How Work Environment and Rewards Affects the Employee Engagement

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ABSTRACT

Purpose: This study aimed to determine the effect of the work environment and reward on employee engagement at PT Futaba Industrial Indonesia.

Design/methodology/approach: This study uses quantitative descriptive research methods. The results showed that the work environment influences employee engagement, wherein the T-statistics for the variable work environment (X_1) on employee engagement variables (Y) amounted to 3,847 more than T-table 1,675. The original sample estimate value shows a positive value of 0.279, which indicates that the direction of the work environment variable (X_1) to the employee engagement variable (Y) is a significant positive effect. Thus Ha was accepted into the study.

Findings: The original sample estimate value shows a positive, indicating that the direction of the work environment variable (X_1) to the employee engagement variable (Y) is a significant positive effect. The original sample estimate value shows that the relationship of the reward variable (X_2) to the employee engagement variable (Y) is significantly positive.

Research limitations/implications: This research is only used as a sample, and the population is only in the welding section because it is not allowed to conduct research, so the results of this study are not comprehensive for all units in the company. Future research is expected to research all units in the company so that the research results.

Paper type: Research paper

I. INTRODUCTION

Employee engagement is a fascinating topic that practitioners in human resource management are studying (Nusatria, 2011). Employee engagement is defined as a favorable attitude at work that is marked by vigor (seriousness), dedication, and absorption (appreciation) (Schaufeli, W. B. and Bakker, 2003b). Employee engagement is a popular topic since it brings numerous benefits to the firm. Following that (Aon 2017), a well-known firm investigated Indonesia and discovered that half of the 250 million Indonesians in the 18 – 34 year age group have a low unemployment rate of only 5.6 percent, indicating that the country is growing. Aon's best entrepreneur in Indonesia has a retention rate that is 17 percent greater than the market average, and an extraordinary engagement value of 86 percent, which is better than the market average of 61 percent.

Employee engagement has become a crucial aspect in firms' development to continue competing in the world of work, according to two research data for employee engagement in organizations from 2012 to 2017. Companies will develop a variety of programs to help employees feel at ease and stay at work for a long time (Schaufeli, W. B. and Bakker, 2003b). Employee disengagement is caused by a number of circumstances. The work environment and rewards are two of them (Schaufeli, W. B. and Bakker, 2003b). The primary move for employee engagement in Indonesia that sets it apart from other market averages is four areas, one of which is

Reward, which scored 76 percent of the market average of 49 percent, with 27 percent more likely to feel valued and recognized for contributions and achievements than the market average.

According to a preliminary poll (Rahmanto, 2018), the work environment has a major impact on employee engagement. It was also shown that a positive work atmosphere leads to high levels of employee engagement. According to Sedarmayanti, (2009), if a corporation can develop a healthy and positive work environment, people will feel physically and psychologically at ease. Based on direct observations and surveillance, it was discovered that the workshop facilities at PT Futaba Industrial Indonesia still need to be upgraded to standard facilities. According to the standards mentioned by Sedarmayanti, (2009) and the results of interviews conducted by the author, noise in the workplace makes the working environment less conducive, as do other supporting facilities such as land or parking areas that are not adequate, and lighting is still below the statutory minimum. The government sets a standard of 80 Lux meters (metric unit of measure of light on a surface).

Increase. This facility should be improved by the organization in order to better manage it. Based on the event that occurred at PT Futaba Industrial Indonesia, the company has employees with the highest psychological attachment to it. The work environment, according to (Sutrisno., 2009), is the overall facilities and infrastructure that can affect the implementation of work, such as the workplace, facilities, cleanliness, lighting, and tranquility, as well as the working relationship between the people who are in the place, so that the employees' work enthusiasm will increase.

Meyer, (2013) discovered that the component of harmonious connections with coworkers, bosses, and subordinates in the firm is a good driving force for employee engagement. In this scenario, a harmonious relationship with coworkers can be classified as a non-physical work environment that exists on the company PT. Futaba Industrial Indonesia's quality of work environment. Based on the foregoing, it can be stated that a positive work environment will influence employee motivation and engagement.

