

# The Effect of Compensation and Work Environment on Employee Performance

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**Abstract.** This study attempts to assess the effect of remuneration, and work environment on employee performance at the PT KAI DAOP 5 Purwokerto office. 132 respondents make up the sample for this study, which was conducted utilizing quantitative methods and saturation sample sampling procedures. Questionnaires are used to gather data, and a Likert scale is used to measure the data. Data analysis methods include multiple linear regression analysis, determining coefficient test, t-test, validity test, reliability test, and classical assumption test using SPSS 25. The results of the hypothesis test indicate that factors pertaining to compensation and the workplace environment both concurrently and partially have a favorable and significant impact on employee performance.

**Keywords:** Compensation, Work Environment, Employee Performance

## 1 Introduction

The availability of human resources is crucial to a business. Labor has a lot of potential for carrying out business tasks. To achieve the best results, the company's human resources must be fully exploited to their full capacity. The process of planning, attracting, choosing, developing, maintaining, and utilizing human resources to accomplish organizational and personal objectives is known as human resource management. Every business must raise staff performance in order to reach peak performance.

The relationship between workers and employers is one of mutual benefit and interdependence. It is impossible for employers to act alone without workers, and it is impossible for workers to work without the presence of employers. So that employee performance really determines the progress of the company in the future, because between the two of them dependence. Support is essential for motivating workers to perform successfully, and two key components of that support are fair pay and a healthy work environment.

A state-owned company called PT Kereta Api Indonesia (Persero) provides railroad transportation services. PT KAI works to enhance worker performance by enforcing stringent policies and providing a more advanced and effective work environment. To provide optimal customer service, railway transport service providers in Indonesia need to prioritize employee

job satisfaction as a fundamental aspect of superior HR management. Employee welfare can be reflected in satisfaction with compensation and a comfortable work environment. The existence of high compensation is expected to increase employee morale, so employee performance will also increase and company goals will be achieved. The HR unit manager concluded that job satisfaction among PT KAI DAOP 5 Purwokerto employees had decreased over the previous three months. PT KAI DAOP 5 Purwokerto decreased during the previous three months. This is known thanks to a survey that is conducted once a year, but the findings consistently showed employee job dissatisfaction. Therefore, Employee job satisfaction is a crucial aspect that PT KAI DAOP 5 Purwokerto needs to prioritize in order to maximize employee performance.

Since employees are there to progress the company, there is a way to improve the quality of the organization by establishing a link between their performance and compensation. Compensation is a type of payment made to employees in exchange for their labor. Since the quantity of compensation is a reflection of the value of the employee's own job, it holds great personal significance for the individual employee. When workers receive fair compensation, they will feel satisfied in their jobs and driven to meet company objectives.

The work environment that a person is in plays a significant role in enhancing performance in addition to pay. An environment where workers are happy and have strong relationships with managers and other staff members, along with sufficient infrastructure and amenities, can boost employee satisfaction and performance. Businesses need to be mindful of their employees' work environments because they have a significant impact on the expansion of their businesses. A positive work environment will motivate employees to perform well as well. When workers perform well, the business will reap the rewards. By offering competitive pay and a work environment that doesn't affect employees' performance, the organization must be able to prevent employee turnover.

Optimal employee In order to sustain business survival and boost production, performance is required. A person's performance can be defined as the amount and quality of outputs they produce in relation to the tasks assigned to them. Because payment fulfillment is a prerequisite for improving employee performance, no organization can avoid providing compensation, which is one of the key factors in determining employee performance.

## **2 Literature Review**

### **2.1 Compensation**

All monetary revenue, whether direct or indirect, that employees receive in exchange for their services to the company is referred to as compensation [1]. A reward that an employer gives its staff, either directly or indirectly, is called compensation. Compensation is typically provided in two ways: directly, in the form of money (financial) for labor performed, and indirectly, in the form of benefits (non-financial) resulting from the job [2]. To measure the extent of compensation as a measure of employee performance, indicators of compensation include salary, benefits, facilities, wages, and incentives [3].

### **2.2 Work Environment**

The entire set of tools and materials used, the setting in which an individual works, his working techniques, and his arrangements for working both individually and in a group comprise the work environment [4]. An employee's work environment is where they carry out their regular

tasks. A comfortable workplace will provide workers a sense of security and enable them to perform at their best [5]. The lighting, air circulation, noise, color choices, essential locations, workplace safety, and employee interactions are the seven indicators used to assess the work environment [6].

