INDONESIAN JOURNAL OF MULTIDISCIPLINARY SCIENCE

P-ISSN: 2808-5957
E-ISSN: 2808-6724

Analysis of compensation and work environment in improving employee performance

Marcella Olivia*, Faculty of Economics and Business, Universitas Swadaya Gunung Jati, Cirebon, West Java, Indonesia
Muhammad Taufik Rizky, Faculty of Economics and Business, Universitas Swadaya Gunung Jati, Cirebon, West Java, Indonesia
Difa Alifiah Ramadhani, Faculty of Economics and Business, Universitas Swadaya Gunung Jati, Cirebon, West Java, Indonesia

*Email for Correspondence: marcellaoliviaa23@gmail.com taufikrisky11@gmail.com divaalifiah15@gmail.com

Keywords:

compensation
work environment
employee performance
systematic review

ABSTRACT

Compensation is a key element that affects the performance of a company because it covers the emotional aspects of the workforce as well as the basic elements of accountability, logic, rationality, and worthiness. Compensation and the workplace have a significant impact on employee satisfaction with their jobs, according to research based on the design of writing challenges for this article, literature reviews, theoretical studies, reviews of results from related publications, and conceptual framework drawings. This article analyzed compensation and work environment in improving employee performance with a systematic review approach. The results of this study show that employee performance is positively influenced, significant, and insignificantly by pay and the work environment. Compensation has a positive impact on job satisfaction. This study provides several recommendations, such as paying all employees fairly and appropriately, giving them the opportunity to express their opinions, giving their opportunity to advance their careers, and, finally, offering training.

This is an open access article under the CC BY-SA license.

INTRODUCTION

One element that affects the performance of a company is its human resource management. Human resources are important assets that are utilized to plan, implement, and supervise various business operations. Employers should see their staff as unique people who need respect and recognition, not as tools to help the business achieve its goals (Zulher et al., 2022). In any business, job satisfaction is critical because it serves as a measure of how well an organization meets the requirements of its constituents (Yusuf et al., 2020). Job Satisfaction is a very personal experience that only workers have. The individual in question and its characteristics are not necessarily the same from one person to another.

The presence of human resources is very important for a business because employees are an important part of company operations. To deliver the best results, every human resource in the business should be fully exploited to the fullest extent possible (Widyatama & Information, 2023). One of the main motivations of working in a company is to use the benefits or compensation they receive from work to help meet their basic needs. Salary is a major factor in improving employee performance in the workplace. Furthermore, remuneration can be interpreted as an expression of appreciation or retaliation from the employer for the contribution of workers to the company (Utami et al., 2015).

Workers or staff are an important component in any organization or business because they have a great influence on the development or failure of a company. In the business world, companies must foster good employee performance in order to advance the organization. To achieve the goals and objectives of the company is not required high employee performance (Suryanto & Ferry Cahaya, 2023). Meeting these goals and achieving the vision is about managing human resources, which can lead to better performance results. In addition, hiring qualified workers and implementing effective human resource management are important prerequisites for establishing a business in the business field. This shows that the business world cannot do this. Everything should be done taking into account his wishes, regardless of the importance of human work. Therefore, there is an expectation that staff can work effectively.

Employees who meet the needs of the company and have the necessary skills to perform the tasks assigned by the organization are essential to achieve the company's goals (Soebiartika & Rindaningsih, 2023). Each and every organization will consistently strive to improve employee performance in hopes of realizing its long-term goals. Performance is a reflection of an employee's talent; Excellent performance is ideal performance. One of the main resources needed by a business to achieve its goals is its workforce. So, the performance of the Leader in the organization must pay attention to its employees. Performance is the result of a person's work in completing the tasks given to him in accordance with talent, experience, sincerity, and time availability. If workers are able to carry out successfully, high-quality work will result.

