

# Effect of Compensation and Work Environment on Employee Performance

## (Study at PT Segar Murni Utama, Mojokerto Regency)

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**Abstract.** The purpose of this study is to test and analyze the effect of compensation and work environment on employee performance on the Dept. Production and Dept. Processing PT Segar Murni Utama Kab. Mojokerto. The sampling technique in this study used a saturated sampling technique in which all members of the population were sampled with a total of 60 people. And the analysis technique used is the Partial Least Square (PLS) technique. The results of this study are that proper compensation and a good work environment can improve employee performance on the Dept. Production and Dept. Processing PT. Segar Murni Utama Kab. Mojokerto.

**Keywords:** Employee performance, compensation, work environment, Partial Least Square.

### 1. Introduction

The success of a company is greatly influenced by the performance of its employees. According to Sutiadi [1], performance is a result of work achieved by a person in carrying out tasks assigned to him based on skills, experience, sincerity and time. Whereas Suprayetno and Brahmasari [2] suggest that performance is the achievement of organizational goals which can be in the form of quantitative or qualitative output, creativity, flexibility, reliability, or other things desired by the organization. It can be concluded that employee performance is the result of work achieved by someone in carrying out the tasks assigned to him.

Giving compensation is one of the implementations of HRM functions relating to all types of individual awards in exchange for performing organizational tasks. Sengkang according to Hasibuan [3], compensation policies both the size, composition and time of payment can encourage work passion and desire of employees to achieve optimal performance so as to help realize the company's goals. It can be concluded that compensation is a form of remuneration received by employees. Providing better compensation will encourage employees to work better and more productive. This means that employees use knowledge, skills, energy and time in devoting themselves to the company, the purpose of which is to expect rewards or rewards for the results that have been given.

Other businesses to improve employee performance include paying attention to the work environment of employees. A conducive work environment must be created by the leadership of the company. Employees can carry out their work properly if supported by the conditions of the work environment that are appropriate. The work environment is everything that is around workers, which can affect themselves in carrying out their tasks (Nitisemito, 1996). In other

words, a good, safe, clean and healthy work environment will make employees feel safe and comfortable in carrying out the tasks assigned to them.

PT Segar Murni Utama is a company engaged in bottled drinking water (AMDK) with the trademark "MOJO TRAS". Established since 2010, PT Segar Murni Utama is located on Mojosari Street, Gayaman Village No. 1 Mojokerto, has 110 employees. At present, the company is experiencing problems in the form of decreasing employee performance which can be seen from the failure to achieve production targets every year.

And researchers tried to examine using compensation variables and work environment on the performance of employees of PT Segar Murni Utama. Formulation of the problem

The problems faced are (1) Does compensation affect the performance of employees at PT Segar Murni Utama Kab. Mojokerto?, (2) Does the work environment affect the performance of employees at PT Segar Murni Utama Kab. Mojokerto?

The research objectives achieved are to analyze and test (1) the effect of compensation on employee performance at PT Segar Murni Utama Kab. Mojokerto, (2) the influence of the work environment on employee performance at PT Segar Murni Utama Kab. Mojokerto.

## **2. Theoretical review and hypothesis**

### **2.1 Employee Performance**

Hasibuan [3] explains that "Performance is the result of work achieved by a person in carrying out tasks assigned to him based on skills, experience, sincerity and time". Whereas according to "Employee performance is an action - action or execution of tasks that have been completed by a person or group of people in a certain period of time and can be measured". Employee performance is a result achieved by employees in their work according to certain criteria that apply to a job [4]. Based on the definition it can be concluded that performance is the result achieved by a person according to the size that applies to a particular job during a certain period of time.

