

# EFFECT OF WORK ENVIRONMENT AND COMPENSATION TO EMPLOYEE PERFORMANCE

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***ABSTRACT**---This research revealed that there is a gap between the existence of a good work environment and compensation that has been done but the employee's performance can't get the specified target. This research aims to find out whether the work environment and compensation affect the performance of employees of CV Nugroho Hadi Putra. The factors tested in this research are the work environment and compensation as the independent variable, while employee performance as the dependent variable. This research used descriptive method, with data collection techniques through by observation and questionnaire distribution. The population of this research were employees of CV Nugroho Hadi Putra with a sample of 100 respondents. Data analysis using multiple linear regression analysis at significant level of 5 percent. The programs used are SPSS 25 and Lisrel 8.80. The results of this research showed two independent variables, that is work environment and compensation are not significantly influence of employee performance.*

***Keywords**---Work environment, compensation, employee performance.*

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## I. Introduction

The convection or garment business is one of the growing businesses in Indonesia, especially in the clothing business. Of course human resources play an important role, both as consumers or as producers. Human resources (HR) are the company's main partners that determine the success and sustainability of the workforce. Every company or instance needs to increase employee productivity for an increase in employee performance and appropriate with the standards set by the company. Employees and the work environment are important aspects that must be considered in the company in order to achieve the desired target standards. Employees who completely their duties and have a good responsibilities and correctly will have good performance as well. Likewise, a good work environment will create high performance results as well. Therefore these two things are very influential in increasing company productivity.

CV. Nugroho Hadi Putra became one of the convection that has been established since 2016 which is located in Cimahi. This company shows a good increase in the field of marketing that can be seen from the increase in the number of orders from year to year. It's just there's a decrease in achieving targets, especially in fulfilling the target of time order. That is caused by maximum deficient of employee performance. The owner of CV Nugroho Hadi Putra has strategy with the matter by providing a comfortable work environment and providing salary increases and bonuses to several employees.

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But the results is not corresponding with the target owner desires. Therefore, researchers conducted interviews with 30 employees of CV Nugroho Hadi Putra with the main issues:

1. How much effect of the work environment on the performance of the employees of CV Nugroho Hadi Putra.
2. How big effect of compensation on the performance of the employees of CV Nugroho Hadi Putra.

Based on the background of the problem, this study aims to:

1. Have the results of an analysis of the effect of the work environment on the performance of employees of CV Nugroho Hadi Putra.
2. Have the results of an analysis of the effect of compensation on the performance of employees of CV Nugroho Hadi Putra.

## **II. Method**

This research was conducted on the employees of CV Nugroho Hadi Putra using descriptive and verification methods to examine more deeply the influence of the work environment and compensation on the performance of employees of CV Nugroho Hadi Putra. Based on this method, the researcher did a survey by distributing questionnaires to 30 employees of CV Nugroho Hadi Putra. For data collection obtained through primary and secondary data that have been tested for validity using the product moment correlation technique. Analysis of the work environment and compensation for the employees of CV Nugroho Hadi Putra was carried out by descriptive and hypothesis testing using statistical tools and the results were given an explanation. Time of this research, researchers limit the time from January 2020 to April 2020.

## **III. Literature View**

### **Human Resources**

Human resources is a component who has very take effect for the running of an institution or company because the quality of the company can be developed by the quality of the workers. In The Human Resources Glosarium by William R Tracey define Human Resources as "People who become staff and operate an organization or company"(1991). So that create quality human resources, good management is needed to manage it. Gary Dassler (2015: 4) argues that human resource management is the process of obtaining, training, evaluating, and compensating employees, and to take care of their work relationships, their health and safety, as well as matters relating to justice. The purpose of human resource management in an agency or company is to increase the productivity of the performance of the employees and knowing what is needed to float the quality of the employees. Based on the theory, it comes to an understanding that human resource management is needed in managing an institution or company in order to achieve a target and be responsible for their respective roles or their own tasks.

### **Work Environment**

Besides human resources, the thing that must be considered by company management is the work environment. According to Sunyoto (2015: 38) states the work environment is a very important component for employees at work. The environment has a direct influence on employees who carry out activities in the place. This was stated by Sedarmayanti (2011: 28) who said that the work environment is all physical conditions that exist around the workplace that can affect employees both directly and indirectly. This working environment definition try to do by the company CV Nugroho Hadi Putra to his employees.

The factor that can affect the work environment are buildings where their work and adequate work facilities. These factors must be fulfilled by the owner of the company in order to create a good and comfortable work environment. The required facilities, such as working equipment, transportation, security, as well as additional facilities such as AC (air conditioner) and room decoration. In addition to facilities, cooperation between employees must be established good cooperation. The continuity communication between colleagues and with the leadership can also create a good atmosphere for the employees themselves.

### **Compensation**

According to Wibowo (2007: 461) compensation is a contract of achievement for the use of power or services that have been provided by work force. Compensation can be very influential on employee's behavior and performance to attract on work more actively and responsibly. This compensation can be in the form of wages, salaries or benefits. As stated by Husein Umar (2007: 16) which states that compensation is anything received by employees in the form of salaries, wages, incentives, bonuses, premiums, medication, insurance and others of the same kind that are paid directly by the company. The definition of compensation used in this study is an appropriate reward given to employees of CV Nugroho Hadi Putra.