Physical and psychological conditions in the workplace have an impact on employee motivation and output. This is known as the work environment (Razak Munir et al., 2022). locations that affect employee performance. A healthy work environment and fostering good relations between superiors and subordinates as well as adequate facilities and infrastructure can have a positive impact on employees and lead to improved performance. A company wants to make enough money to pay for overhead costs and provide a good working environment, therefore it also wants to create a pleasant working environment.

Every business will certainly build a working atmosphere with the aim of encouraging employees to feel comfortable and contribute more to the business According to Pragiwani and Bran Hans (2017) Compensation is management's or leadership's way of recognizing staff members' contributions. Benefits received by individual charities that can be received from work procedures and their relationship with the company both monetary and non-monetary are also considered as rewards (Nunung Ashari, 2018). The actual benefits, such as skills, loyalty, or labor that employees receive in exchange for providing services or doing their jobs are referred to as "compensation". Effective management and communication are necessary for compensation to occur. It states that the business will benefit more from a well-managed salary, but if management and employees mislead or cannot communicate with each other, both the business and employees will suffer losses.

In addition to salary, there are other elements such as workplace culture that affect how well a person performs. According to Muttaqien et al. (2023), work environment refers to everything that surrounds an employee and has the potential to affect how well they perform their assigned activities. For example, order, noise level, and others. Every business needs to make efforts to positively impact its employees because it can affect how well its people perform. Meanwhile, Muhammad & Muhammad (2022) states that the state of the work environment is a condition that needs to be built a workplace in order to encourage high productivity and performance among employees. This is important to note because an employee's excitement towards his job can be increased by his workplace. Employee performance will increase by itself if there is a positive attitude towards work (Meliza, 2019). If everything goes according to plan, then the company's goals will also be achieved. In addition, the work environment of an employee can affect how he feels about himself. For example, if they enjoy their workplace, they will feel more comfortable carrying out daily tasks and making the most of working hours. Therefore, the business world must really understand it in relation to all situations that have a direct or indirect influence on activities related to the performance of their employees.

Based on the explanation written, this paper analyzed compensation and work environment in improving employee performance with a systematic review approach. It is expected to contribute to the development of the issue discussed and become a reference for future relevant research.

METHOD

This research was conducted using qualitative approaches, such as literature reviews or literature studies. By comparing hypotheses found in literature books or previous research findings found in scientific journals, this strategy investigates a hypothesis according to the discipline of resource management for human resources (Sugiyono, 2016). Referenced scientific articles are obtained exclusively from Google Scholar and similar web literacy data searches such as Scopus. A literature review consistent with several acceptable methodological viewpoints is a requirement for qualitative research in literature research or literature study. To avoid directing the questions asked by the researcher, then this question should be used inductively. The reason qualitative research is done is because this research is exploratory. The flow of the research starts from determining the research purpose, searching for relevant sources, data collection, reference synthesis, interpretation, and conclusion drawing.

RESULTS AND DISCUSSION

Employees who meet the needs of the company and have the necessary skills to perform the tasks assigned by the organization are essential to achieve the company's goals. Each and every organization will consistently strive to improve employee performance in hopes of realizing its long-term goals (Paraswati, 2023). Working environment indicators state: Environment in the workplace. The environment in which workers are located when they perform their duties may have an impact on the way work is done. Work space, facilities and equipment for work, tranquility, lighting, cleanliness and interpersonal interaction will all contribute to this work environment. Connection with colleagues. Interpersonal relationships between

colleagues are characterized by harmony and the absence of competition or jealousy. Cooperative relationships between colleagues and positive relationships with leaders are two factors that can encourage employees to stay in a company. Family relationships and harmony are one of the things that can affect whether or not employee performance is good. Workspace accessibility.