Then there's the Reward, which has an impact on employee engagement. According to previous study (Ines, 2016), Reward has a major influence on employee engagement, with higher Reward perceived by employees leading to higher employee engagement. Employee engagement is influenced by a variety of factors, including employee connection and advantages received from the organization (Saks, 2006). Employees will feel obligated to respond with a higher degree of involvement if they earn rewards from their employers (Saks, 2006). The fundamental goal of assessing compensation strategies and their benefits is to assist attract, engage, and retain vital workers in an increasingly complicated and competitive market (Lardner, 2015).

Appropriate and wisely designed reward schemes, according to (Lardner, 2015), can effectively give optimal motivation to enhance employee engagement. PT Futaba Industrial Indonesia had a conflict a few months ago with its leadership and employees over giving awards to each of its employees that were not as planned. The corporation did not grant the nominal request from employees, and the second issue in this organization is that bosses do not give personal acknowledgment and congratulations to employees who meet job goals. These suggests an issue with the company's reward strategy and extrinsic rewards in the reward indication; with a sound reward strategy system in place, instances like this are unlikely to occur again.

Based on the above explanation and the importance of the work environment and rewards in increasing employee engagement, it is supported by the findings of previous research from (Rahmanto, 2018) and Ines, (2016), which found that the influence of the work environment and rewards have a positive and significant impact in increasing employee engagement, and that employee engagement can determine the achievement of company goals. In that situation, the researcher will look into the impact of the work environment and incentives on employee engagement.

II. LITERATUR REVIEW

A. The Impact of Workplace Environment on Employee Engagement

The work environment was found to play a substantial effect in employee engagement by 54.3 percent statistically and qualitatively in previous research (Rahmanto, 2018). This condition shows that one of the most important variables influencing employee engagement is the work environment.

According to Sedarmayanti, (2012), if a corporation can develop a meaningful and favorable work environment, people will be physically and psychologically at ease. According to Meyer, (2013), the component of harmonious connections with coworkers, managers, and subordinates in the firm is a good driving factor for employee engagement. It can be concluded that a positive work environment has a positive impact on employee engagement.

X1: The employee engagement variable is influenced by the work environment (X1) (Y).

B. The Influence of Reward on Employee Engagement

According to early research findings (Ines, 2016), the reward variable has a statistically significant partial (individual) effect on employee engagement. Thus, according to (Sharon, 2016), the reward variable has been proved in a quantitative exploratory study to drive employees to have better employee interactions, resulting in organizational benefits.

Employees who receive good, fair rewards that are in line with expectations, according to Ines, (2016), will feel obligated to reciprocate by attempting to meet their commitments. Employees can become irritable if they don't feel like they're getting enough rewards, according to (Saks 2006); the correct reward system is a key aspect in boosting employee engagement.

X2: Reward (X2) has a big impact on employee satisfaction (Y).

III. RESEARCH METHODOLOGY

The researchers used quantitative descriptive research methods for their investigation. SmartPLS 3.0 statistics were used to process the data. The research approach is advantageous because, according to (Arikunto., 2002), many aspects of quantitative research necessitate the use of numbers, including data collection, data interpretation, and the presentation of the results. We can achieve our objectives and obtain accurate, precise, and objective data using this study strategy.

A. Collecting and Populating Data

At PT Futaba Industrial Indonesia, this research model relates the role of the work environment and rewards in employee engagement. To get the data and information required by the research objectives, the data collecting operations used a questionnaire technique.

The population in this study was made up of 50 personnel from PT Futaba Industrial Indonesia's welding branch. The majority of the staff of PT Futaba Industrial Indonesia have been with the company for more than three years. As a result, it becomes easier for respondents to submit the information that aids in the preparation of this study. In this study, the researcher used a saturated sample as a method of collecting data. The saturated sample, according to (Sugiyono, 2010), is a sampling strategy in which all members of the population are utilized as samples; another term for saturated samples is a census, in which all members of the population are sampled.

