



The Influence of Compensation and Work Environment on Employee Performance with Job Satisfaction as An Intervening Variable

Joevy Roedyati^{1*}, Gettik Andri Purwanti²

¹ LSPR Communication and Business Institute

² Institut Pertanian Malang

* Correspondence: roedyati2021.j@gmail.com

Article Information

Received: April 14, 2025

Revised: March 18, 2025

Online: March 21, 2025

ABSTRACT

This study examines the effect of compensation and work environment on employee performance, with job satisfaction as an intervening variable. Primary data were collected through questionnaires from 56 employee respondents. The analysis employed Structural Equation Modeling using Partial Least Squares (SEM-PLS). The results show that compensation has a positive and significant effect on job satisfaction ($t = 2.059$; $p = 0.044$), and the work environment also significantly affects job satisfaction ($t = 3.096$; $p = 0.003$). However, compensation ($t = 1.054$; $p = 0.297$) and work environment ($t = 0.853$; $p = 0.397$) do not have a direct significant effect on employee performance. Job satisfaction has a significant positive effect on performance ($t = 4.617$; $p = 0.000$). Furthermore, the work environment significantly influences employee performance through job satisfaction ($t = 2.227$; $p = 0.030$), while job satisfaction does not mediate the relationship between compensation and performance. These findings indicate that job satisfaction plays a key role in enhancing employee performance, particularly in mediating the impact of the work environment.

Keywords: Compensation, Work Environment, Job Satisfaction, and Employee Performance

1. Introduction

Human resources (HR) play a very important role in achieving organizational goals. As the main managers and drivers of the organization, people play a key role in determining the success of a company or institution. Without optimal



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

performance from each individual in the organization, achieving the organization's goals will be very difficult (Dessler, 2017). Challenges and opportunities in managing an organization often relate to issues within the HR itself, whether in terms of competence, motivation, or job satisfaction (Armstrong, 2014). Good individual performance contributes to the overall performance of the organization, which in turn will support the achievement of the established goals (Robinson & Judge, 2017). Effective human resource management through careful planning and good management is essential to ensure that every employee can contribute their best to the organization (Sutrisno, 2018).

Performance is the success of an individual in carrying out tasks, the work results that can be achieved by an individual or a group of individuals within an organization according to their respective authority and responsibilities, or about how an individual is expected to function and behave according to the tasks assigned to them, as well as the quantity, quality, and time used in carrying out the tasks (Sutrisno in Tirtayasa, 2019). Job satisfaction is the evaluation, feeling, or attitude of a person or employee towards their work and is related to the work environment, which is the fulfillment of several desires and needs through work activities (Koesmono in Nabawi, 2019). Compensation is the reward that the company provides to employees for the performance given to the organization, whether direct or indirect, financial or non-financial (Marwansyah in Nugraha and Tjahjawati, 2018).

So that employees feel comfortable and perform their tasks without experiencing difficulties when they need the necessary tools and facilities to work. The work environment is everything around employees that can influence the execution of tasks assigned by the company (Ndaraha et al., 2018). Employee performance is a crucial factor in achieving organizational goals. Various studies have identified several factors that influence employee performance, including compensation, work environment, and job satisfaction. Fair and competitive compensation is believed to enhance employee motivation and productivity. (Putra, R. B, 2023).



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

Additionally, a conducive work environment plays an important role in creating a comfortable work atmosphere, thereby encouraging employees to work more effectively. (Putra, R. B, 2023). Job satisfaction is also an important variable that can mediate the relationship between compensation and work environment on employee performance. Employees who are satisfied with their jobs tend to show better performance (Widiarto, A, 2023). There is a problem related to the relatively high employee absenteeism, which indicates prolonged employee absences and non-compliance with the established working hours regulations. This certainly impacts the effectiveness and efficiency of the healthcare services provided to the community. In addition, issues with time management and irregularities in task execution also affect employee performance.

Previous research has examined the influence of compensation and work environment on employee performance with job satisfaction as an intervening variable, such as the study conducted by Putra et al. (2023) at CV Jawa Grafika Group Semarang. However, similar research in the healthcare sector, particularly in community health centers (Puskesmas), is still limited. Therefore, this study aims to analyze the influence of compensation and work environment on employee performance with job satisfaction as an intervening variable. The results of this study are expected to contribute to the development of human resource management strategies in the health sector.

2. Materials and Method

This research uses a quantitative method with a descriptive approach to analyze the influence of compensation, work environment, and job satisfaction on employee performance. The population consisted of 56 employees who were sampled using



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

the saturated sampling technique, where the entire population was used as the sample. Data were collected through a questionnaire instrument distributed to the respondents.