Research by Hermawan and Rahadi (2021) found that remuneration (Compensation) has a major impact on performance satisfaction. Subject Matter Data showing that remuneration also includes profits earned by non-profit organizations as a result of their work and affiliation with the company, both financially and non-financially, supports this. This shows that compensation is not limited to monthly salaries. This also results in a shift in altruistic values according to their position and duties. As a result, more workers will feel satisfied at work because they know that the organization values their contributions. Based on research conducted by andFibriadi Yusuf (2022), compensation affects the performance of workers significantly. Therefore, compensation should be given to employees as motivation during employment It has been proven that employee performance is significantly affected by the work environment. Therefore, employees must strive to keep the workspace neat and clean so that it is comfortable to work. Compensation has a positive impact on job satisfaction. This further demonstrates the psychological compensation that occurs when management invites an employee to discuss the privileges they have gained at work (Esthi, 2021). Having these conversations helps employees feel valued. Recognise the practical benefits of remuneration, but don't overlook the psychological impact of offering and discussing compensation with staff members. Compensation is a complicated and challenging topic because it covers the emotional aspects of the workforce as well as the basic elements of accountability, logic, rationality, and worthiness. For workers who impact job happiness, loyalty, or other aspects of the workplace, compensation is a crucial component of job survival. How the company implemented its payment strategy during the financial crisis to keep business operations running without interference from personnel. Customer focus, facilities and remuneration, as well as communication are key factors influencing employee engagement in the organization.

The purpose of compensation is to encourage and motivate employees to perform better while increasing productivity and efficiency (Dwijayanti & Dewi, 2015). Therefore, personnel who are appropriately compensated will be more satisfied and motivated to achieve the company's goals. Compensation is important for employees as individuals because it reflects the value of their work among the employees themselves. However, if employees feel that their compensation is insufficient, their job performance, motivation, and job satisfaction can decrease significantly. Usually, the administration of employee remuneration is designed and created by the personnel department.

According to research by Dahlila and Frinaldi (2021), employees are more motivated and productive in companies where they can feel more satisfied with their jobs if they receive higher salaries. Favorable working conditions and a neat and pleasant environment manifest A positive working relationship between an employee and his superiors, subordinates, and junior employees in a company is also influenced by physical characteristics.

According to Capestrano Dionisius et al. (2023), there are two main categories of work environments: physical work environments and non-physical work environments. The physical aspects of the workplace that have the potential to affect employees directly or indirectly are collectively referred to as the physical work environment. Physical workspaces can be divided into two groups: (1) arrangements that are directly related to workers, such as desks, seats, tables, and so on; (2) The working environment that affects the human condition, such as temperature, humidity, air circulation, lighting, noise, mechanical vibration, unpleasant aroma, color, etc., is referred to as intermediate environment or general environment. The first step in reducing how much influence the physical environment has on workers.

Utami et al. (2015) quotes Myon Woo Lee, creator of W theory in Human Resource Management Science, who asserts that to achieve common goals, business management must create an environment and culture that fosters a sense of family. In addition, company management must be able to support initiative and originality. This situation in turn triggers the spirit of the company's organization to work together to achieve goals.

Based on data analysis, the following conclusions can be drawn: Companies must assess employee compensation to achieve this goal, because employees are already convinced that they deserve it. Therefore, compensation has no real impact on employee performance. Create a policy. Employee performance is greatly influenced by the work environment because according to actual data there is a tendency to move data about the work environment in line with company performance. The business world must pay attention to concerns related to the workplace. Salaries and work environment have a major impact on employee performance. This is due to the fact that salary and workplace culture encourage people to work enthusiastically. This is in line with research conducted by Arta et al. (2022) The results of the data analysis showed that: Employee performance measured by a sample of 75 respondents using questionnaires at PT Bank QNB INDONESIA SCBD branch was not significantly affected by compensation. This study approach utilizes SmartPLS. This

