



Work Environment, Compensation and its Role towards Job Satisfaction and Employee Performance

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Abstract— This research is quantitative. The subjects of this research were all employees in the spatial planning Office at the Nunukan Public Works Office, with 20 respondents as the sample and population or what is called a saturation sampling. For data analysis, a model test was used using smartPLS version 3.0, which consists of Outer and Inner Model tests. Based on smartPLS, the validity test is carried out with an outer loading threshold of > 0.5 and AVE > 0.5 , while the reliability test is carried out with a Composite reliability threshold of 0.7. Next, testing the hypothesis is carried out based on the output of the Path Coefficient by paying attention to the Original Sample values, T-statistics, and P Values. From the results of data management and analysis, it was found that the work environment variable influenced job satisfaction by $0.869 > T$ table (0.688), the work environment influenced employee performance by $5.399 > T$ -table (0.688), Compensation influenced job satisfaction by $1.351 > T$ -table (0.688), Compensation influenced employee performance by $4.522 > T$ table (0.688), job satisfaction influenced employee performance by $1.017 > T$ table (0.688), work environment simultaneously influenced job satisfaction and employee performance by $0.722 > T$ -table (0.688) and Compensation simultaneously influenced job satisfaction and employee performance by $0.922 > T$ -table (0.688).

Keywords—work environment; compensation; job satisfaction; employee performance

I. INTRODUCTION

Companies or organizations are founded to achieve predetermined goals with the help of several necessary resources, including human resources. Human resources are one of the most essential factors of production and must be managed in a way that allows them to work as effectively as possible to achieve work goals. One thing that must be considered is employee job satisfaction. If employees do not feel comfortable in their workplace, are not rewarded appropriately, or cannot maximize their potential, they will automatically not work effectively, and their work performance would decline, causing the company to be unable to achieve its goals. Employees are an integral part of an organization or company because they are essential in processing input into output. Because human power carries out all company activities, achieving company goals is significant. If an employee reaches one of the job satisfaction factors, they can achieve optimal work results. Employees who want to feel satisfied at work will try their best to complete all the tasks given to them.

Employees will feel satisfied with their work if the company rewards employees and meets their physical and mental needs. While employees want many needs met, a few fundamental needs should be prioritized. These include fair compensation, a comfortable work environment, close-knit coworkers, and appreciation for employees' work.

The work environment is the environment where employees carry out their daily work. A conducive work environment provides security and allows employees to work optimally. The work environment can influence employee emotions. If an employee likes the work environment, then the employee will feel satisfied at his workplace to carry out activities so that working time can be used more effectively, and employee performance will also increase.

On the other hand, compensation is an essential and strategic policy in an organization because it is directly related to increasing job satisfaction and employee performance. Providing compensation is very important for employees because the size of compensation is a measure of employee performance. If the compensation system provided by the organization is fair enough, then employees can work more productively and have increased responsibility in carrying out the tasks the organization assigns.

II. LITERATURE REVIEW

A. Human Resources Management

Organizations have various kinds of resources as 'input' to be converted into 'output' in goods or services. Planning, managing, controlling, and supervising human resources requires a managerial tool called human resource management (HRM). According to Dessler (2011), HRM is acquiring, training, assessing, and compensating employees, paying attention to their work relationships, health, safety, and justice issues. Priyono (2016) added that there are five main functions of HRM, namely planning

for HR needs, staffing according to organizational needs, performance appraisal, improving the quality of workers and the work environment, and achieving effective employment relationships, while the objectives of HRM can vary according to the needs of each organization.

B. Employee Performance

Employee performance is the work result that has been achieved by a group of employees by the duties and obligations given to them (Arifin & Muharto, 2022). Good performance is a step to achieving the goals of an agency. Therefore, performance can also be defined as a determining means of achieving the goals of an organization because efforts need to be made to improve employee performance. An employee's performance is individual because each employee certainly has different skills. Evaluating the performance of each worker is mandatory for good companies, organizations, and institutions because this is an essential part of achieving the set goals. Employee performance is not only gives companies' information to consider promotions or salary assignments but also how the company can encourage employees and create plans to improve poor performance. Companies must know what can affect employee performance because their performance is only sometimes in good condition. So, it can be concluded that performance is crucial for the progress of an organization or company. The higher the employee's performance, the easier it will be for the organization to achieve organizational goals (Kusjono & Ratnasari in Ningrum and Nomleni, 2023)

C. Job Satisfaction

In the working environment, job satisfaction has a vital role. Reasonable job satisfaction in a company will positively impact the tasks carried out by employees (Jumelano, 2021; Onukwube, 2012). Job satisfaction in an organization will reflect how much an employee likes his job. It is a feeling that supports or does not support an employee's self about his or her work or personal condition (Mangkunegara, 2015). A mutually supportive relationship between employees' personal needs and job demands will provide harmony in fulfilling job satisfaction.

