

# The Influence of Compensation, Work Environment, and Work Motivation on Employee Performance

Herawati<sup>1\*</sup>, Erni Masdupi<sup>2</sup>

<sup>1,2</sup> Universitas Negeri Padang, Padang, Indonesia.

\*Corresponding author. Email: herawatihw416@gmail.com

## ABSTRACT

The purpose of this study was to determine the impact of compensation, work environment, and work motivation on employee performance at M. Ali Hanafiah General Hospital in Batusangkar. The subject of this survey is the performance of the staff at M. Ali Hanafiah General Hospital in Batusangkar, the survey sample includes 237 respondents. The survey method is a questionnaire distributed to respondents. Data analysis by AMOS SEM. The results show that compensation, motivation, and work environment have a significant positive impact on employee performance. Rewards and the work environment have a significant positive impact on performance. Compensation and work environment influence performance through work motivation.

**Keywords:** *compensation, work environment, motivation, performance*

## I. INTRODUCTION

Development in the field of health is one of the important parts of national development. The main purpose of the health sector is to provide services. The services provided by employees will have an impact on individual performance as well as the company's performance. Employee performance is considered important to the organization because an organization's success is influenced by the performance itself. Performance is a work-related activity, expected from employees and how they are carried out [1]. Compensation, work environment, and work motivation are factors that affect employee performance.

According to [2] compensation is one of the important factors and a concern for many organizations in maintaining and attracting qualified human resources. A good organization must have a good compensation management system and be able to improve the performance of an employee in the organization [3]. According to [4] theory agency can explain compensation in different contexts, taking into account the perspective of managerial power. Compensation can also be given in the form of recognition or appreciation for the work of employees and able to improve the performance of employees in their place of work ([5].

Furthermore, the work environment in which the employee works is also no less important in

improving the performance of employees. A comfortable work environment can motivate employees to work. A competitive work atmosphere that is healthy and mutually respectful will improve the performance of employees at the company [6]. The study conducted by Chao, Schwartz, Milton, & Burge (2013) [7] revealed that an unhealthy and comfortable environment would reduce employee productivity and morale and affect organizational goals.

Furthermore, employment can create a desire to work and give the best way to carry out the work, and ultimately the performance of employees will be improved. Theory of motivation-hygiene Herzberg revealed that there are dominant factors that cause motivation among motivators hygiene factors precisely become motivators to increase employee motivation [8].

Research conducted by Rakhmalina, Emelda, Hafid, & Periansya, (2017) found a significant and positive correlation between employee motivation and employee performance. Motivasi also serves as a mediator to influence performance, this is because employees are always influenced by expectations of relative impact on performance so high motivation is required in achieving the expected performance. This study aims to find out how compensation, Work Environment, and Work Motivation Towards Employee Job Satisfaction.

**2. HYPOTHESIS DEVELOPMENT**

Compensation that is more appropriate and accepted by employees because it is by the personnel and abilities issued and appreciates the hard work of employees. According to Gorgievski, Halbesleben, & Bakker (2011) [9] found that receiving benefits can have both positive and negative impacts on our employees. When employees receive rewards from their organization, they will feel obligated to respond with a higher level of performance. According to [10]; [11]; [12] show that providing appropriate compensation will improve employee performance in the workplace.

Infrastructure available in the company as a support for work is very important so that they are satisfied with the working conditions faced. Research conducted by [13]; [14]; [15];[16] found that both physical and non-physical work environments have a positive impact on employee performance. The findings of [8] Ghazi, Shahzada, &Khan (2013)[8] about the rise of Herzberg's two-factor theory, they see the dominant factor that gives rise to motivation among motivators hygiene factors precisely become motivators to improve employees. The results of research conducted by [17]; [18] revealed that motivation has a positive and significant effect on employees' health.

**3. METHODS**

This type of research is a quantitative research using a correlation research design with the survey. The sampling technique is 5 -10 of the number of statement items. In this study there were 47 statement items, then the sample size needed at least a minimum of  $47 \times 5 = 237$  samples. According to Hair, (2014) [19] recommended sample size of 200 to provide a solid estimation basis. This study analysis *Structural Equation Model* (SEM) using AMOS 23 software. Measurement using likers scale of 1-5, for performance consists of Job Quality, Job Quantity, and Job Time [20]. Measurement of work motivation according to Graves &Sarkis,

(2018) [20] consists of internal motivation and external motivation. Furthermore, the measurement of work environment refers to Palvalin (2017) [20] which is a physical work environment and non-physical work environment. While the measurement of compensation according to Mondy & Martocchio (2016) [20] consists of financial and non-financial compensation.

**4. RESULT**

Before the data is analyzed with AMOS, first conducted normality test, outlier test, multicollinearity test, and sample count. The characteristics of the respondents are shown in Table 1.