The indicators for measuring employee performance are six indicators [4], namely:

- a. The quality of work, measured by the quality of work produced and the perfection of tasks towards the skills and abilities of employees.
- b. The quantity of work, the amount produced is expressed in terms such as the number of units and the number of cycles of activities completed.
- c. Timeliness is the level of activity completed at the beginning of the stated time, seen in terms of coordination with output results and maximizing the time available for other activities.
- d. Effectiveness is the level of use of organizational resources (energy, money, technology, raw materials) maximized in order to increase the yield of each unit in the use of resources.
- e. Independence is the level of an employee who will later be able to carry out his work function.
- f. Work commitment is a situation where an individual sided with the organization and its goals and desires to maintain its membership in the organization.

### **2.2 Compensation**

Compensation is everything that employees receive as a reward for them [5]. Compensation is all income received by employees in return for services provided to

companies. Furthermore, according to Simamora [6] compensation includes financial and intangible services and benefits received by employees as part of the employment relationship. From this description it can be concluded that compensation is a reward or an award received by employees. Compensation is highly considered in career selection because indeed the main goal of someone working is to get a salary.

There are several things that can be used as indicators of compensation, according to Simamora [6] these indicators include:

- a. **Wages and Salaries.** Wages and salaries are different things. Wages are paid bases that are often used for production and maintenance workers or for daily workers who are not employees or permanent employees. Wages are usually daily, weekly or monthly in accordance with agreements between workers and employers. Salaries generally apply to weekly, monthly, or annual payment rates that are given regularly.
- b. **Incentive.** Incentives are additional compensation above or beyond the salary or wages provided by the organization. Incentives are usually given by companies on the basis of employee work performance or employee productivity. Employees with good performance or work productivity will get incentives from the company.
- c. **Benefits.** Benefits are a complement to basic salary. Examples of benefits are health and life insurance, corporate holidays, pension plans, and other benefits ating to employment relations.
- d. **Amenities.** Compensation in the form of facilities is provided by the company to facilitate and facilitate and motivate employees or employees at work. Examples of facilities are company cars, club membership, special parking lots, or internet access, work uniforms, and so on.

### **2.3 Work Environment**

According to Nitisemito [7], the work environment is everything that is around the workers and can affect themselves in carrying out the tasks that are imposed. Defines the work environment as a condition around the workplace both physically and non-physically which can give the impression of being pleasant, secure, reassuring and the impression of staying at work and so forth. Whereas Sedarmayanti [8] defines the work environment as a whole tool and material faced, the surrounding environment where a person works, the method of work, and work arrangements both as individuals and groups. So it can be concluded that the work environment is everything that is around the employees who can influence themselves in work. To support the level of employee work productivity can be done by creating a pleasant work environment. The comfort of the employee's work environment can trigger employees to work better so that performance can be achieved optimally.

Nitisemito [7] states that there are several indicators in the work environment, including:

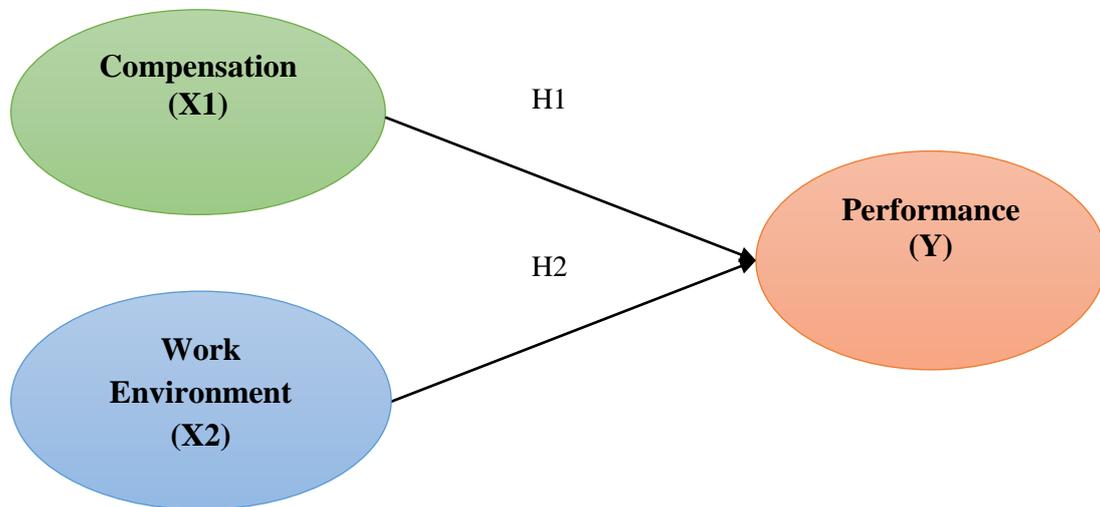
- a. **Coloring.** Color can be influential in humans because it can affect the human psyche. Therefore, the workspace should be chosen for cool / soft colors such as light brown, beige, light gray, light green, etc. In fact, color management cannot be separated from decorating. Colors, causes, sometimes causes pleasure, sadness, etc. because in the nature of color can stimulate human feelings.
- b. **Cleanliness.** A clean environment affects Morale and works passion. With a clean environment, besides being healthy, it also creates a sense of pleasure, so that it will trigger more energetic employees. In each agency, it should always maintain the cleanliness of the work environment because it can affect the mental health of employees. Maintaining good, but this is not solely the obligation of the special officer.

