



The Influence of Compensation and Work Environment on Employee Performance at the BAPPEDA (Regional Development Planning Agency) Office of Bengkulu Province

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ABSTRACT

The purpose of this study is to examine the impact of salary and work environment on employee performance in the Bengkulu Province BAPPEDA (Regional Development Planning Agency) Office. This study relied on primary data in the form of a questionnaire delivered to the research population. Employee performance is the dependent variable. Compensation and work environment are the independent factors considered. This study employs quantitative tools and a survey strategy. The research population consisted of 106 BAPPEDA personnel from Bengkulu Province. Purposive sampling was used to choose the research sample of 80 persons. With the assistance of SmartPLS, the data processing approach employs Structural Equation Modeling (SEM) analysis. The research results found that compensation and work environment have a significant effect on employee performance. This means that by providing appropriate compensation and a good work environment, employee performance at the BAPPEDA office can be improved.

INTRODUCTION

The influence of compensation and work environment on employee performance is important in developing human resources in various organizations. In the era of globalization and increasingly fierce competition, it is important for every organization to understand the factors that can influence employee performance.

The Bengkulu Province BAPPEDA Office is the government agency in charge of regional development planning in the province. As a critical institution in regional development, the performance of staff at the BAPPEDA Office is a deciding element in accomplishing the established development goals.

One factor that can influence employee performance is compensation. Compensation is a form of appreciation given to employees as a reward for the contributions and work results they

provide. Fair and adequate compensation can motivate employees to work better, increase job satisfaction, and have a positive impact on their performance.

One of the factors that can influence employees' motivation and performance is the compensation they receive for their work. Compensation can consist of salary, benefits, incentives, and other perks that can make employees feel valued and appreciated for their contributions. When employees perceive that their compensation is fair and adequate, they are more likely to work harder and produce better outcomes. Studies have indicated that fair compensation can enhance employees' job satisfaction, loyalty, and commitment to the organization.

Apart from compensation, the work environment also has an important role in influencing employee performance. A conducive work environment, including factors such as organizational climate, relationships between employees, support from superiors, and career development opportunities, can create conditions that enable employees to work effectively and efficiently.

When employees feel comfortable and engaged in a supportive work environment, they are more likely to make maximum contributions. A positive organizational climate, where values such as fairness, mutual trust, and teamwork are valued, can increase employee morale, motivation, and performance. Apart from that, support from superiors and clear career development opportunities can also influence employee performance by giving them encouragement, direction and space to grow and develop.

Based on the foregoing, the author wishes to undertake study at the BAPPEDA Office of Bengkulu Province on the impact of salary and work environment on employee performance. The purpose of this study is to determine how much remuneration and the work environment impact employee performance and to offer solutions for increasing employee performance.

LITERATURE REVIEW

Performance

According to Newstrom and Davis (1997) in their book entitled "Organizational Behavior: Human Behavior at Work", define performance as the level of individual success in achieving predetermined work goals. According to them, performance includes quantitative (work results) and qualitative (work quality) aspects of an individual's contribution to the organization, whereas according to Jackson and Schuler (2003) in their book entitled "Managing Human Resources through Strategic Partnerships", define performance as the extent to which individuals achieve or exceed the standards set by the organization. They emphasize that performance includes work results produced, behavior demonstrated in carrying out tasks, as well as relevant competencies and skills

Husein Umar (as cited in Mangkunegara, 2005) proposed a set of criteria to evaluate employee performance, such as: the quality of the work output, the honesty of the employee in carrying out their tasks, the initiative shown by the employee in solving problems, the attendance record of the employee, the attitude of the employee towards their work and colleagues, the cooperation level of the employee with other team members, the reliability of the employee in meeting deadlines and expectations, the knowledge of the employee about their work domain, the responsibility of the employee for their actions and outcomes, and the time management skills of the employee.

Employee performance is affected by various factors, both internal and external. Internal factors consist of: the intellectual capacity of the employee, the level of discipline at work, the degree of satisfaction with the job and the motivation to perform well. External factors consist of: the style of leadership adopted by the leader, the work environment created by the organization, the compensation given to the employee and the management systems implemented in the organization. These factors should be considered by leaders in order to enhance employee performance.

Compensation

Compensation is an important aspect of human resource management. Compensation is a reward given to employees for their contribution to the organization. Compensation can be in the form of money, goods, services, or non-material rewards. Compensation can influence employee motivation, performance, satisfaction and loyalty.

