pay has a good and not very important effect on job satisfaction, and so does the work environment. Employee satisfaction has a small but good effect on how well they do their job. The work environment has a big and good effect on how well employees do their jobs. Competence has a big and good effect on how well employees do their jobs. Pay has a small but good effect on how well employees do their jobs.

Keywords— *Compensation; Work Environment Employee Performance; Satisfaction;*

I. INTRODUCTION

A company can't do its work without people, even if it has a lot of money and high-tech tools. This is because the company's goals can't be reached without people as a resource, so company management and human resource management need to give people direction and support. In this age of globalization, human resource problems are still very important for businesses to stay alive. Human resources are an important part of everything a company does. Even though the company has a lot of facilities, infrastructure, and resources, its operations will not be possible without reliable human resources.

Did a good job. This shows that people who work for the company are the most important thing that needs to be thought about. So, an organization or institution's ability to reach its goals will depend on its human factors or the people who work there. The employees are expected to do a good job.

To help the company reach its goals and objectives, it needs employees who do their jobs well and often. Performance is how well and how much work an employee

does in fulfilling his tasks according to the ones that were given to him [1]. Employees can do good work if they feel good about their work. It is thought that organizational goals can be met if employees do a good job. On the other hand, if employees don't do a good job, the organization's goals will be hard to meet or impossible to meet, and they won't be able to do good work either.

Competency, pay, and the work environment are all things that affect how well people do their jobs [2]. Potential abilities and actual abilities (knowledge and skills) make up abilities. This means that it will be easier for employees to do their best work if they have the right schooling for the job, are skilled at doing their daily tasks, and have potential. On the other hand, pay is what workers get in exchange for their work for the company. Aside from that, pay should be able to attract gifted people and keep them motivated and happy once they join the company. A good compensation system helps people grow as people and stops talented people from quitting. There are two types of compensation: direct and indirect. The point of both is to show appreciation for the work of workers, which in turn encourages them to behave in a way that meets the needs of the company (Mudayana & Suryoko, 2016). Paying attention to the work surroundings is another way to get employees to do a better job. As D. Saputra and Fernos (2023) say, a good and pleasant work setting shows employees that the company values them and makes their work more enjoyable.

Competency, pay, and the work environment are all things that affect how well people do their jobs. There are two types of powers: potential abilities and reality abilities. This means that employees who are skilled at doing their daily jobs and have the right amount of schooling for their jobs will find it easier to perform at their best. In contrast, pay is what workers get in exchange for the work they do for the company. Besides that, pay should be able to attract gifted people and keep them motivated and happy once they join the company. When you have a good pay system, you can grow as a person and keep bright people from quitting. Employers show appreciation for their workers' hard work by giving them direct or indirect pay. This, in turn, pushes workers to do what the employer wants [3]. One way to get employees to do a better job is to pay attention to the work surroundings. A good and pleasant work environment shows workers that the company values them



and makes their work more enjoyable [4] as it raises employee performance.

II. LITERATURE REVIEW

A. Compensation

In modern management writing, "compensation" refers to all the things that a hired person gets in return for their work. So compensation is all the money and other useful things that an organisation gives to its workers, such as factory workers, labourers, managers, professionals, and even the top managers (Zhao et al., 2020). Also, Shofwani and Hariyadi (2019) say that paying people is a big part of human resource management. This includes all kinds of rewards for people doing work for the company (Rahman, 2023) [6]. It was explained that compensation includes all forms of money, goods, and services that employees receive as part of their job (Mudayana & Suryoko, 2016). This kind of reward comes in the form of gifts and other things that the company gives back to the employee.

B. Work Environment

To understand the work environment, say that it includes all of the tools and materials that a person uses, the space where they work, how they do their work, and how they set up their work, both alone and with a group [4]. The work environment is everything around workers that can affect how well they do their jobs [4]. This includes both physical and non-physical things. In line with the previous view, the work environment includes both the physical conditions of the workplace and the psychological factors of the people who work there. The working conditions of an employee are the conditions under which they do their job. The work environment is the place where workers do their work. So, working conditions are one part of the work environment. To put it another way, the work environment in a company is made up of more than just working conditions [5].