Every employee must take responsibility for maintaining the cleanliness of their place of work.

- c. **Lighting.** Lighting is enough, but not dazzling. Lighting here is not limited to electric lighting, but also includes solar lighting. In employees often carrying out tasks need sufficient information. Especially if the work done requires precision. Provision of sufficient but not all lighting will make a job better and more accurate. The light that is less clear, makes work slow, the many experience errors and causes of inefficiency in carrying out work so that the target organization is difficult to achieve.
- d. **Air Exchange.** Equivalent water exchange, especially in the workspace, is needed if the employee is full of space. Exchange will cause physical freshness of the employees. Conversely, less air exchange will cause fatigue from the employees.
- e. **Music.** Music that blends melodiously raises joy, so it is expected that employees will diminish their fatigue and increase their enthusiasm for work.
- f. **Security.** A sense of security will lead to calm and will encourage employee morale. If the organization can provide security, then the peace of work will arise. Security is that it can provide optimal results.
- g. **Noise.** With the noise, it will cause errors or damage. Noise in a room must be reduced as much as possible. Sounds that are felt noisy by employees will affect the concentration of work.
- h. **Temperature.** To maximize productivity, it is important that employees work in an environment where the temperatures are arranged so that they are acceptable to each individual. A feeling of coolness and freshness will help speed up the recovery of the body due to fatigue after work.
- i. **Spatial Planning.** The equipment in the available space can affect employee activities. The arrangement of workspaces can affect the employee's space.

#### Hypothesis

- a. Compensation has a positive effect on employee performance at PT Segar Murni Utama
- b. The work environment has a positive effect on employee performance at PT Segar Murni Utama



**Fig. 1.** Conceptual Framework

### 3. Methods

#### 3.1 Types of research

Based on the theory above, this type of research is associative quantitative research. Associative research is research that aims to determine the influence or relationship between two or more variables [9].

#### 3.2 Population, Samples, and Sampling Techniques

The population used in this study were 25 production department employees and 35 processing department employees at PT Segar Murni Utama Mojokerto Regency. The sampling technique in this study is using a saturated sampling technique in which all members of the population are sampled with a total of 60 people.

#### 3.3 Data Collection Techniques

The data collection technique in this study was conducted through questionnaires and the kuesjoner measurement scale of this study using a Likert scale.

