

# ISSE 1(1)

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## THE INFLUENCE OF COMPENSATION AND WORK ENVIRONMENT ON THE PERFORMANCE OF SUB-DISTRICT EMPLOYEES

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**Abstract-** The performance of the sub-district in community service is very important to show and this is formed from the contribution of each personnel performance in the sub-district. It will all have an impact on the quality of services provided to the community. In ensuring good public services, it is important to pay serious attention to fair compensation and a supportive work environment for sub-district employees in order to support employee performance. This study aims to investigate the effect of compensation and work environment on employee performance in one of the sub-districts in Surabaya City. This research was conducted using the census method, where all employees in the sub-district became research respondents. A total of 23 respondents were involved in this study. Regression analysis tool is used to analyze the relationship between the independent variables, namely compensation and work environment with the dependent variable, namely employee performance. The results prove that there is an influence of compensation on employee performance. In addition, the work environment also has an influence on employee performance.

**Keywords:** compensation, work environment, employee performance, sub-district office, public service.

### INTRODUCTION

During this era of globalization, people's concern for quality is increasing, especially the quality of service. The community wants and expects a good service process in accordance with their expectations. Quality public services are expected to always exist in every government operational office, one of which is the sub-district office. The performance of sub-district employees has an important role in providing quality public services to the community. Sub-district employees are directly related to the community in terms of population administration, marriage registration, making birth certificates, issuing business licenses, and various other important services. Good performance from sub-district employees will give confidence to the community that they will be provided with fast, accurate, and efficient services.

Sub-district employees play a role in the administration of government at the sub-district level. They are responsible for maintaining administrative continuity, managing data and documents, and carrying out necessary administrative processes. Good performance from sub-district employees will ensure that government administration runs smoothly, is organized and accurate. Service providers will always face complaints or positive responses from customers. No one can blame the customers for what they do because they basically act according to what has been presented to them. This also applies to community services in various sub-districts in Indonesia. Communities have their own expectations when they harbor hopes that they will get easy and fast service (Padma et al., 2018). This will be achieved if employees have high performance. To achieve good performance by increasing productivity to the desired level, employees must have a high work ethic. Factors that influence work ethic are compensation and work environment.

Compensation is very important for the employee himself as an individual, because the amount of compensation is a reflection or measure of the value of the employee's own work (Bowen et al., 2021). Conversely, the size of compensation can affect job performance, motivation, and employee job satisfaction. If compensation is given appropriately and correctly, employees will get job satisfaction and be motivated to achieve organizational goals (Putra, 2021). Compensation that is not given adequately or inappropriately will cause a decrease in employee performance, motivation, and job satisfaction (Darmawan et al., 2021). Good compensation can affect the retention of sub-district office employees (Mardikaningsih & Hariani, 2020). When employees feel that they are rewarded fairly and competitively, they are more likely to stay in the organization, reduce turnover rates, and retain experienced and skilled employees (Widiyana, 2021). In addition, adequate compensation can also be an incentive for employees to continue to develop themselves through additional training and education, which in turn can improve their performance (Darmawan, 2022; Munir et al., 2022). For some employees, the expectation of earning money is the only reason to work, but others argue that money is just one of many needs that are met through work. Compensation is part of the reciprocal relationship between organizations and human resources (Putra & Mardikaningsih, 2021).

The work environment where employees work is no less important in improving employee performance. Where the work environment is the material and psychological conditions that exist in the organization (Ishak et al., 2016). Organizations must provide an adequate work environment such as a physical environment and a non-physical environment that supports the work process (Fatimah et al., 2018). A good work environment can support the

implementation of work so that employees have enthusiasm for work and improve employee performance. A positive and supportive work environment can be a source of motivation for sub-district employees. When employees feel valued, supported and recognized by colleagues and superiors, they tend to be more motivated to work well. A positive work environment can also encourage employees' active involvement, where they feel they have an important role in achieving organizational goals. A good work environment can create a collaborative culture among sub-district employees. When there is open communication, mutual support, and good teamwork, sub-district employees can work together to achieve a common goal. Effective collaboration in the work environment will increase efficiency and effectiveness in carrying out their duties and responsibilities. This is critical to improving organizational performance.