The research technique refers to (Ghozali, 2012) and (Sarwono, 2015). Thus, for the questionnaire item, the independent variable (independent), namely the work environment (X1) refers to (Sedarmayanti, 2012) there are 7 statement items, and Reward (X2) refers to (Ivancevich., 2006) there are 9 statement items, as well as the dependent variable (dependent), namely Employee engagement (Y) refers to (Schaufeli, W. B. and Bakker, 2003a) there are 12 statement items, and the dependent variable (dependent), namely Employee engagement (Each item in the questionnaire has an option of five different Likert Scale Score answers, ranging from strongly disagree (1) to strongly agree (5).

Validity and Reliability are two terms that are often used interchangeably. There are two types of exams: standardized tests and non-standardized tests. According to Ghozali, a correlation has convergent validity if the Outer Loading value is more than 0.5. (2012:25). When assessing the measurement model for PT Futaba Industrial Indonesia respondents, the results in Table 3 are not entirely meaningful (less than 0.5). Y9 employee engagement, X1.1 (0.488) work environment, X2.8 (0.449) incentive, and X1.1 (0.488) work environment (0.367).

IV. RESULTS AND DISCUSSION

A. Validity Test and Reliability Test

According to Ghozali, (2012) a correlation can be said to fulfill convergent validity whether it has an Outer Loading value of more than 0.5. When evaluating the measurement model for PT Futaba Industrial Indonesia respondents, the results from table 3 are not entirely valid (less than 0.5). In work environment X1.1 (0.488), reward X2.8 (0.449) and Employee engagement Y9 (0.367).

Table 1. Evaluation of the First Measurement Model

Construct and Item		Outer Loading
	Work Environment (AVE= 0.537, CR= 0.888)	
X1.1	The lighting in my workplace supports the atmosphere at work	0.488
X1.2	The air circulation in my workplace is operating well, so I feel comfortable	0.812
X1.3	I think the work equipment used is appropriate and adequate, both in terms of quality and quantity	0.711
X1.4	I always use earplugs in noisy work areas	0.807
X1.5	I think the work environment is safe, such as a secure parking lot	0.723
X1.6	I feel a family feeling where I work	0.753
X1.7	I feel have good communication between myself, employees, and my boss	0.784
	Reward (AVE= 0.624, CR= 0.935)	
X2.1	The salary set by the company is in line with what I expected	0.762
X2.2	There are allowances for all employees, whether there is a wife/husband and also a child who dies	0.564
X2.3	There is a proper medical allowance or hospital treatment for employees and their families	0.908
X2.4	the company always provides appropriate bonuses in the form of money to its employees at the end of the current year	0.901
X2.5	Superiors give personal recognition and praise to employees who can achieve work targets	0.914
X2.6	Every employee has the opportunity for career development	0.875
X2.7	I feel that having the opportunity plus the support of my superiors and colleagues to be able to complete the task well	0.787
X2.8	I feel challenged to achieve my work targets hence that I fulfill the excellent criteria	0.449
X2.9	My supervisor gives me the freedom to make decisions on work within my authority as long as it is following company SOPs.	0.814

	Employee Engagement (AVE = 0.483, CR= 0.914)	
Y1	I feel excited when I go to work	0.616
	Construct and item	Outer Loading
Y2	I do not get tired quickly to finish the work given to me	0.498
Y3	I am serious about solving problems related to my work	0.513
Y4	I try to maintain the quality of my work	0.791
Y5	I feel uncomfortable when I leave the task that is my responsibility	0.778
Y6	I feel proud of my work	0.855
Y7	The tasks at work make me challenged to complete them	0.516
Y8	I feel that my work makes people respect me	0.830
Y9	I am willing to spend a lot of time finishing my work	0.367
Y10	I am happy with the work I have to do at work	0.818
Y11	When I am working, time flies so fast	0.817
Y12	Minor problems in my work do not interfere with my concentration at work	0.717

*Catatan: AVE= Average Variance of Extracted *sig (lebih dari 0,5), CR= Composite Reliability*

*sig (lebih dari 0.7)

Source: processed data, 2019.

Based on table 1, not all AVE values are above the required value (more than 0.5) in the AVE Employee engagement (0.483). Hence the AVE value for all variables has not met the validity. Then, based on table 2. shows that all latent variables measured in this study have Composite Reliability values greater than 0.7; hence it can be said that all latent variables are reliable.