C. Job Satisfaction

Job happiness is how well or how you feel about different parts of your job. This statement doesn't make sense as a single idea [6]. Someone can be mostly happy with one part of their job and unhappy with one or more other parts. How someone feels about their work can be seen in their level of satisfaction. Job happiness is how someone feels about their job in general or the difference between how much they are rewarded and how much they think they should be rewarded [2]. Job satisfaction depends on a number of things, such as mentally challenging work, helpful working conditions, supportive coworkers, and a personality that fits the job.

D. Employee Performance

Job happiness is how well or how you feel about different parts of your job [6]. This statement doesn't make sense as a single idea. Someone can be mostly happy with one part of their job and unhappy with one or more other parts. How someone feels about their work can be seen in their level of satisfaction. Job happiness is how someone feels about their job in general or the difference between how much they are rewarded and how much they think they should be rewarded [2]. Job satisfaction depends on a number of things, such as

mentally challenging work, helpful working conditions, supportive coworkers, and a personality that fits the job.

III. METHODS

The type of research that researchers use is quantitative research. Quantitative research can be interpreted as a method based on the philosophy of positivism, used to research certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical with the aim of test the established hypothesis. This type of quantitative research was carried out to create research that aims to adapt research and to test and analyze the influence of Compensation, and Work Environment on Employee Performance with Job Satisfaction as an Intervening variable (Case Study of the Department of Industry, Trade, Energy and Mineral Resources North Sumatra Province). The research location was carried out at the office of the Department of Industry, Trade, Energy, and Mineral Resources of North Sumatra Province. The research period was carried out for 3 months [3].

Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then conclusions drawn. The population and sample in this study are all permanent employees of the Department of Industry, Trade, Energy and Mineral Resources North Sumatra Province, totaling 120 employees (saturated sample). The data source used in this research is primary data [7][8][9].

IV. RESEARCH RESULT

A. Description of Respondent Data

The study involved 120 respondents as the employees of the Department of Industry, Trade, Energy and Mineral Resources North Sumatra Province. The majority of respondents were male (61%), with the dominant age group being between 30-50 years old (57%).

B. Validity test

1. Convergent Validity

The results of the convergent validity test are that all indicators have a loading factor of more than 0.7, which means that all indicators for each construct in this research are valid and meet convergent validity, which can be seen in the table

Table 3.1 Loading Factor

Variable	Indicator	Loading Factor	Description
Compensation	CPS1	0,925	Valid
Compensation	CPS2	0,934	Valid
Compensation	CPS3	0,878	Valid
Compensation	CPS4	0,945	Valid
Compensation	CPS5	0,923	Valid
employee performance	EPC1	0,964	Valid
employee performance	EPC2	0,967	Valid
employee performance	EPC3	0,974	Valid
employee performance	EPC4	0,937	Valid
employee performance	EPC5	0,961	Valid
Satisfaction	ST1	0,914	Valid
Satisfaction	ST2	0,922	Valid
Satisfaction	ST3	0,924	Valid
Satisfaction	ST4	0,920	Valid
Satisfaction	ST5	0,928	Valid
work environment	WEV1	0,950	Valid
work environment	WEV2	0,950	Valid
work environment	WEV3	0,968	Valid

2. Discriminant Validity

In this study, based on the cross-loading calculation results, there is a correlation between the indicators and their constructs, as well as constructs from other blocks. It can be stated that there is a correlation between the constructs of the seven variables of compensation, and work environment on employee performance with satisfaction as mediating. Consequently, it can be inferred that the constructs have adequate discriminant validity.

Table 3.2 Discriminant Validity

Indikator	Competence	Employee Performance	Satisfaction	Work Environment
Compensation	0,921			
Employee Performance	0,871	0,954		
Satisfaction	0,924	0,918	0,927	
Work Environment	0,958	0,852	0,924	0,961

3. Average Variance Extracted (AVE) & Composite Reliability

In this study, the constructs of the service marketing mix, purchase decision, and customer trust have AVE values above 0.5. The test results in the table indicate that the composite reliability values are satisfactory, with each variable having a value above the minimum threshold of 0.70.