According to Mondy and Martocchio (2016: 247) the forms of compensation provided by companies to employees can be grouped into 2 (two), namely:

1. Financial compensation, in the form of salaries and bonuses / incentives
2. Non-financial compensation, in the form of insurance and benefit benefits.

### **Employee's Performance**

The performance is the result of work achieved by a person or worker in carrying out a duty. Anwar Prabu Mangkunegara (2014: 67) states that employee performance is work result in quality and quantity achieved by an employee in carrying out their duties corresponding with the responsibilities given to him. This employee's performance is used in research on work achievements that have been carried out by employees of CV Nugroho Hadi Putra. According to Bernardin and Russel (2010: 179) performance indicators include:

#### 1. Quality

Is the degree to what extent the process or results of the implementation of the activity is nearing perfection or approaching the expected goal.

#### 2. Quantity

Is a represents the amount generated, for example the amount of rupiahs, units, cycles of activities to do.

#### 3. Timeliness

Is the extent to which an activity is completed at the desired time, by pay attention to the coordination of other outputs and the available time for other people's activities.

Based on the theories above, it is stated that employee performance can affect the quality, quantity and effectiveness of the company, especially to the company CV Nugroho Hadi Putra.

### **Relationship Between Work Environment and Compensation for Employee Performance**

#### **Relationship Between Work Environment for Employee Performance**

The relationship between the work environment and employee performance can be seen from the interviews of the employees of CV Nugroho Hadi Putra. This research was conducted to determine the effect of the atmosphere and the environment provided by the company to employees so that the employees of CV Nugroho Hadi Putra feel comfortable

when working. This research was previously stated by Saleleng Suegato (2015) who said that the results of his research were motivation and compensation which had a positive and significant effect on employee performance. Between these two variables, motivation has a more dominant influence on employee performance than composition. The relationship of this research can be described as follows:

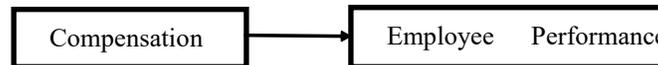
Picture 1: Relationship Between Work Environment for Employee Performance



### Relationship Between Compensation for Employee Performance

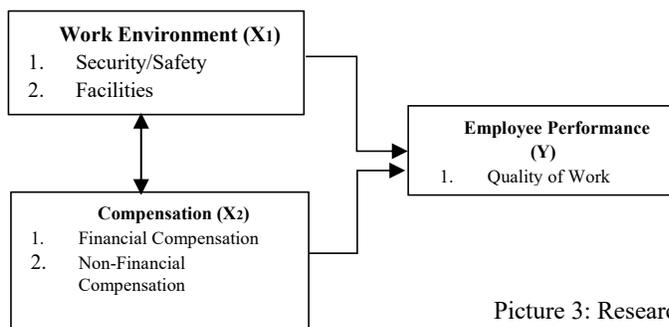
The relationship between compensation for employee performance can be seen from the interviews of the employees of CV Nugroho Hadi Putra. This research was conducted to determine the effect of compensation in the form of wages, bonuses and / or benefits provided by the company to employees of CV Nugroho Hadi Putra in order to motivate to be more responsible in working. Nzyoka and Orwa (2016) revealed that the relationship between compensation changes, wages, incentives or rewards are the key in developing employee quality. The relationship between compensation for employee performance can be described as follows:

Picture 2: Relationship Between Compensation for Employee Performance



### Relationship Between Work Environment Variables and Compensation of Employee Performance

The relationship between work environment variables and compensation on employee performance, can be seen from the results of previous studies that proven the results of the work environment and compensation can affect employee performance. Work environment and compensation affect the performance of employees to improve the performance of employees of CV Nugroho Hadi Putra. Then the paradigm of the variables above can be described as follows:



Picture 3: Research Paradigm

### Research Hypothesis

The research hypothesis is as follows:

"The Effect of Work Environment and Compensation on the Performance of Employees of CV Nugroho Hadi Putra".

## IV. Result and Discussion

### Work Environment

The work environment conducted by CV Nugroho Hadi Putra included into the comfortable category, where the respondents in this study are employees of CV Nugroho Hadi Putra who have given positive answers in questions about the work environment. The majority of employees of CV Nugroho Hadi Putra stated that they were comfortable in their work environment.

### Compensation

The recapitulation results which are contained in the questionnaire explained that the employees of CV Nugroho Hadi Putra knew about the compensation that had been done. Where the respondents in this study are employees of CV Nugroho Hadi Putra who have given a positive answer in the question about compensation.

### Employee Performance

The performance of the employees of CV Nugroho Hadi Putra has good performance which can be proven from the results of the questionnaire recapitalization. But, there is a decrease in the targets generated by the employees which will be discussed in the hypothesis and the results of the analysis.