#### 3.4 Operational definition Exogenous variable (X)

##### a. Component ( $X_1$ )

is everything that employees receive as a reward for them [5]. Furthermore, the compensation indicator variable, according to Simamora [6]:

- a. Wages and Salaries (X1.1)
  - b. Incentives (X1.2)
  - c. Benefits (X1.3)
  - d. Facilities (X1.4)
- b. *Work Environment (X<sub>2</sub>)*
- It is all about workers and can affect themselves in carrying out the tasks imposed by Nitisemito [7]. Nitisemito [7] states that there are several indicators in the work environment, including: Coloration (X2.1)
- a. Cleanliness (X2.2)
  - b. Lighting (X2.3)
  - c. Air Exchange (X2.4)
  - d. Music (X2.5)
  - e. Security (X2.6)
  - f. Noise (X2.7)
  - g. Temperature (X2.8)
  - h. Spatial Planning (X2.9)

### **3.5 Bound Variable (Y)**

Performance (Y<sub>1</sub>), the results of work achieved by someone in carrying out the tasks assigned to him are based on skills, experience, sincerity and time [3]. The indicators for measuring employee performance are six indicators [4], namely:

- a. Work quality (Y1.1)
- b. Work quantity (Y1.2)
- c. Timeliness (Y1.3)
- d. Effectiveness (Y1.4)
- e. Independence (Y1.5)
- f. Work commitment (Y1.6)

### **3.6 Data Analysis Technique**

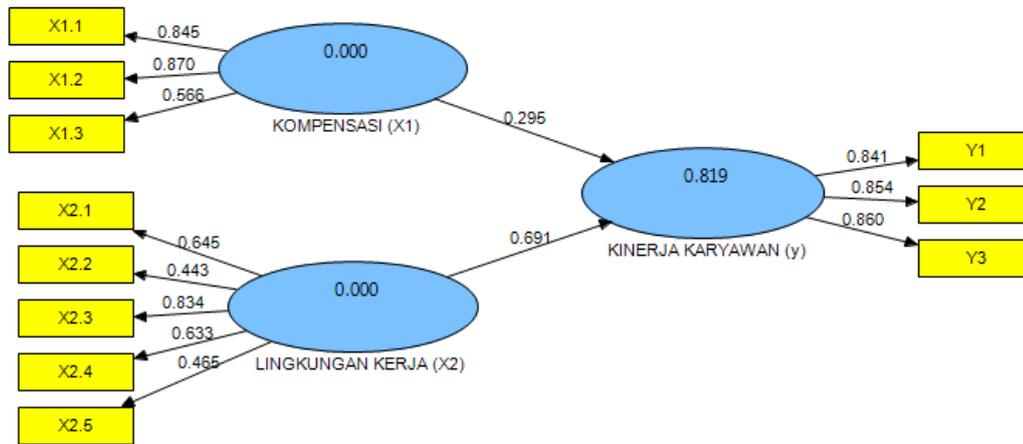
Data analysis techniques used in research using PLS (Partial Least Square). Partial Least Square (PLS) is a powerful analytical method because it does not assume data must be of a certain measurement, can be applied to all data scales. It does not require many assumptions and sample sizes [10]. The purpose of the Partial Least Square (PLS) model is to help researchers get the value of latent variables for prediction purposes [10]. Formally the latent variables in the model are linear aggregates of the indicators. The weight estimate for creating scores for latent variables is based on how the inner model (a structural model that connects between latent variables) and the outer model (measurement model, namely the relationship between indicators and their constructs) is specified. The result is the residual variance of the dependent variable (both latent and indicator variables) minimized.

## **4. Research results and discussion**

### **4.1 Research result**

Indicator validity is measured from Factor Loading Value from variable to indicator greater than 0.5 and or T-Statistic value greater than 1.96 (Z value at  $\alpha = 0.05$ ). Factor Loading is a correlation between indicators and variables if it is greater than 0.5, the

correlation is called valid and if the value of the T-Statistic is greater than 1.96, the correlation is called significant. Based on the outer loading table above, all reflective indicators on the Compensation (X1), Work Environment (X2), and Employee Performance (Y) variables indicate a Factor Loading (Original Sample) greater than 0.5 and or significant (T-Statistic Value). more than the value of  $Z \alpha = 0.05$  (5%) = 1.96). Thus the estimation results of all indicators meet Convergent Validity or Good Validity.