### 2.3 Employee Performance

The degree to which employees fulfill job criteria is known as employee performance [7]. Performance is the outcome of a worker's ability to complete duties in both quantity and quality in accordance with the obligations assigned to him by the company [8]. Employee performance is the outcome of work that can be completed by an individual or group of individuals inside an organization in compliance with their specific roles and duties in an attempt to achieve organizational goals in a way that is morally and ethically righteous but also illegal [9]. Employee performance is measured by a number of factors, including independence, effectiveness, timeliness, and quantity [10].

## 3 Research Method

A questionnaire was used as a tool for data collection in this descriptive quantitative study. Data was then processed using statistics, specifically multiple linear regression analysis, to ascertain the linear relationship between two or more independent variables and the dependent variable. The study data that was used, or primary data, was gathered straight from the original source. The participants in this study were staff members of the Purwokerto office of PT KAI DAOP 5. In order to obtain a representative sample or one that accurately represents the population, this study uses a sampling technique that takes into account the nature and distribution of the population and determines the number of samples that are in accordance with the size that will be used as the actual data source. Likert scales are employed as the scale, and questionnaires are used in data collection procedures. A validation test, a reliability test, a classical assumption test, and hypothesis testing with a simultaneous coefficient test (F-test) and partial test (t-test) are all included in the data analysis methodology.

## 4 Result

### 4.1 Descriptive Statistics

The features of the research sample are described using descriptive statistics. The following is a table of descriptive statistical test results.

**Table 1.** Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std.Deviation
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Employee Performance	132	2,86	5,00	4,0016	0,46505
Compensation	132	3,00	5,00	3,9455	0,49135
Work Environment	132	2,43	5,00	3,7284	0,51948
Valid N (listwise)	132				

Source: Data Processed (2024)

There are 132 respondents in the descriptive statistical test table below showing how much data was examined. Each respondent's response is on a Likert scale between 2.43 and 5.00. The mean value of employee performance is 4.0016 which is higher than agree on the Likert scale. With a Likert scale score of 3.9455, compensation is considered to be at the neutral point. In the end, the work environment scored 3.7284 points which indicates neutral on the Likert scale. The average statistics indicates that PT KAI DAOP 5 Purwokerto employees are generally satisfied with their jobs. Regarding pay and working conditions, employees at PT KAI DAOP 5 Purwokerto reported a mediocre or neutral attitude.

#### 4.2 Validity Test Results

The validity test was used to evaluate each questionnaire item's validity. To evaluate the validity of their study, researchers employ the Product Moment-Pearson Correlation formula, which has a degree of freedom of  $df = N - 2$ . It is so established that  $df = 132 - 2 = 130$  and the r table is 0.1438. The results of the validity test that the researchers did on all variable statement items in employee performance, compensation, and work environment are pronounced valid because the estimated r-value is greater than the r-table value with a significance value of  $0.00 < 0.05$ .

#### 4.3 Reliability Test Results

The reliability test provides evidence of the consistency of the questionnaire statements utilized in the investigation. A statement on a questionnaire is deemed credible if its Cronbach Alpha value is more than 0.70 [11].

Table 2. Reliability Test Results

Variable	Alpha Cronbach	requirement	Status
Employee Performance	0,888	> 0,60	Reliable
Compensation	0,863	> 0,60	Reliable
Work Environment	0,890	> 0,60	Reliabel

Source: Data Processed (2024)

All variables employed in this study are considered reliable because r alpha is more than 0.70, as evidenced from the analysis findings in the table above.

#### 4.4 Basic Classical Assumption Test Results

##### 4.4.1 Normality Test Results

**Table 3.** Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		132
Normal Parameters	Mean	.0000000
	Std. Deviation	0.36205565
Most Extreme Differences	Absolute	.082
	Positive	.082
	Negative	-.061
Test Statistic		.082
Asymp. Sig. (2-tailed)		.280 <sup>a</sup>

- a. Test distribution is Normal
- b. Calculated from data
- c. Lilliefors Significance Correctio.

*Source: Data Processed (2024)*

Based on the normality test findings in Table 5 above, it show that the sig level is  $0.280 > 0.05$ . This indicates that more than 0.05 is the significance level. Therefore, it can be said that this study's variables are all regularly distributed.

##### 4.4.2 Multicollinearity Test Results

**Table 4.** Multicollinearity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	std. Error	Beta	t		Tolerance	VIF
(Constant)	2.147	.210		10.226	.000		
Compensation	.411	.066	.547	6.191	.000	.602	1.661
Work Environment	.085	.064	.117	1.328	0.001	.602	1.661

*Source: Data Processed (2024)*

The tolerance number indicates that none of the independent variables have a VIF value greater than 10 and that there is no tolerance value less than 0.10, according to the computations in

Table 6 above. Thus, it can be said that the independent variables in this study do not exhibit any signs of multicollinearity.