### Analysis Result

The research of data was obtained through distributing questionnaires to employees of CV Nugroho Hadi Putra. The measurement result through a questionnaire for the independent variables studied were in the form of ordinal data. To equate the data of the ordinal scale independent variable with the interval scale independent variable, the data collected from the questionnaire which has an ordinal measurement scale, is first transformed into an interval scale using LISREL program.

To test the truth of the major hypothesis in this study, it can be seen in the calculation of the correlation coefficient between variables. According to Santoso (2014: 29) correlation numbers above 0.5 indicate a strong enough correlation, conversely if below 0.5 the correlation is weak. The results obtained can be seen in the following table:

Table 1: Correlation Matrix

Variable	Work Environment	Compensation	Employee Performance
Work Environment	<b>1.000</b>		
Compensation	<b>0,041</b>	<b>1.000</b>	
Employee Performance	<b>-0.018</b>	<b>0,119</b>	<b>1.000</b>

Source: March 2020 Questionnaire Results

The table above shows that:

1. Strong relationship between the influence of the work environment and employee performance is -0,018. This shows that the reciprocal relationship between the two variables reaches the level of 18 percent or in other words the level of relationship between the two variables is weak.
2. Strong relationship between the effect of compensation and employee performance is 0.119. This shows that the reciprocal relationship between the two variables reaches the level of 11.9 percent or in other words the level of the relationship between the two variables is weak.
3. The strong relationship between the influence of the work environment and compensation is 0.041. This shows that the reciprocal relationship between the two variables reaches the level of 41 percent or in other words the level of the relationship between the two variables is weak.

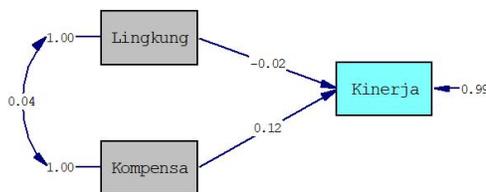
Using the Lisrel program to calculate path analysis, structural equations such as the following formula are obtained:

$$\text{The Performance} = -0.023 \cdot \text{Environment} + 0.12 \cdot \text{Compensation}, \text{Errorvar.} = 0.99, R^2 = 0.015$$

(0.10)	(0.10)	(0.14)
-0.23	1.19	6.96

Source: March 2020 Questionnaire Results

By using the equation and path coefficient table, it can be described the relationship structure between the three variables. The figure below illustrates the relationship structure and path coefficients of each variable:



Chi-Square=0.00, df=0, P-value=1.00000, RMSEA=0.000

Picture 4: Structural Relationship Between X1, X2, Y

Source: March 2020 Questionnaire Results

The tables and diagrams in the path above show that:

1. The direct effect of work environment variables on employee performance is -0.02 or equal to 0,0004 (squared) or equal to 0.04 percent. This can be interpreted that the influence of the work environment on employee performance. into the category of low influence.
2. The direct effect of product quality variables on consumer purchasing decisions is 0.12 or equal to 0.0144 (squared) or 1.44 percent. This can be interpreted that the effect of compensation on employee performance. into the category of low influence.
3. The direct effect of the two variables simultaneously on employee performance is 0.04 or 0.0016 (squared) or 0.16 percent. This shows that the two variables have a weak influence on employee performance.
4. The effect of residual variable (e) on Y variable is 0.99 or 98.01 percent (squared). This shows that employee performance is influenced by other factors with a high of 99.01 percent.

From the structural equation above, the hypothesis test can be seen in the following table:

Table 2: Hypothesis Test

<b>Simultaneous Test</b>
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Hypothesis	Fcal	Ftabl	Resul	Statistical
	culate e	t	t	Conclusion
Work environment and compensation have a significant effect on employee performance	0,738	3.09	Not Significant	H0 rejected. Work environment and compensation have no significant effect on employee performance
<b>Partial Test</b>				
Hypothesis	Tcon	Ttabl	Resul	Statistical
	clusion e	t	t	Conclusions
Work environment has a significant effect on employee performance	-0.23	1,660	Not Significant	H0 rejected Work environment has no significant effect on employee performance
Compensation has a significant effect on employee performance	-1,19	1,660	Not Significant	H0 rejected Compensation has no significant effect on employee performance

Source: March 2020 Questionnaire Results

From that hypothesis it can be concluded that the work environment and compensation variables do not significantly influence employee performance because there are indeed other factors that affect employee performance variables.

## V. Conclusions

From the series of information that has been explained about the influence of the work environment and compensation on the performance of the employees of CV Nugroho Hadi Putra it can be concluded that the two have no significant effect. This is due to several other factors that affect the performance variable.

The results of the interviews of the employees of CV Nugroho Hadi Putra as respondents from the questionnaire prepared by the researchers had good results. They revealed that the work environment as well as compensation was a pretty good thing given by the company. But the results of the interval scale using the Lisrel program, it shows weaknesses

that cause the work environment and compensation does not really affect the performance of employees of CV Nugroho Hadi Putra.

The advice that can be given in this study is to improve the division of responsibilities according to his passion so that employees will improve their performance. Accuracy is also needed when employees complete their work tasks so that the quality produced is better as well as more in line with the targets to be achieved.

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