

The Influence of Compensation and Work Environment on Employee Performance through Job Satisfaction as an Intervening Variable

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ABSTRACT

Objective: This research aims to analyze the influence of compensation and work environment on employee performance both directly and indirectly through job satisfaction as an intervening variable. **Method:** This research uses quantitative research using an explanatory research approach. The sample in this research was 57 employees at CV. Mitra Gemilang Bersinar who were taken using saturated sampling. This research has seven hypotheses. **Results:** The results of the simultaneous test show that compensation and work environment influence job satisfaction. Then, compensation, work environment, and job satisfaction influence employee performance. The results of the hypothesis test also show that there are five paths that have a significant effect, namely compensation on employee performance of 0.449 with a significance value of 0.000, compensation on job satisfaction of 0.476 with a significance value of 0.000, job satisfaction on employee performance of 0.274 with a significance value of 0.023, work environment on job satisfaction of 0.565 with a significance value of 0.000, and work environment on employee performance of 0.529 with a significance value of 0.000. **Novelty:** This research also proves two indirect paths showing the effect of compensation on employee performance through job satisfaction of 0.130 and the work environment on employee performance through job satisfaction of 0.154.

INTRODUCTION

Human resource management is a main system that must exist in business which is related to a system starting from planning, controlling, developing in an organization, because it is the main source that can develop the company so that in the future it can develop in accordance with the main expected goals. According to [7] human resource management is the process of acquiring, training, assessing and compensating employees and to administer labor relations, health and safety.

In today's developing business, there is a lot of very rapid business competition, especially industrial business, which results in the level of competition in the market increasing, so that with this competition, companies are required to produce good quality products, apart from that, companies must also pay attention to the performance of human resources and needs necessary when working [3], [5]. By meeting the required needs, the employees will feel happy and satisfied at work and be able to produce good quality products and consumers will also feel satisfied with the product.

Employee performance reflects the level of work efficiency and effectiveness in an organization and is an important factor that influences the achievement of goals and success of an organization. High productivity can improve organizational performance, while low productivity can hinder the achievement of the organization's vision and mission. High productivity does not only depend on external factors, such as technology and management systems, but also on internal factors originating from human resources (HR). Therefore, it is important to understand the factors that influence employee work

productivity, one of which is through managing aspects of compensation and the work environment.

One of the factors that influences employee performance is compensation. Compensation provided by organizations/companies to their employees, whether in the form of salaries, allowances or other incentives, can motivate employees to work harder and achieve predetermined targets. Research shows that employees who feel appreciated through fair compensation tend to have higher performance, while compensation that does not meet expectations or is unfair can reduce work motivation and have a negative impact on employee performance. This shows that proper compensation management is very important to improve employee performance

Compensation is an expectation and reward from the company that is given to each employee in working on the work tasks given in order to achieve a good level of performance. According to [7] compensation is something in the form of payment to be given to employees and matters related to employees.

Apart from compensation, the work environment is also an equally important factor in supporting employee performance. A comfortable, safe and conducive work environment can increase employee job satisfaction, which in turn can encourage them to work more efficiently. On the other hand, a bad work environment, such as an uncomfortable work space, disharmonious relationships between employees, or pressure from superiors, can cause a decrease in performance. Therefore, companies need to pay attention to the quality of the work environment so that employees can work optimally

The work environment is a relationship that is related to supporting employees so that they feel happy when working. If the work environment is comfortable, employees can improve their performance and employees feel satisfied so that the resulting product is of good quality. [2] [4] said that the work environment is the atmosphere or conditions around the work location. The work environment can be in the form of room, layout, facilities and infrastructure.

Apart from these factors, job satisfaction also plays an important role in increasing the productivity of an Organization. Job satisfaction is a positive emotional condition experienced by employees as a result of their work. Employees who are satisfied with their jobs tend to have higher levels of motivation and are committed to their tasks. Job satisfaction is often influenced by factors such as compensation and work environment. In other words, job satisfaction can be an intervening variable that connects these factors with employee work productivity

Satisfaction is a benchmark for assessing employee satisfaction with the type, nature of work, work results produced and feelings of enjoyment at work. According to [6] job satisfaction is the result of employee perceptions of how well their work provides things that are considered important.

CV. Mitra Gemilang Bersinar is a company engaged in the livestock partnership sector which focuses on breeding and fattening broiler chickens located in Jember, with around 500 plasma supporters spread across East Java and Central Java. Where there is a decrease in the level of employee attendance at work as follows:

Table 1. Employee attendance rate 2023-2024.