#### 4.4.1 Heteroscedasticity Test Results

**Table 5.** Heteroscedasticity Test Results

	Unstandardized	Coefficients	Standardized		
Model	B	std. Error	Beta	t	Sig.
(Constant)	.295	.131		2.253	.026
Compensation	.102	.041	.272	2.478	.138
Working Environment	-.112	.040	-.308	-2.803	.63

a. Dependent Variable: Abs\_RES

*Source: Data Processed (2024)*

The Glejser test is used in statistical testing to make decisions based on the idea that heteroscedasticity does not exist when the significance level is greater than 5%. However, heteroscedasticity symptoms exist if the significance level is less than 5%. The heteroscedasticity test using the Glejser method yields a significant value of 0.138 and 0.630, indicating the absence of heteroscedasticity issues in the data.

#### 4.5 Simultaneous Test Results

**Table 6.** ANOVA Test Results

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	11.159	2	5.580	41.915	.000 <sup>b</sup>
Residual	17.172	129	.133		
Total	28.331	131			

a. Dependent Variable: Working Performance

b. Predictors: (Constant), Working Environment, Compensation

*Source: Data Processed (2024)*

This study's regression model is significant because it can predict interest in becoming an Islamic bank customer based on the ANOVA or F test and Table 6's F-count of 41,915 at the significance levels of 0.000 and  $\alpha$  0.05. This means that employee performance is influenced by both compensation and work environment.

## 4.6 Partial Test Results

**Table 7.** Partial Test Results

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	std. Error	Beta	t	
(Constant)	2.147	.210		10.226	.000
Compensation	.411	.066	.547	6.191	.000
Working Environment	.085	.064	.117	1.328	0.001

*Source: Data Processed (2024)*

Testing of compensation (X1) discovered a significant effect at alpha 5% of 0.000, indicating a strong impact of partial remuneration on worker performance. The results of the work environment test (X2) showed a significant effect at alpha 5%, with a significant value of 0.001, indicating a partly significant effect of the work environment on employee performance.

## 5 Discussion

### 5.1 The Effect of Compensation on Employee Performance

Employee performance at PT KAI DAOP 5 Purwokerto is favorably and significantly influenced by compensation, according to the results of hypothesis testing. Compensation has a favorable and significant impact on performance. This illustration demonstrates that workers will be happier in their positions if they are compensated more for their efforts. greater compensation they get for their work. This study demonstrates that employee work satisfaction is influenced by wage, with a significant level of  $0.000 < 0.05$ . Based on equity theory, the study's conclusions demonstrate that the business has done an excellent job of providing for the requirements of its employees. This idea can validate the research results that demonstrate that remuneration has a favorable and considerable impact on employee work satisfaction. This indicates that employees are content with the compensation they receive from the business for their labor. This aligns with the findings of the study [12] It demonstrates how paying employees more greatly boosts their job satisfaction [13]. This demonstrates that the degree of job satisfaction among employees will rise in direct proportion to the remuneration package that the company offers. When workers feel more satisfied that their requirements have been addressed, they will work harder and perform better, which will raise the level of worker satisfaction.

### 5.2 The Effect of Work Environment on Employee Performance

The results of the hypothesis test indicate that work environment variables have a positive and significant impact on employee satisfaction at PT KAI DAOP 5 Purwokerto workplace. This demonstrates that job satisfaction will rise in direct proportion to the quality of the infrastructure and facilities provided in the workplace. Employee job happiness will be further enhanced by

the infrastructure in the workplace. It has been observed that an employee's work environment has a direct impact on how they do the production process, although the work environment itself is not immediately affected [14]. directly affects how they carry out the production process but do not carry out a process in their work. carry out a procedure at work. This study indicates that, with a significance of  $0.001 < 0.05$ , the work environment has an impact on employees' job satisfaction. Employee comfort and job satisfaction can be influenced by the work environment of the organization, according to research findings based on the Two-Factor Theory. This is consistent with studies that demonstrate a favorable relationship between work environment factors and employee job satisfaction measures [15]. This means that for workers to feel comfortable and work to the best of their ability, the work environment in the organization must always receive special attention. In addition to their own comfort, employees also care about their work environment because it makes it easier for them to do their work [16].

## **6 Conclusion**

The purpose of this study is to ascertain how PT KAI DAOP 5 employees perform in relation to variables related to their work environment and compensation. The first finding is that employee performance characteristics are significantly impacted by both the variables related to salary and the work environment. Second, factors related to employee performance are significantly impacted by partial compensation. Third, employee performance characteristics are significantly impacted by the work environment.



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