study tests the hypothesis that employee performance is positively influenced, significant, and insignificantly by pay and work environment. Other research conducted by Meliza (2019), using questionnaires as an analysis tool and performing structural equation model (SEM) analysis in SmartPLS 3.2.8. The four hypotheses put forward are supported by the findings of the study. First, employee performance is positively and significantly affected by salary. Second, performance is positively and significantly influenced by the work environment. Third, satisfaction acts as a mediating factor between compensation and performance; Fourth, satisfaction acts as a mediating factor between the work environment and performance. The results of this study provide several recommendations, such as paying all employees fairly and appropriately, giving them the opportunity to express their opinions, giving them the opportunity to advance their careers, and, finally, offering training. There is a magnitude of influence related to compensation on employee performance of 0.1512 (Al Ghifary & Fadili, 2023; Arta et al., 2022). The influence of the work environment on employee performance is 0.1008. While the R Square of 0.0500 shows that there is a relationship between Compensation and Work Environment to Employee Performance by 0.50% based on simultaneous testing of the independent variables of Compensation and Work Environment. The variable that has the greatest influence on employee performance is compensation which has a value of 0.1512% based on the results of independent variable analysis. The work environment has a value of 0.1008%. Compensation and the Workplace have a significant impact on employee satisfaction with their jobs, according to research based on the design of writing challenges for this article as well as literature reviews, theoretical studies, reviews of results from related publications, and conceptual framework drawings.

CONCLUSION

The conclusion of this article is that compensation affects satisfaction, based on journal literature and publications related to the issue. Employees are more satisfied with their jobs when they receive value compensation that is given transparently and accordingly. Work happiness is influenced by the work environment. that the easier it will be to achieve employee satisfaction at work, the better the atmosphere and working environment.

REFERENCES

Al Ghifary, M. A., & Fadili, D. A. (2023). Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Pegawai Perumda Air Minum Tirta Giri Nata Kota Cirebon. *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam*, *4*(6), 1743–1752. https://doi.org/10.47467/elmal.v4i6.3487

Arta, D. N. C., Suyatno, A., Mulyadi, M., Putri, P. A. N., & Tanady, D. (2022). Studi Literature: Pengaruh Kompensasi Dan Lingkungan Kerja Terhadap Kepuasan Kerja Karyawan Pada Suatu Perusahaan. *Jurnal Darma Agung*, *30*(3), 319. https://doi.org/10.46930/ojsuda.v30i3.2100

Capestrano Dionisius, I., Wahyu Handaru, A., & Wiradendi Wolor, C. (2023). Pengaruh Kompensasi Dan Lingkungan Kerja Terhadap Kinerja Karyawan PT. X. *SINOMIKA Journal: Publikasi Ilmiah Bidang Ekonomi Dan Akuntansi*, *1*(5), 1385–1398. https://doi.org/10.54443/sinomika.v1i5.615

Dahlila, D., & Frinaldi, A. (2021). The Influence of Work Culture, Compensation and Work Spirit on Employee Performance of Health Office in in Pariaman City. *Jurnal Ilmiah Ilmu Administrasi Publik*, *11*(1), 89. https://doi.org/10.26858/jiap.v11i1.19112

Dwijayanti, M. N., & Dewi, A. A. S. K. (2015). Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kepuasan Kerja Karyawan pada Perusahaan Daerah Air Minum Tirta Mangutama Badung. *E-Jurnal Manajemen Universitas Udayana*, *4*(12), 4274–4301.

Esthi, R. B. (2021). Effect of compensation, work environment and communication on employee performance in ud. djaya listrik and material. *Forum Ekonomi*, *23*(1), 145–154.

Fibriadi, H., & Yusuf, M. (2022). The Effect of Compensation and Work Environment on Employee Performance. *Al-Amwal : Jurnal Ekonomi Dan Perbankan Syari'ah*, *14*(2), 197. https://doi.org/10.24235/amwal.v14i2.11075

Hermawan, R., & Rahadi, D. R. (2021). Analisa Lingkungan Kerja dan Peningkatan Kinerja Karyawan melalui Motivasi: Studi Literatur. *Tirtayasa Ekonomika*, *16*(1), 118. https://doi.org/10.35448/jte.v16i1.10090

Meliza, E. E. (2019). *Analisis Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan dengan Kepuasan Kerja sebagai Variabel INTERVENING pada PT. Gold Coin Specialities* [Doctoral Dissertation].