D. Compensation

People who work also want to earn money to meet their living needs. In this way, employees begin to appreciate their hard work and increasingly show loyalty to the organization. To recognize their achievements, companies provide compensation to employees. Employees can be compensated to increase productivity, encouraging them to work harder. Providing compensation is one way to improve employee performance. If compensation is provided correctly, employees will be more satisfied and motivated to achieve their goals. For employees, compensation is significant because the amount of compensation given will show value to them, their families, and society.

According to Enny (2019:37), compensation can be defined as a form of reciprocal service provided to employees as a form of appreciation for their contribution and work to the organization. This compensation can be direct or indirect financial, and the award can also be indirect. (Fachyumi and Fadli 2023)

E. Work Environment

The work environment around workers/employees can influence employee job satisfaction in carrying out their work so that maximum work results will be obtained. In the work environment, there are work facilities that support employees in completing the tasks assigned to employees in order to improve the work of employees in a company (Afandi, 2018, p. 66). Besides that, the work environment has a positive and significant influence on employee job satisfaction. Working environment conditions are good if employees have a safe, comfortable, and healthy atmosphere so that all work carried out can be completed optimally, quickly, and skillfully (Pawirosumarto, 2017, p.519),

III. METHODOLOGY

This research is quantitative research where, in this case, the research uses an associative method, namely a form of research using at least two connected variables. The associative method is research that looks for a causal relationship between one independent (free) variable. Thus, the author wants to know and analyze satisfaction and performance using independent (free) variables in this research, Compensation and work environment, on the dependent (dependent) variable of Job satisfaction and employee performance at the Public Works and Spatial Planning Office.

A. Research Settings

This research was conducted in Nunukan, North Kalimantan, with the research object at the Public Works and Spatial Planning Service office, Jl. R.A Bessing Kmplk Girl II Office, South Nunukan, Nunukan Regency, North Kalimantan Province, on June-July of 2023.

B. Population and Sample

The population used in this research were employees in the Spatial Planning Sector at the Nunukan Public Works Office, totaling 20 (twenty) employees. Meanwhile, sampling in this research used saturated samples. Saturation sampling techniques are used when population members are relatively small.

C. Data Analysis

The data obtained will be analyzed using statistical tools assisted by the SmartPLS program to support the research results. The tests that will be carried out are descriptive analysis, validity test, reliability test, structural model evaluation, and hypothesis testing.

IV. RESULTS AND DISCUSSION

A. Evaluation of Measurement Model (Outer Model)

1) Convergent Validity Test

TABLE 1. OUTPUT RESULT FOR OUTER LOADINGS

Indicator	Work Environment	Compensation	Job Satisfaction	Employee Performance
	X1	X2	Y1	Y2
X1.1	0,872			
X1.2	0,888			
X1.3	0,754			
X1.4	0,855			
X2.1		0,970		
X2.2		0,916		
X2.3		0,939		
X2.4		0,927		
Y1.1			0,951	
Y1.2			0,928	
Y1.3			0,930	
Y1.4			0,901	
Y2.1				0,857
Y2.2				0,782
Y2.3				0,793
Y2.4				0,747

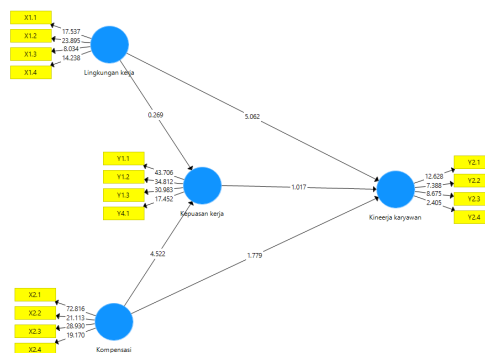


Fig.1. Output Loading Modelling Factor

The results in Table 1 indicate that the loading factor gives a value above the specified value, which is 0.5, so the indicators used in this study have met and are said to be valid.

2) Discriminant Validity Test

Reflective indicators need to be tested for discriminant validity by comparing the values in the cross-loading table. An indicator is declared valid if it has the highest loading factor value for the targeted construct compared to the loading factor value for other constructs.