Table 2. Evaluation of the Second Measurement Model

	Construct and item	Outer Loading
	Work Environment (AVE= 0.610, CR= 0.903)	
X1.2	The lighting in my workplace supports the atmosphere at work	0.833
X1.3	The air circulation in my workplace is operating well, so I feel comfortable	0.705

X1.4	I think the work equipment used is appropriate and adequate, both quality and quantity.	0.844

	Construct and item	Outer Loading
X1.5	I always use earplugs in noisy work areas	0.729
X1.6	I think the work environment is safe, such as a secure parking lot	0.747
X1.7	I feel a family feeling where I work	0.815

Reward (AVE= 0.681, CR= 0.944)		
X2.1	The salary set by the company is in line with what I expected	0.767
X2.2	There are allowances for all employees, whether there is a wife/husband and also a child who dies	0.548
X2.3	There is a proper medical allowance or hospital treatment for employees and their families	0.917
X2.4	The company always provides appropriate bonuses in the form of money to its employees at the end of the current year	0.901
X2.5	Superiors give personal recognition and praise to employees who can achieve work targets	0.919
X2.6	Every employee has the opportunity for career development	0.878
X2.7	I feel that having the opportunity plus the support of my superiors and colleagues to be able to complete the task well	0.785
X2.9	I feel challenged to achieve my work targets hence that I fulfill the excellent criteria	0.821

Employee Engagement (AVE= 0.516, CR= 0.919)		
Y1	I feel excited when I go to work	0.618
Y2	I do not get tired quickly to finish the work given to me	0.506
Y3	I am serious about solving problems related to my work	0.525

Employee Engagement (AVE= 0.516, CR= 0.919)		
Y4	I try to maintain the quality of my work	0.796
Y5	I feel uncomfortable when I leave the task that is my responsibility	0.785

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Y6	*I feel proud of my work*	*0.855*
Y7	*The tasks at work make me challenged to complete them*	*0.530*
Y8	*I feel that my work makes people respect me*	*0.813*
	Construct and item	*Outer Loading*
Y10	*I am willing to spend much time finishing my work*	*0.825*
Y11	*I am happy with the work I have to do at work*	*0.805*
Y12	*When I am working, time flies so fast*	*0.716*

Catatan: AVE= Average Variance of Extracted *sig (lebih dari 0,5), CR= Composite Reliability *sig (lebih dari 0.7)

Source: processed data, 2019.

After doing the analysis, by removing the indicators that do not fulfill the criteria, based on table 2, Outer Loading provides a value above the recommended value, which is more than 0.5, so that the indicators used in this study have fulfilled convergent validity. Then the value of Average Variance Extract (AVE) for each variable from the analysis is based on table 3. AVE values are all above the required value, according to (Ghozali, 2012), which is 0.5 then the AVE value for all variables has complied the validity and for all of the variables measured in this study have Composite Reliability which is more significant than 0.7 hence that it can be said that all latent variables are reliable.

B. Evaluation of the Structural Model (Inner Model)

The evaluation of the structural model with SmartPLS was carried out by performing the R-squared (R^2) test and the significance test through the estimation of the path coefficient. The output for the value of R^2 using the smartPLS 3.0 computer program is obtained:

Table 3. Calculation Output R2

Variable	R Square
Employee Engagement	*0.921*

Source: processed data, 2019.

The R-squared (R^2) value is used to measure how much influence certain independent latent variables have on the latent dependent variable. According to Ghozali (2012:27), the R^2 result of 0.670 indicates the model is categorized as good. Table 3 shows the R^2 value of 0.921, which means it has a value greater than 0.670. Hence it can be said that the model formed is categorized as a good model.

C. Significance Test

The significance test with SmartPLS aims to determine the effect of exogenous variables on endogenous variables. Hypothesis testing with the SmartPLS method is carried out by performing a bootstrapping process with the help of the SmartPLS 3.0 computer program; therefore that the relationship between the influence of exogenous variables on endogenous variables is obtained as follows:

Table 4. Calculation Results of Research Data Bootstrapping

	Original Sample Estimate (O)	Sample Mean (M)	Standard Deviation (STD)	T- Statistics (IO/STDEVI)	P Values
Work Environment ->> Employee Engagement	0.279	0.271	0.072	3.847	0.000
Reward ->> Employee Engagement	0.810	0.812	0.055	14.693	0.000

Source: processed data, 2019.