Table 3.3 AVE & CR

Variable	Average Variance Extracted (AVE)	Composite Reliability	Ref
Compensation	0,849	0,989	Reliable
Employee Performance	0,910	0,968	Reliable
Satisfaction	0,859	0,966	Reliable
Work Environment	0,923	0,968	Reliable

C. Inner Model

The testing of the inner model, commonly known as the structural model, is conducted to specify the relationships between latent variables. It aims to assess the influence of certain exogenous latent variables on the existing endogenous variables, as reflected in the R-Square (R²) values. The evaluation of this inner model will direct the hypotheses of this research.

The R-Square value of Satisfaction is 0,894, which means that can explain how compensation and work environment affect increasing employee performance, or Satisfaction by 89,40%. The R-squared value of employee performance is 0,886, which means compensation, competence, and work environment can explain employee performance or influence by 88,60%.

Table 3.4 R Square

Variable	R Square
Satisfaction (Z)	0,894
Employ Performance (Y)	0,886

It is known that based on the results of the SRMR goodness of fit test, the SRMR value = 0.072 < 0.1, it is concluded that the model is FIT

1. Significance Test of Influence (Bootstrapping) (Hypothesis Test) (Inner Model).

The following results of direct and indirect influence (mediation) can be seen in the following table.

Table 3.5 Direct Effect

Hypothesis	Original Sample (O)	T Statistics (O/STDEV)	P Values	Conclusion
Compensation -> Employee Performance	0,437	3,587	0,000	Accepted
Compensation -> Satisfaction	0,460	2,588	0,000	Accepted
Satisfaction -> Employee Performance	0,837	7,586	0,000	Accepted
Work Environment -> Employee Performance	0,409	2,616	0,000	Accepted
Work Environment -> Employee Performance	0,501	2,130	0,000	Accepted

Table 3.6 Specific Indirect Effect

Hipotesis	Original Sample (O)	T Statistics (O/STDEV)	P Values	Conclusion
Compensation -> Satisfaction-> Employee Performance	0,382	3,152	0,000	Accepted
Work Environment -> Satisfaction -> Employee Performance	0,437	1,989	0,000	Accepted

V. CONCLUSION

The following are the conclusions of this research

1. Compensation positive and significant impact on employee performance (Coefficient= 0,437). Significant with T-Statistics = 3,587 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
2. Compensation positive and significant impact on satisfaction (Coefficient= 0,460). Significant with T-Statistics = 2,588 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
3. Satisfaction Positive and significant impact on employee performance (Coefficient = 0,837). Significant with T-Statistics = 07,586 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
4. Work Environment Positive and significant impact on employee performance (Coefficient = 0,409). Significant with T-Statistics = 2,616 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
5. Work Environment Positive and significant impact on satisfaction (Coefficient = 0,501). Significant with T-Statistics = 2,130 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
6. Satisfaction as a Mediator for Compensation to employee performance is positive and not significant (Coefficient = 0,382). Significant with T-Statistics = 3,152 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
7. Satisfaction as a Mediator for Competency to employee performance is positive and not significant (Coefficient = 0,221). Significant with T-Statistics = 2,109 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).
8. Satisfaction as a Mediator for Work Environment to employee performance is positive and significant (Coefficient = 0,437). Significant with T-Statistics = 1,989 > 1.96 and P-Values = 0,000 < 0.05 (Hypothesis Accepted).

Suggestions for the Department of Industry, Trade, Energy and Mineral Resources of North Sumatra Province to pay more attention to providing compensation by employee performance and pay more attention to providing employee training and opportunities for employees to increase their education and training to employees so that employee performance is better which will have a direct influence on the provision of compensation to each employee.

Investigating the relationship between organizational culture and work environment on employee performance. Case studies in these departments can provide concrete insight into how these factors influence an employee's performance.

For future researchers to conduct further research on employee compensation, by exploring various forms of compensation, such as money, allowances, and other benefits. Comparison with similar industry or sector compensation practices can provide better insight. Suggests considering the impact of compensation and work environment on job satisfaction, as well as how job satisfaction can function as an intervening variable that moderates the relationship between other variables.

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