TABLE 2. OUTPUT RESULT

Indicator	Work Environment	Compensation	Job Satisfaction	Employee Performance
	X1	X2	Y1	Y2
X1.1	0,872	0,903	0,886	0,744
X1.2	0,888	0,927	0,827	0,787
X1.3	0,754	0,605	0,694	0,774
X1.4	0,855	0,740	0,647	0,859
X2.1	0,903	0,970	0,926	0,831
X2.2	0,794	0,916	0,925	0,701
X2.3	0,873	0,939	0,849	0,702
X2.4	0,888	0,927	0,827	0,787
Y1.1	0,798	0,872	0,951	0,730
Y1.2	0,890	0,890	0,928	0,841
Y1.3	0,814	0,858	0,930	0,758
Y1.4	0,796	0,675	0,695	0,857
Y2.1	0,816	0,675	0,646	0,742
Y2.2	0,642	0,598	0,684	0,793
Y2.3	0,674	0,642	0,685	0,666
Y2.4	0,078	0,870	0,901	0,663

3) *Average Variance Extracted (AVE)*

TABLE 3. OUTPUT RESULT OF AVERAGE VARIANCE EXTRACTED

Variabel	AVE
Work Environment	0,908
Compensation	0,967
Job Satisfaction	0,860
Employee Performance	0,574

The Average Variance Extracted (AVE) calculation shows that 3 (three) variables measured in this study have variance values more significant than the index value of 0.5. So, it can be said that among the three variance variables, one variable measured in this study has a variance value smaller than the index value of 0.5. So, it can be said that one variable has no variance.

4) *Reliability Test*

TABLE 4. RELIABILITY TEST RESULTS

Variable	Indicator	Remark	Composite Reability	Remark
Work Environment	Lighting	(X1)	0,753	Reliable
	Work Safety		0,754	Reliable
	Work Condition		0,713	Reliable
	Colour Using		0,694	Reliable
Compensation	Salary	(X2)	0,674	Reliable
	Insentive Allowance		0,607	Reliable
	Facility		0,638	Reliable
	Job		0,626	Reliable
Job Satisfaction	Job	(Y1)	0,651	Reliable
	Wages		0,657	Reliable
	Supervisor		0,647	Reliable
	Colleague		0,685	Reliable
Employee Performance	Quality	(Y2)	0,656	Reliable
	Quantity		0,618	Reliable
	Task Implementation		0,677	Reliable
	Responsibility		0,644	Reliable

Table IV shows that all the variables measured in this study have Cronbach's Alpha and Composite Reliability values more significant than the index value of 0.6. So, it indicates that all variables are reliable.

B. Structural Evaluation (Inner Model)

1) R² Testing

TABLE 5. OUTPUT CALCULATION OF R²

	R Square
Job Satisfaction	0,886
Employee Performance	0,909

The R-squared value (R²) is used to measure how significant the influence of the independent latent variable is. The R² result of > 0.67 indicates that the model is good, > the model is fragile. Table 4.24 shows that the R² of this study is 0.311 and 0.453, which means it has a weak model value.

2) Significance Test

- Output Path Coefficient

The rule of thumb for whether a research hypothesis is supported is if the coefficient or direction of the variable relationship (indicated by the original sample value) is in line with what was hypothesized and if the statistical T value is more than the t table probability value (P-value) is less than 0.05 or 5 % with two-party testing so that the alpha becomes 0.025 (Two-Tailed) which can be said to be significant.

TABLE 6. OUTPUT PATH COEFFICIENT

	Original Sample (O)	Sample Mean (M)	Standart Error (STDEV)	T Statistic ((O/STDEV))	P Values
X1 → Y1	0,255	0,462	0,205	0,869	0,000
X1 → Y2	1,274	1,269	0,236	5,399	0,000
X2 → Y1	0,348	0,348	0,242	1,351	0,000
X2 → Y2	0,890	0,855	0,197	4,522	0,000
Y1 → Y2	0,348	0,358	0,342	1,017	0,000

- Output Indirect Effect

TABLE 7. OUTPUT INDIRECT EFFECT

	Original Sample (O)	Sample Mean (M)	Standart Error (STDEV)	T Statistic ((O/STDEV))	P Values
X1 → Y1 → Y2	0,210	0,227	0,208	0,722	0,000
X2 → Y1 → Y2	0,310	0,313	0,312	0,992	0,000

Before testing the hypothesis, it is known that the t-table value for the confidence level is 95 percent, namely five percent with two-tailed testing so that alpha becomes (0.025) and the degree of freedom (df) = n-2 = 20 -2 = 18 is 0.688.