**Table. 1** Respondent characteristics

No.	Characteristics	Frequency	%	
1.	Gender	Man	97	47
		Woman	110	53
	<b>Sum</b>	<b>207</b>	<b>100</b>	
2.	Age (Years)	18-27	12	6
		28-37	117	57
		38-47	33	16
		48-57	45	22
		<b>Sum</b>	<b>207</b>	<b>100</b>
3.	Education Level	Diploma III	35	17
		Bachelor	135	65
		Postgraduate	37	18
		<b>Sum</b>	<b>207</b>	<b>100</b>
4.	Group	II	12	6
		III	176	85
		IV	20	10
		<b>Sum</b>	<b>207</b>	<b>100</b>

To evaluate the structural model, all variables are valid and reliable and have a fit model. The structural model to be evaluated is no different from the evaluation of the measurement model. The test results of the model structure are presented in Figure 1.

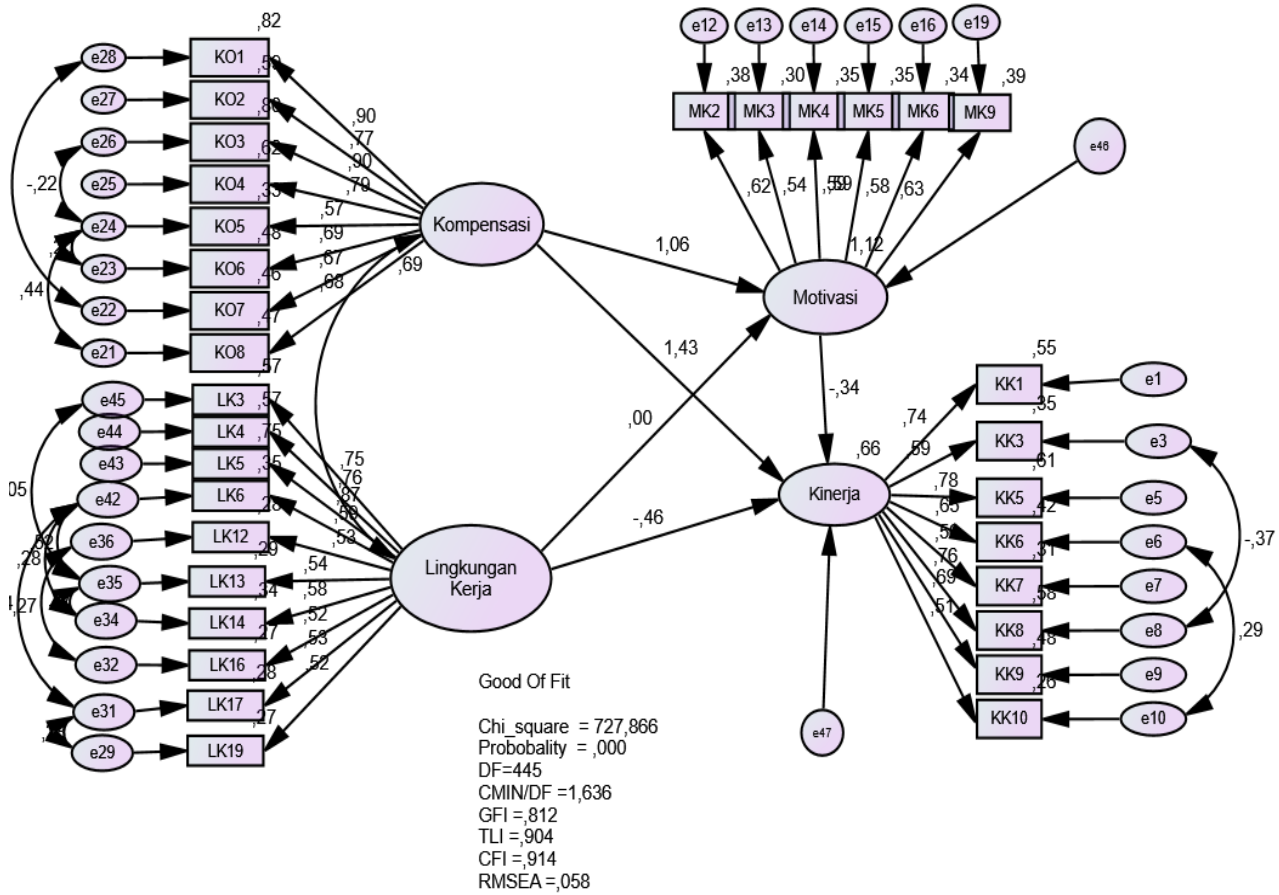


Figure 1. Model Structure

The model structure has fulfilled its own cut of value (CMIN/DF =1,636<2; CFI = 0.914; TLI = 0.904. Rmse's value also meets the cut off value of RMSEA of 0.058< 0.08.