According to Anwar Prabu Mangkunegara (2001), compensation is something that is considered comparable. In civil service, monetary gifts are compensation given to employees as appreciation for their service. Agus Sunyoto (2008) defines compensation as a broader concept, compensation is all forms of financial returns, tangible services and goals obtained as a result of an employment relationship.

The indicators that can be used in measuring compensation according to Simamora (2004) include wages and salaries, incentives which are compensation above or beyond the salary and wages provided by the organization, allowances, facilities such as office cars obtained by employees.

A study conducted by Sutrisno et al. (2022) at PT. DEF examined how employee performance was influenced by compensation, motivation and job satisfaction. The study found that there was a positive and significant relationship between the compensation provided by leaders to employees and the company performance in the company.

According to a study by Kresnawan et al. (2021) on Compensation and Work Environment: Its Influence on Employee Performance, employee performance is partially and positively influenced by compensation, and both compensation and the work environment have a positive and significant impact on employee performance in a simultaneous manner.

Work environment

Employee performance is heavily influenced by the work environment. The work environment influences how people do their duties and, as a result, contributes to organizational success. A good work environment allows people to work efficiently, healthily, safely, and comfortably.

According to Afandi (2018), the work environment encompasses all the elements that surround the employee and affect his performance in accomplishing the tasks assigned to him. For example, factors such as air conditioner (AC), adequate lighting and so on can have an impact on the work environment..

Sedarmayanti, as cited in Susanti (2015), explains that the work environment encompasses the totality of the elements that a person encounters in their work, such as the tools and materials they use, the physical and social surroundings, the methods and procedures they follow, and the way they organize their work individually or collectively.

The indicators that can be used to measure the work environment according to Sarwoto (2001) include work equipment and facilities, work environment and work atmosphere.

In their research, Ramadanita and Kasmiruddin (2018) discovered that the work environment had a positive and significant effect on employee performance, as did Nurjaya (2021), who discovered that work environment variables had a positive and significant effect on the performance of PT employees. Cipta Pesona Hazara.

METHODS

The object of this research is employees of the BAPPEDA office of Bengkulu province. In this study, the population was 106 employees at BAPPEDA Bengkulu province. According to (Sekaran & Bougie, 2013) descriptive research is research that describes the characteristics of people, circumstances or situations. The research sample was taken using a purposive sampling technique of 80 people. The data collection technique for this research is to use a questionnaire with a Likert scale. In this research, the Structural Equation Modeling (SEM) analysis method was

used with the SmartPLS program. Validity test, reliability test, coefficient of determination test, validity redundancy test, and Path Coefficient test are used to measure each related variable.

RESULTS

Validity Test Results

Convergent validity test, namely a test to measure how big the correlation is between the indicator and the construct it measures. This test uses value and AVE (Average Variance Extracted) with the conditions that must be met are that AVE must be greater than 0.5

Table 1. Convergent Validity Test Results (Average Variance Extracted)

Variables	Average Variance Extracted (AVE)
Employee performance	0.640
Compensation	0.516
Work environment	0.564

Source: Processed data

From Table 1 it is known that the AVE value of each variable is above 0.5. Therefore, the results of the convergent validity analysis (AVE) can be concluded that all research variables have met the eligibility requirements for the convergent validity test.

Reliability Test Results

This test aims to find out how big the correlation is between the items in the instrument. Cronbach's Alpha values range from 0 to 1, where values close to 1 indicate high reliability, while values close to 0 indicate low reliability. The general provisions used to assess reliability are as follows:

- If the Cronbach's Alpha value is ≥ 0.9 , then reliability is very good
 - If the Cronbach's Alpha value is between 0.8 to 0.9, then reliability is good
 - If the Cronbach's Alpha value is between 0.7 to 0.8, then reliability is sufficient
 - If the Cronbach's Alpha value is between 0.6 to 0.7, then reliability is poor
- If Cronbach's Alpha value ≤ 0.6 , then reliability is poor

Table 2. Reliability Test Results (Cronbach's Alpha)

Variable	Cronbach's Alpha
Employee performance	0.936
Compensation	0.884
Work environment	0.855

Source: Processed data

Table 2 shows that the Cronbach's Alpha value of each variable is larger than 0.6. As a result, all variables have a high level of dependability.

Coefficient of Determination Test Results (R-Square)

This test aims to find out how much variation in the dependent variable can be explained by the independent variables in the model.