TABLE 8. HYPOTHESIS TESTING

No	Results	Examined	Decision
1	T-test 0,869	H0 Rejected H1 Accepted	Work Environment has significant effect

			on Job Satisfaction
2	T-test 5,399	H0 Rejected H1 Accepted	Work Environment has significant effect on Employee Performance
3	T-test 1,351	H0 Rejected H1 Accepted	Compensation has significant effect on Job Satisfaction
4	T-test 4,522	H0 Rejected H1 Accepted	Compensation has significant effect on Employee Performance
5	T-test 1,017	H0 Rejected H1 Accepted	Job Satisfaction has significant effect on Employee Performance
6	T-test 0,722	H0 Rejected H1 Accepted	Work Environment has significant effect on Job Satisfaction
7	T-test 0,992	H0 Rejected H1 Accepted	Compensation has significant effect on Job Satisfaction

1) Work Environment towards Job Satisfaction

According to the research data analysis, all instruments used in the research are valid and reliable. The partial test for the first hypothesis (variable X1) indicates the work environment significantly influences job satisfaction in spatial planning at the Nunukan Public Works Office. The t-test results show a significant value ($0.255 > 0.05$), and the t-value is more significant than the t-table ($0.869 > 0.688$). The results above show that the work environment influences job satisfaction. In other words, the significant level shows that the work environment is essential in increasing job satisfaction. The results of this research are strengthened by attribution theory, which explains a person's behavior. This theory argues that a person's behavior is determined by a combination of internal forces, namely factors that come from within a person (individual), for example, ability, knowledge, or effort. In contrast, external forces come from outside—luck, opportunity, and environment (Fritz Heider, 1958 in Hundayanti, 2002).

2) Work Environment towards Employee Performance

Based on the results of the second hypothesis test carried out by researchers, the partial test shows that the work environment significantly influences employee performance satisfaction in spatial planning at the Nunukan Public Works Office. This was proven through a partial test where the test results (t) showed a significant value ($0.348 > 0.05$) and the value $t_{count} > t_{table}$ ($> 1.351 > 0.688$). Based on the findings above, it shows that the work environment has a significant influence on employee performance. It shows that a good work environment system is able to guarantee employee performance, ultimately enabling the agency to work productively for the benefit of the agency so that it will also have a good impact and provide benefits for the agency.

The results of this research align with research conducted by Masrokoh (2012), which states that the work environment positively impacts employee performance. A comfortable work environment increases the concentration level of employees at work, which in turn results in increased work productivity. A significant and beneficial relationship between a comfortable work environment and employee performance exists.

3) Compensation towards Job Satisfaction

The partial test for the first hypothesis (variable X1) shows compensation has a significant and significant influence on job satisfaction in the field of spatial planning at the Nunukan Public Works Office. The test results (t) show a significant value ($0.348 > 0.05$), and the t-count value is more significant than t-table ($1.351 > 0.688$). The results above show that compensation significantly influences job satisfaction and plays a vital role in job satisfaction at the Nunukan Public Works Office. Therefore, compensation can be used by companies to increase the level of employee satisfaction. On the other hand, companies can also use compensation to monitor and measure how well an individual or group of workers does their job. In this way, the company can

provide rewards or sanctions to employees after the company increases compensation in conditions where there is no increase in compensation.

4) Compensation towards Employee Performance

Based on the results of the fourth hypothesis test carried out by researchers, the partial test shows that compensation significantly influences employees' performance in the field of spatial planning at the Nunukan Public Works Office. This was proven through a partial test for the fourth hypothesis, where the test results (t) showed a significant value ($0.890 > 0.05$) and the t-count $>$ t-table ($4,522 > 0.688$). Based on the findings above, it shows that compensation significantly influences employee performance. It means that a significant level of compensation is essential in improving employee performance.

5) Job Satisfaction towards Employee Performance

The partial test of the fifth hypothesis shows that job satisfaction has a significant influence on the performance of employees in the field of spatial planning at the Nunukan Public Works Office. The results of the partial test (t) show a significant value ($0.348 > 0.05$) and the t-count value is greater than t-table ($1.107 > 0.688$). The findings above show that job satisfaction influences employee performance. The significance level shows that job satisfaction plays an important role in improving employee performance. It is concluded that the more dissatisfied an employee is with their job, the more likely they are to leave the company. Employee satisfaction is very important for an organization. Employees who are satisfied with their salaries will remain at work.

6) Work Environment towards Job Satisfaction

The results of the hypothesis test, which was carried out partially, showed that the work environment of employees in the field of spatial planning at the Nunukan Public Works Office significantly influenced their job satisfaction. The partial test for the sixth hypothesis shows that the value (t) is significant (0.210 greater than 0.05), and the t value is greater than the t-table (0.722 greater than 0.688). The above results show that the work environment influences employee satisfaction and performance. The significance level is meaningless if the work environment and compensation are essential factors in increasing job satisfaction.

7) Compensation towards Employee Performance

Based on the results of the seventh hypothesis test carried out by researchers, the partial test shows that compensation significantly influences job satisfaction and employee performance in spatial planning at the Nunukan Public Works Office. It was proven through the partial test for the seventh hypothesis, where the t-test results showed a significant value ($0.310 > 0.05$) and the t-count $>$ t-table ($0.992 < 0.688$). Based on the findings above, it shows that compensation significantly influences job satisfaction and employee performance. It means that a significant level means that compensation is vital in increasing job satisfaction and employee performance.

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