**Fig. 2.** Path Coefficient Analysis Results

The first equation from the results of the analysis provides an explanation of the relationship between the variables of product quality and service to customer trust in choosing a BRI bank. Customer trust is positively influenced by product quality of 0.193 and service of 0.204. The increase in product quality that is increasingly positive will lead to an increase in trust, as well as improved service quality, customer confidence will also increase by the path coefficient.

The results in the second equation explain the direct effect of the variables on product quality, service, and trust in customer decisions in choosing a BRI bank. The increase in product quality by 1 standard deviation will have an impact on increasing customer decisions by 0.191 as well as vice versa when a decrease in the variable will be followed by a change in the same direction. While the direct influence of the service variable shows a coefficient value of 0.170 and the variable of customer trust is 0.240.

**Table 1.** Hypothesis Testing Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
Compensation (X1) -> Performance (Y)	0.294562	0.294474	0.050001	0.050001	5.891148
Work Environment (X2) -> Performance (Y)	0.691115	0.695411	0.043323	0.043323	15.952668

Sumber : Partial Least Square (PLS)

Compensation (X1), Positive effect on Employee Performance (Y) can be accepted, with path coefficients of 0.2945 and T-Statistic values of 5.8911 greater than the value of  $Z \alpha = 0.5$  (5%) = 1,96, then significant (positive). Work Environment (X2), has a positive effect on Employee Performance (Y) can be accepted, with a path coefficient of 0.6911 and T-Statistic value of 15.9526 greater than the value of  $Z \alpha = 0.5$  (5%) = 1.96, then significant (positive).

## **4.2 Discussion**

Based on the results of the testing, it was shown that the proper Giving Compensation could improve employee performance on the Dept. Production and Dept. Processing PT. Segar Murni Utama Kab. Mojokerto. So thus the amount of compensation can be used as a benchmark or reference consideration for measuring employee performance.

The results of the study show that the most dominant indicator value in the compensation variable is an incentive indicator. The results of this study are in accordance with the facts in the field that the distribution of incentives is not evenly distributed and not routine so that employees have not received sufficient incentives according to the work performance they have achieved. If this is allowed to continue it will cause a decrease in employee performance because employees feel less valued for their work performance.

And based on the results of the respondent's answer that the most dominant indicator value in the compensation variable is the salary indicator, this shows that the employee already feels he gets a salary according to what he has done.

Based on the test results, it is shown that a good Work Environment can also improve employee performance on the Dept. Production and Dept. Processing PT. Segar Murni Utama Kab. Mojokerto. So thus the magnitude of the work environment can be used as a benchmark or reference consideration for measuring employee performance.

The results of the study show that the most dominant indicator value in the work environment variable is the air temperature indicator. The results of this study are in accordance with the facts in the field that large glass windows that lead directly to the natural landscape of rice fields around the company, make during the day the room temperature increases due to the amount of sunlight entering the room. If this is allowed continuously, there will be a decrease in employee performance because it is less comfortable in working.

And based on the results of the respondent's answer that the most dominant indicator value in the work environment variable is the noise indicator, this shows that employees already feel the noise level of the working machine is low and does not interfere with a concentration in work.

## **5. Conclusions and recommendations**

### **5.1 Conclusion**

Provision of appropriate compensation can improve employee performance on the Dept. Production and Dept. Processing PT. Segar Murni Utama Kab. Mojokerto. A good work environment can also improve employee performance on the Dept. Production and Dept. Processing PT. Segar Murni Utama Kab. Mojokerto.

### **5.2 Recommendations**

PT Segar Murni Utama should pay attention to the expectations of employees regarding incentives or bonuses that are given to employees so that they are in accordance with their achievements. If incentives or bonuses are managed correctly, it will help the company

achieve its goals while also obtaining, maintaining and maintaining a productive workforce and motivating employees to improve their performance. PT Segar Murni Utama should also pay attention to employee expectations regarding the temperature in the work environment of employees so that employees have a good working environment. And it can create a comfortable and pleasant working atmosphere, which will encourage employees to work better and be responsible for achieving high performance.

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