No	Month	Amount Employee	Amount Presence	Level presence (%)
1	October / 2023	57	57	100%
2	November / 2023	57	52	91,30%
3	December / 2023	57	55	95,70%
4	January / 2024	57	52	91,30%
5	February / 2024	57	40	69,50%
6	March / 2024	57	48	84,10%
7	April / 2024	57	46	80,40%
8	May / 2024	57	37	65,20%

Source: CV. Mitra Gemilang Bersinar

The table above is data on employee absenteeism at work, which increases and decreases each month. The increase in employee attendance occurred in October 2023, namely 100% and December 2023, namely 95.7%. Meanwhile, the decline in employee attendance occurred in February 2024 and May 2024, namely 69.5% and 65.2%. If a large number of employees are absent, this will be detrimental and hamper the completion of production results as expected. At CV. Mitra Gemilang Bersinar, the decline in employee performance can be influenced by factors, namely wages given to employees using a piece rate system.

RESEARCH METHOD

This research is a type of quantitative research, where based on the objectives of the research that have been determined, this type of research is research using an explanatory research approach. The data sources used are primary data sources such as questionnaires, while secondary data are data sources that come from research. Like a journal. The sampling technique uses saturated sampling. According to [1] the saturated sampling technique is a sample determination technique where all members of the population are used as samples.

The population in research is a group of objects which can be used as a research source in the form of objects, events or people who occur in a research target object [1]. Population is a generalization of an area consisting of objects or subjects that have certain qualities and characteristics that have been determined by researchers to be studied and so the population in the study was all 57 employees at CV. Mitra Gemilang Bersinar.

RESULTS AND DISCUSSION

Results

The analysis used in this research is path analysis. Before carrying out the analysis, the collected data was tested with:

1. Instrument tests, namely validity and reliability tests;

2. Classical assumption tests, namely normality tests, multicollinearity tests, and heteroscedasticity tests;
3. Multiple linear regression analysis;
4. Path analysis and testing. hypothesis.

Based on table 2, you can see the standardized regression coefficient or path coefficient value of the independent variable on the dependent variable.

Table 2. Direct influence path coefficients

Variable	Path Coefficient	Sig
Employee performance (Y) → compensation (X1)	0.449	0,000
Job satisfaction (Z) → compensation (X1)	0.476	0,000
Employee performance (Y) → job satisfaction (Z)	0.274	0,023
Employee performance (Y) → work environment (X2)	0.529	0,000
Job satisfaction (Z) → Work environment (X2)	0.565	0,000

Source: attachment 10 processed data

1. Effect of compensation (X1) on employee performance (Y). Compensation has a positive influence on employee performance (Beta = 0.449; sig = 0.000). This means that if compensation increases, employee performance will increase.
2. The effect of compensation (X1) on job satisfaction (Z). Compensation has a positive and significant influence relationship on job satisfaction (Beta = 0.476; sig = 0.000). This means that if compensation increases, job satisfaction will also increase.
3. The influence of job satisfaction (Z) on employee performance (Y). Job satisfaction has a positive and significant influence on employee performance (Beta = 0.274; sig = 0.023). This means that if job satisfaction increases, employee performance will also increase.
4. The influence of the work environment (X2) on employee performance (Y). The work environment has a positive and significant influence on employee performance (Beta = 0.529; sig = 0.000).
5. Influence of the work environment (X2) on job satisfaction (Z). The work environment has a positive and significant influence on job satisfaction (Beta = 0.565; sig = 0.000). This means that if the work environment improves, job satisfaction will also increase.
6. Compensation (X1) Job satisfaction (Z) Employee performance (Y). Compensation has a positive but not significant influence on employee performance through job satisfaction, namely (0.130). This means that H6 is rejected. This means that if compensation increases, this will not increase employee performance even through job satisfaction. If compared with the direct influence of compensation on employee performance (Table 2), it can be concluded that compensation has a direct influence while compensation has no indirect influence (through the mediator variable job

satisfaction) on employee performance. Variable Path Coefficient Sig Employee performance.

7. Work environment (X2) job satisfaction (Z) Employee performance (Y). The work environment has a positive but not significant influence on employee performance through job satisfaction, namely (0.167). This means that H7 is rejected. This means that if the work environment improves, this will also improve employee performance through job satisfaction. If compared with the direct influence of the work environment on employee performance (Table 2), it can be concluded that the work environment has a direct effect while the work environment has no indirect effect (through the mediator variable job satisfaction) on employee performance.

Discussion

The following is a discussion of the research results. This research has seven hypotheses as follows:

1. The Effect of Compensation on Job Satisfaction. This research shows that the results of hypothesis 1 (H1) are accepted, meaning that compensation has a significant effect on employee job satisfaction. This research finds that compensation has a positive and significant effect on job satisfaction. These results can be interpreted as indicating that the indicators of wage compensation, incentives, allowances and facilities have an influence on job satisfaction.
2. The Influence of the Work Environment on Job Satisfaction. This research shows that the results of hypothesis 2 (H2) are accepted, meaning that the work environment has a significant effect on employee job satisfaction. This research finds that the work environment has a positive and significant effect on job satisfaction. The results of the analysis show that there are two work environment indicators that received the highest scores in this research, namely the color and air indicators which employees feel are quite satisfied, so in this case it shows that CV. Mitra Gemilang Bersinar is good so the results have an influence on job satisfaction.
3. The Effect of Compensation on Employee Performance. This research shows that the results of hypothesis 3 (H3) are accepted, meaning that this research finds that compensation has a significant effect on employee performance. According to Bangun (2012:254) compensation is an important factor and is a concern for many organizations in attracting quality human resources. Based on data tabulation of respondents' answers, the indicators that received high scores were incentives and allowances. This can show that the incentives and allowances provided by CV. Mitra Gemilang Bersinar provided is in line with employee expectations.
4. The influence of the work environment on employee performance. This research shows that the results of hypothesis 4 (H4) are accepted, meaning that the work environment has a positive and significant effect on employee performance. This result can be interpreted that the better the work environment, the higher the level of employee performance. This proves that the work environment consisting of lighting, color, air and sound will have a significant effect on employee

- performance. Based on data from respondents' answers, the work environment indicators that had the highest scores in this study were color and air indicators. This shows that the color and air in CV. Mitra Gemilang Bersinar really suits the wishes of employees. Manager CV. Mitra Gemilang Bersinar is very good at playing this so it influences employee performance.
5. The influence of job satisfaction on employee performance. Based on the results of this research, it shows that hypothesis 5 (H5) is accepted, meaning that job satisfaction has a positive and significant effect on employee performance. This result can be interpreted that the higher the job satisfaction, the higher the level of employee performance.
 6. The Effect of Compensation on Employee Performance through Job Satisfaction. The results of this research show that hypothesis 6 (H6), which states that compensation influences employee performance through the intervening variable job satisfaction, is rejected. The results in this research study found that compensation had no effect on employee performance through the intervening variable job satisfaction. This research uses compensation indicators such as wages, incentives, allowances and facilities. Based on research studies, it was found that fourth. These indicators are not sufficient to improve employee performance through job satisfaction. Apart from that, this research also supports the theory of Marwansyah, 2016: 269) if the value of the remuneration or compensation provided by the company is in line with employee expectations, then it can be said that employees feel very satisfied because the compensation received by employees at work has been fulfilled.
 7. The influence of the work environment on employee performance through job satisfaction. The results of this research indicate that the results of hypothesis 7 (H7) that the work environment influences employee performance through job satisfaction, are rejected. The results of this research found that the work environment has no effect on employee performance through job satisfaction as an intervening variable. The direct influence of the work environment on employee performance has a greater value than the intervening influence.

CONCLUSION

Fundamental Finding : The study reveals several key relationships among compensation, work environment, job satisfaction, and employee performance. Compensation has a positive and significant effect on job satisfaction, which means that indicators of wages, incentives, allowances, and facilities are among the factors that can influence job satisfaction. Similarly, the work environment also shows a positive and significant effect on job satisfaction, indicating that lighting, color, air, and sound are critical environmental factors influencing satisfaction. Furthermore, compensation has a positive and significant effect on employee performance, suggesting that financial and non-financial rewards play an important role in enhancing performance. The work environment also positively and significantly affects employee performance, reinforcing

the importance of physical workplace conditions. Additionally, job satisfaction itself has a positive and significant effect on employee performance, highlighting the mediating role of satisfaction when employees perceive compensation to meet their expectations. However, the research found that compensation has no effect on employee performance through job satisfaction, indicating that job satisfaction does not mediate this relationship. Similarly, the work environment does not influence employee performance through job satisfaction, showing that job satisfaction fails to mediate the effect of environmental conditions on performance. **Implication** : These findings imply that organizations should focus on direct improvements to compensation and the work environment as separate and strong predictors of both job satisfaction and employee performance. By prioritizing clear and competitive wage systems, adequate allowances, and supportive facilities, employers can directly enhance satisfaction and performance. Likewise, improving physical aspects of the workplace such as lighting and air quality can independently elevate employee morale and output. However, efforts to boost performance through indirect means, such as increasing job satisfaction alone, may not be sufficient unless they are accompanied by tangible changes in compensation and workplace conditions. **Limitation** : Despite its contributions, the study is not without limitations. The inability of job satisfaction to mediate the relationship between both compensation and work environment with employee performance suggests that other psychological or contextual variables may play a more significant mediating role. Additionally, the study may have been constrained by sample size, regional factors, or sector-specific dynamics that could limit the generalizability of its findings. The lack of effect in the mediation paths also points to potential measurement or model specification issues that were not fully addressed in the current design. **Future Research** : Future research should explore additional mediators or moderators that could bridge the gap between compensation, work environment, and employee performance. Variables such as employee engagement, organizational commitment, or leadership style might offer deeper insights into the indirect pathways influencing performance. Expanding the scope to different industries or cultural settings could also test the robustness of these findings. Moreover, longitudinal studies may be beneficial in observing whether changes in compensation and work environment over time produce delayed or accumulative effects on satisfaction and performance.

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