For every organization, observation of performance is very useful for assessing the quantity, quality, efficiency of change, motivation of employees and conducting supervision and improvement. Optimal employee performance is needed to increase organizational productivity. Based on this background, it is the basis for conducting research on the relationship between compensation and work environment and employee performance.

## RESEARCH METHODS

This type of research is quantitative. This research is an empirical study that aims to examine the effect of compensation and work environment on the performance of sub-district employees. This research was conducted in one of the sub-districts in Surabaya City. The research time was carried out for a week so that sufficient data and information was obtained. In sampling using saturated sampling. All members of the population are used as samples. There were 23 employees who were respondents in this study.

Compensation (X.1) as the first variable is defined as financial and non-financial income for employees. The dimensions of this variable are salary, incentives, office facilities, allowances. Work environment (X.2) refers to the physical conditions of the workplace where employees carry out their daily tasks and responsibilities. The dimensions of this variable are relationships with leaders in the workplace; relationships with coworkers; lighting conditions in the workplace; air circulation in the workplace; level of cleanliness; level of security; noise level in the workplace; availability of work equipment and equipment. Employee performance (Y) is the overall result of a person during a certain period in carrying out tasks, such as work standards or targets that have been determined in advance and agreed upon. The indicators of employee performance are as follows: able to increase work targets; able to complete work on time; able to create innovation in completing work; able to create creativity in completing work; able to minimize work errors.

Data were collected using a questionnaire consisting of questions related to compensation, work environment, and employee performance. In knowing the relationship and influence between compensation and work environment with the performance of sub-district employees, multiple linear regression analysis techniques are used to determine the quantitative effect of a change in the independent variable on other events, namely the dependent variable.

## RESULTS AND DISCUSSIONS

Reliability and validity tests are met with the existing provisions. Cronbach's alpha value on the compensation variable is 0.683; work environment variable is 0.625; employee performance variable is 0.732. The value of each statement item exceeds 0.3 in the item corrected total correlation value.

The regression model obtained is as follows,  $Y = 24.112 + 3.993X.1 + 6.350X.2$ . The model means that the value of the regression coefficient of compensation (X.1) and work environment (X.2) given will determine the value of the employee performance variable (Y) based on the model. The regression coefficient indicates how much influence each independent variable has on the dependent variable. In this model, if both independent variables are zero ( $X.1 = 0$  and  $X.2 = 0$ ), then the value of Y will be 24,112. The coefficient of 3.993 indicates that each unit increase in compensation will be followed by an increase of 3.993 in employee performance, assuming other variables remain constant. Similarly, each unit increase in work environment will be followed by an increase of 6.350 in employee performance, assuming other variables remain constant.

Table 1.  
Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	24.112	8.530		2.827	.010
X.1	3.993	1.717	.355	2.326	.031
X.2	6.350	1.695	.573	3.747	.001

Source: output SPSS

Hypothesis testing obtained a P value <0.05. Thus, it is proven true that there is a significant effect of compensation on employee performance. The independent variable work environment is also proven to have a role in shaping employee performance. The results are shown in table 1.

Table 2  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2581.726	2	1290.863	22.214	.000 <sup>b</sup>
	Residual	1162.188	20	58.109		
	Total	3743.913	22			

Source: output SPSS

Hypothesis testing obtained a P value <0.05. The calculated F value is 22.214. Thus, it is proven that simultaneously compensation and work environment have a role in employee performance.

Table 3  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.830 <sup>a</sup>	.690	.659	7.623

Source: output SPSS

The correlation coefficient value of 0.83 means that the two variables have a strong level of relationship. The determination value or contribution of the effect is 0.690 or 69% while the remaining 31% is influenced by other factors.