Table 2. Hypothesis Test Results

Hypothesis		C.R.	P
Performance <--- Compensation		3,87	0.00
Performance <--- Work Environment		10,03	0.00
Performance <--- Motivation		10,26	0.00
Motivation <--- Compensation		7,02	0.00
Motivation <--- Work Environment		7,57	0.00

Table 2. Indicates that the p values <0.05, H1, H2, H3, H4, and H5 are 0.00. Based on these results means H1, H2, H3, H4, and H5 have a positive and important effect. So it was concluded that all hypotheses were accepted.

### 5. DISCUSSION

#### The Impact Of Compensation On Employee Performance

The coefficient of receipttural model shows a positive relationship between compensation and performance ( $\beta = 1.56$ ),  $t(C.R) = 3.87$  and significant 0.00 at p level <,001 points out that compensation has a significant positive impact on employee performance. The variable categories of compensation formed by two indicators are non-financial compensation and financial compensation. The most dominant indicator based on respondents' responses is financial compensation belonging to the good category. This condition is shown by the high answer of respondents that getting compensation such as bonuses, adequate incentives according to the skills at hand. Based on the respondent's answer, it can be concluded that the company will provide financial compensation such as bonuses, incentives based on the skills possessed by employees. This is by the results of research conducted by Gorgievski, Halbesleben, and Bakker (2011) [9] has shown that benefits received by

employees can have positive and negative impacts on employees. When employees receive a reward from their organization, they will feel obligated to respond with a higher level of performance. According to Mallin, Melis, and Gaia (2015) [21] Agency theory can explain compensation in different contexts, taking into account the perspective of managerial power.

### *The impact of Work Environment on Employee Performance*

The model structural coefficient shows a positive relationship between the work environment and performance ( $\beta = .90$ ),  $t$  (C.R) = 10.03, significant 0.00 at  $p < .001$  level, it shows that the work environment has a positive and significant impact on employee performance.

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According to Cascio (2013) facilities that are usually provided by institutions consist of facilities and facilities that support both physical and nonphysical, for example, a place of adequate health services safe, comfortable and meet minimum service standards, employee recreation programs, health insurance, transportation equipment, and communication. Thus, employees are more maximal if the facilities provided by the organization are safe and by the standards

### *The impact of Motivation on Employee Performance*

The model's structural coefficient shows a positive relationship between work motivation and performance ( $\beta = 0.91$ ),  $t$  (C.R) = 10.26, and a significant 0.00 at the  $p < .001$  level shows that the motivation has a positive and significant impact on employee performance. Based on Herzberg's theories and assumptions, the presence of motivational factors leads to high employee performance, and dissatisfaction leads to poor employee performance. Although many studies of this theory have been conducted around the world, some researchers find hygiene factors such as salary or compensation to be motivators. In further testing the consistency of Herzberg's motivational hygiene theory, Ghazi, Shahzada, & Khan's (2013) [8] findings of the rise of Herzberg's two-factor theory, they saw the dominant factor that gave rise to motivation among hygiene factor motivators precisely to improve the performance of lecturers.

### *Effect of Compensation on Employee's Work Motivation*

The structural coefficient of the model shows a positive relationship between compensation and work motivation ( $\beta = 0.94$ ),  $t$  (C.R) = 7.02, and a significant 0.00 at the  $p < .005$  level, it points out that

compensation has a positive and important positive effect on work motivation.

The Company provides financial compensation and nonfinancial compensation. Financial compensation is realized through the provision of salaries, benefits, or appropriate benefits based on employee responsibilities. While non-financial compensation is provided as is the existence of social security. Cascio (2013) stated that the purpose of the compensation system is to attract, retain and motivate employees to achieve justice between employees and organizations.

### *The Effect of Work Environment on Employee's Work Motivation*

The structural coefficient of the model shows a positive relationship between the work environment and work motivation ( $\beta = 1.09$ ),  $t$  (C.R) = 7.57, and a significant 0.00 at the  $p < .005$  level indicates that the work environment has a positive and significant effect on motivation. Assessment of the work environment is more subjective and has different effects on each individual. Research conducted by Li, Li, and Wan (2019) [22] revealed that the work environment positively affects employee performance and is associated with higher work attachment and lower turnover intentions. Research conducted by Timms et al. (2015) revealed that a good work environment will have a significant positive effect on employee performance.

## **6. CONCLUSION**

Based on the results of hypothesis testing and analysis conducted in this study, compensation, work environment, and motivation can be said to have a significant positive impact on employee performance. The better the distribution of compensation, work environment and work motivation, the better the employee's performance.

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