Table 3. Coefficient of Determination Test Results

Variable	R Square
EMPLOYEE PERFORMANCE	0.643

Source: Data processed

According to table 3, the R² value for employee performance is 0.643, which suggests that remuneration and work environment factors can impact employee performance by 64.3%, while the remaining 35.7% is influenced by variables not included in this study.

F-Square Test Results

F-Square is a measure used to assess the relative impact of an influencing variable on the influenced variable.

The criteria (Cohen, 1988):

- If the f² value = 0.02 → Small/bad
- If the f² value = 0.15 → Medium
- If the f² value = 0.35 → Great/good

Table 4. F Test Results

	EMPLOYEE PERFORMANCE
EMPLOYEE PERFORMANCE	
COMPENSATION	0.185
WORK ENVIRONMENT	0.231

Source: Data processed

Based on these criteria, it can be stated as follows:

- a. Compensation for employee performance has a moderate F²(0.185).
- b. The work environment on employee performance has a moderate F² (0.231).

T Test Results

Table 5. T Test Results

Variable	Original Sample	T Statistics	P Values
COMPENSATION -> EMPLOYEE PERFORMANCE	0.403	3,494	0.001
WORK ENVIRONMENT -> EMPLOYEE PERFORMANCE	0.450	3,759	0,000

Source: Data processed

1. Compensation

The results in table 5 show that compensation has a positive impact on employee performance, as indicated by the coefficient value of 0.403. The P Values also confirm that the effect of compensation (X₁) on performance (Y) is significant, with a value of 0.001, which is less than 0.05. Therefore, we can infer that compensation positively and significantly influences employee performance. This implies that higher compensation leads to higher performance among employees.

2. Work environment

The work environment is a positive predictor of employee performance, as shown by the coefficient value of 0.450 in table 5. This indicates that employee performance improves when the work environment is comfortable. The P Values also confirm the significance of the work environment (X₂) on performance (Y), which is 0.000 and less than 0.05. Thus, we can infer that the work environment has a positive and significant impact on employee performance.

DISCUSSION

Employee performance compensation can consist of various forms, such as salary, allowances, bonuses, incentives, awards, etc. Employee performance compensation that is fair,

transparent and in line with work performance can benefit both employees and the organization. The research results showed that compensation has a positive and significant impact on employee performance, which is consistent with the research done by Sutrisno et al. (2022) and Kresnawan et al. (2021).

Compensation that is fair and in line with market standards can make employees feel satisfied and appreciated. This will have a positive impact on their loyalty, commitment and productivity. On the other hand, compensation that is low or does not match the workload can lead to dissatisfaction and a desire to look for another job. Therefore, Bappeda needs to design and implement an effective and efficient compensation system, which can meet employee needs and expectations, and is in line with the organization's vision, mission, goals and strategy.

The work environment has a positive and significant impact on the performance of employees at the Bappeda office, according to the research findings. This is consistent with the studies of Kasmiruddin (2018) and Nurjaya (2021), which imply that the higher the quality of the work environment, the better the employee performance. The work environment is influenced by factors such as facilities, communication, leadership and organizational culture. Hence, the Bappeda office management can enhance the work environment by improving facilities, facilitating communication, providing effective leadership, and fostering a conducive organizational culture.

CONCLUSION

Based on the results and discussion in the research, it can be concluded that:

1. Compensation has a positive and significant influence on employee performance at the BAPPEDA Office of Bengkulu Province. This shows that the better the compensation given, the higher the employee's performance in carrying out their duties and responsibilities.
2. The work environment has a positive and significant influence on employee performance at the BAPPEDA Office of Bengkulu Province. This shows that the better the work environment created, the higher the employee's performance in working effectively and efficiently
3. Compensation and the work environment together have a positive and significant influence on employee performance at the BAPPEDA Office of Bengkulu Province. This shows that these two variables are important factors that can improve employee performance optimally.

SUGGESTION

From the analysis that has been carried out, researchers can convey several suggestions. It is hoped that it will provide benefits for companies and other researchers, namely:

1. The management of the BAPPEDA Office of Bengkulu Province can increase the compensation given to employees according to their achievements, qualifications and needs. Apart from that, management can also provide incentives, bonuses or other awards that can motivate employees to work better.
2. The management of the BAPPEDA Office of Bengkulu Province can create a more comfortable, safe and healthy work environment for employees. This can be done by providing adequate facilities, maintaining the cleanliness and beauty of the work space, and implementing a positive and harmonious work culture.
3. For further research, you can add other variables that can influence employee performance, such as motivation, commitment, job satisfaction, organizational culture, or leadership.

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