The research findings state that compensation has a role in employee performance. This is in accordance with the research findings of Mardikaningsih and Darmawan (2012); Khan et al. (2013); Okeke and Ikechukwu (2019); Ernawati et al. (2022). Adequate and fair compensation can be a motivational factor for sub-district office employees. When employees feel that their work efforts are rewarded appropriately, they tend to be more motivated to work harder and more productively (Djazilan, 2020; Infante, 2022). Competitive compensation can also encourage employees to achieve work targets, complete tasks with efficiency, and improve the quality of service to the community. Compensation is a matter that can meet employee needs and fulfill their expectations in order to achieve job satisfaction (Gupta & Shaw, 2014; Werdati et al., 2020). Organizations must pay attention to meeting the basic needs of each employee. Organizations must ensure that employees' basic needs are well met, such as safe working conditions, adequate facilities, and policies that support employee health and well-being (Chandrasekar, 2011). Paying attention to these aspects will create a strong foundation for optimal performance.

Other findings state that the work environment affects employee performance. This is in accordance with the findings of research by Lestari (2014); Jayaweera (2015); Hafeez et al. (2019); Darmawan et al. (2021); Ahakwa et al. (2021). An effective work environment can be formed through effective work communication. Organizations should ensure effective communication between leaders and employees. This includes providing clear feedback, transparency in organizational policies, and open communication channels. By improving communication, employees will feel more involved and have a better understanding of organizational goals, which can positively affect their performance (Arifin, 2021). Regular evaluation and feedback are also required. Organizations should conduct regular performance evaluations and provide feedback to employees (Issalillah et al., 2021). This process can help identify strengths and development areas, and provide clear direction for employees to improve their performance (Darmawan et al., 2020). Fair and open performance evaluations can motivate employees to achieve better results (Hariani, 2021). By creating a positive work environment, sub-district employees will feel more engaged, motivated, and empowered to make better contributions in carrying out their duties and responsibilities (Lestari & Mardikaningsih, 2020). A good work environment can also increase job satisfaction, employee retention, and improve overall productivity and work quality.

Sub-district employees are also the face of the government at the sub-district level. Their performance reflects the government's image and reputation in the eyes of the community. With good performance, sub-district employees can strengthen government legitimacy, build good relations with the community, and increase public trust in government institutions.

## CONCLUSIONS

Based on the description in the previous section, and from the results of the analysis and discussion of the effect of compensation and work environment on employee performance, conclusions are obtained. The results showed that compensation has a significant influence on employee performance. The regression results show that an increase in the level of compensation received by employees contributes positively to an increase in their performance. In addition, work environment also has a significant influence on employee performance. A positive work environment has a positive impact on employee performance. This study makes an important contribution in understanding the factors that influence employee performance in the sub-district. The findings emphasize the importance of considering fair compensation and

a supportive work environment in an effort to improve employee performance (Arifin et al., 2022). The practical implication of this study is the need for compensation policies that are appropriate to the level of performance, as well as increase efforts in creating a positive and conducive work environment for employees.

Based on the results of the study which showed a significant effect of compensation and work environment on employee performance, the following are some suggestions that can be considered by policy makers. Efforts to review the compensation system to ensure that employees are rewarded fairly and in accordance with their contributions. This may include reviewing salaries, benefits, bonuses and other reward programs (Gunawan et al., 2012). Ensuring that employees' compensation is in line with their performance can increase their motivation and dedication to work. In addition, there are efforts to improve the quality of the work environment. Such efforts can be in the form of establishing a positive and supportive work environment is an important factor in improving employee performance. Organizations can pay attention to factors such as freedom in decision-making, employee involvement, open communication, and collaborative work teams. Maintaining a balance between the demands of work and personal life is also important to maintain employee well-being. These suggestions are expected to help companies improve employee performance by paying attention to significant compensation and work environment factors. However, keep in mind that each organization has different contexts and characteristics, so it is important to adapt these suggestions to fit the unique conditions of the organization.

Limitations of this study include the limited number of respondents and the focus of the study on only one sub-district in Surabaya City. Future research could involve a larger number of respondents and involve other sub-districts in the same city or in different geographical locations to increase the generalizability of the findings.

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