Muhammad, R., & Muhammad, B. (2022). *YUME : Journal of Management Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan*. *5*(3), 242–257. https://doi.org/10.2568/yum.v5i3.2588

Muttaqien, F., Abrori, I., & Cahyaningati, R. (2023). Analysis of Compensation and Work Environment on Employee Productivity in Regional Water Drinking Companies, Lumajang District. *Muhasabatuna : Jurnal Akuntansi Syariah*, *4*(2), 57–62. https://doi.org/10.54471/muhasabatuna.v4i2.2220

Nunung Ashari. (2018). Analisis Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan PDAM Kabupaten Magetan. *Doctoral Dissertation, Universitas Muhammadiyah Surakarta*.

Paraswati, A. D. (2023). *Literature Review: Kompensasi dan Motivasi Kemampuan Kerja Pegawai Melalui Kontrak Kerja Perusahaan*. *3*(2), 285–292. https://doi.org/10.32493/jism.v3i2.31336

Pragiwani, M., & Bran Hans, R. (2017). The Effect Of Work Motivation, Work Environment, Compensation In Improving Employees' Work Ethos. *International Journal Of Artificial Intelegence Research*, *6*(1), 2022. https://doi.org/10.29099/ijair.v6i1.1.409

Razak Munir, A., Muna Almaududi Ausat, A., & Joko Purnomo, Y. (2022). Do Motivation, Compensation, and Work Environment Improve Employee Performance: A Literature Review. *International Journal Of Artificial Intelegence Research*, *6*(1), 2579–7298. https://doi.org/10.29099/ijair.v6i1.2.678

Soebiartika, R., & Rindaningsih, I. (2023). Systematic Literature Review (SLR): Implementasi Sistim Kompensasi dan Penghargaan Terhadap Kinerja Guru SD Muhammadiyah Sidoarjo. *MAMEN (Jurnal Manajemen)*, *2*(1), 171–185. https://doi.org/10.55123/mamen.v2i1.1630

Sugiyono. (2016). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: PT Alfabet.

Suryanto, S., & Ferry Cahaya, Y. (2023). The Role of Career Development, Work Environment and Compensation in Improving Employee Performance PT Bridgestone Tire Indonesia Bekasi. *Management Research Studies Journal*, *4*(1), 24–46. https://doi.org/10.56174/mrsj.v4i1.526

Utami, D., Rodhiyah, R., & Nurseto, S. (2015). Pengaruh Lingkungan Kerja Dan Kompensasi Terhadap Kinerja Karyawan Bagian Produksi Pada CV. Cynthia Box Kudus. *Jurnal Ilmu Administrasi Bisnis*, *5*(1), 134–144.

Widyatama, U., & Information, A. (2023). THE EFFECT OF WORK ENVIRONMENT EMPLOYEE PERFORMANCE . AND MOTIVATION ON © 2023 Universitas Negeri Semarang. *Management Analysis Journal*, *12*(2), 187–191.

Yusuf, D. C., Hamzah, D., & Yusuf, R. M. (2020). The Effect of Compensation and Job Environment on Employee Loyalty through Job Satisfaction as an Intervening Variable. *Hasanuddin Journal of Business Strategy*, *2*(4), 76–84. https://doi.org/10.26487/hjbs.v2i4.370

Zulher, Z., Norawati, S., Basem, Z., & Azmi, U. (2022). The Impact Of Compensation And Work Environment On Employee Performance Through Job Satisfaction. *ECo-Buss*, *5*(2), 722–731. https://doi.org/10.32877/eb.v5i2.613