Before testing the hypothesis, it is known that the variable is said to be significant whether the P-Value value is less than 0.5 and the T-table for the 95% confidence level (5%) of 50 is 1.675. Tests for each variable relationship are shown as follows: if the P-Value is more than 0.5, and the T-statistic is less than the T-table value (T-statistic is less than 1.675), then Ho is accepted, and Ha has rejected no significant positive effect. In the event the P-Value is less than 0.5 and the T-statistic is greater than or equal to the T-table (T-statistic more than 1.675), then Ho is rejected, and Ha is accepted, meaning that there is a significant positive effect (Ghozali., 2015)

D. Hypothesis testing of the work environment influence variable (X1) on the employee engagement variable (Y).

Table 4 shows the outcomes of data processing. The work environment influence variable (X1) on the Employee engagement variable (Y) has a P-value of 0.000 less than 0.5 and a T-statistic of 3,847 larger than T-table 1.675. The original sample estimate value is 0.279, indicating that the direction of the connection between the work environment variable (X1) and the Employee engagement variable (Y) is significant. As a result, Ha has been approved in accepted research. These findings are consistent with earlier research (Rahmanto, 2018). Employee engagement is affected by the work environment by 53.4 percent, according to the findings. As a result, the influence of the work environment variable (X1) and its indications on the employee engagement variable (Y) is positively significant in this study.

E. We are testing the hypothesis that reward variables (X2) influence the employee engagement variable (Y).

Table 4 shows the outcomes of data processing. The incentive variable (X2) on the Employee engagement variable (Y) has a P-value of 0.000 less than 0.5 and a T-statistic of 14,693 larger than T-table 1.675. The original sample estimate value of 0.810 is positive, indicating that the association between the reward variable (X2) and the Employee engagement variable (Y) is significantly positive. As a result, Ha was admitted into the study. This is consistent with prior study by (Ines 2016). As a result of the t count (4.713), which is more than the t table, the reward variable is statistically demonstrated to have a partial (individual) and significant effect on employee engagement (2,000). As a result, the reward variable (X2) and its indications influence the Employee engagement variable (Y) in this study, with the indicators being positively significant.

V. CONCLUSION

The effect of the work environment and rewards on employee engagement at PT Futaba Industrial Indonesia is investigated in this study. A total of 50 employees from PT Futaba Industrial Indonesia's welding department were surveyed for this study. The results showed that the work environment had a greater impact on employee engagement in the T-statistics for the work environment variable (X1) on the employee engagement variable (Y) of 3,847 than in the T-table of 1,675. The original sample estimate value is 0.279, indicating a significant positive influence in the direction of the association between the work environment variable (X1) and the employee engagement variable (Y). As a result, Ha has been approved in accepted research. In other words,

the influence of the work environment variable (X1) and its indications on the Employee engagement variable (Y) is positively significant in this study.

The results of this test are from previous research conducted by Rahmanto (2018). The results show that the work environment on employee engagement affects employee engagement by 54.3% quantitatively and qualitatively. This condition indicates that the work environment factor is one of the dominant factors that can positively affect employee engagement.

Then there's the effect of reward on employee engagement, with the T-statistics for the reward variable (X2) to the Employee engagement variable (Y) being 14,693 times higher than the T-table of 1,675. The original sample estimate value for the reward variable (X2) and the employee engagement variable (Y) is 0.810, indicating that the association between the two variables is considerably positive. To put it another way, the reward variable (X2) and its indicators have a positive impact on the Employee engagement variable (Y) in this study. As a result, Ha was admitted into the study.

The results of this test are likewise comparable to those of prior studies Ines (2016). The reward variable was found to have a statistically demonstrated partial (individual) and significant effect on employee engagement. Then, according to study from Sharon (2016), the reward variable has been proved in quantitative exploratory research to drive employees to have better employee engagement, resulting in organizational benefits.

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