Next, the collected data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Square (PLS) program, which allows for the analysis of more complex relationships between latent variables without having to meet many statistical assumptions. In the measurement model testing, convergent validity, discriminant validity, and reliability tests are conducted to ensure the validity and reliability of the indicators against the latent variables being studied. This analysis aims to measure the extent of the influence of each independent variable (compensation and work environment) on the dependent variable (employee performance), as well as the role of the intervening variable (job satisfaction) in that relationship.

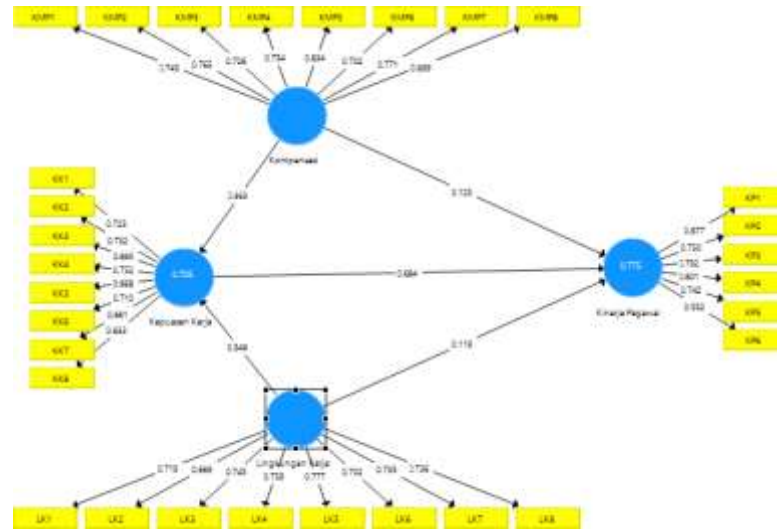
3. Result

Descriptive Analysis of Variables

Outer Model



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1



Based on the image above, it can be seen that all statements have an outer loading value > 0.5 , which means all these statements are valid and the indicators can be included in the subsequent analysis.

Variable	Item	Original Sample (O)	Explanation
Compensation (X1)	X1.1	0,745	Valid
	X1.2	0,765	Valid
	X1.3	0,726	Valid
	X1.4	0,754	Valid
	X1.5	0,834	Valid
	X1.6	0,702	Valid
	X1.7	0,771	Valid
	X1.8	0,669	Valid
Work Environment (X2)	X2.1	0,719	Valid
	X2.2	0,869	Valid
	X2.3	0,745	Valid
	X2.4	0,759	Valid
	X2.5	0,777	Valid
	X2.6	0,702	Valid
	X2.7	0,735	Valid
	X2.8	0,736	Valid
Job Satisfaction (Z)	Z.1	0,752	Valid
	Z.2	0,732	Valid
	Z.3	0,865	Valid
	Z.4	0,752	Valid



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

	Z.5	0,868	Valid
	Z.6	0,710	Valid
	Z.7	0,861	Valid
	Z.8	0,833	Valid
Employee Performance (Y)	Y.1	0,877	Valid
	Y.2	0,750	Valid
	Y.3	0,792	Valid
	Y.4	0,801	Valid
	Y.5	0,742	Valid
	Y.6	0,552	Valid

From the table above, the outer loading shows the results of the convergent validity test, where the scores of each indicator are greater than 0.5, and it can be concluded that the existing indicators are valid indicators.

Discriminant Validity

Table 2. Average Variance Extracted (AVE) Values

	Average Variance Extracted (AVE)
Job Satisfaction	0.634
Employee Performance	0.576
Compensation	0.563
Work Environment	0.573

Based on the table, it can be concluded that all the constructs or variables above meet the criteria for fairly good validity. This is indicated by the Average Variance Extracted (AVE) value being above 0.5.



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

Construct Reliability and Validity

Matrix	Cronbach's Alpha	rho_A	Composite Reliability
	Cronbach's Alpha	rho_A	Composite Reliability
Kepuasan Kerja	0.916	0.922	0.932
Kinerja Pegawai_	0.848	0.866	0.889
Kompensasi	0.889	0.894	0.911
Lingkungan Ke...	0.893	0.899	0.914

Based on the SmartPLS output in the table above, the composite reliability and Cronbach's alpha values for each construct or variable were found to be greater than 0.60. Thus, it can also be concluded that the data reliability level is good or reliable.

Distribution of Respondents' Answer Frequencies to the Compensation Variable Statement Instrument (X1)

Table 4. Frequency Distribution of Respondents' Answers to the Instrument
Compensation Variable Statement

No	Indicator	STS 1	TS 2	KS 3	S 4	SS 5	TCR	Criteria
1	KMP1	-	1	4	41	10	81,4	Good
2	KMP2	-	-	5	37	14	83,2	Good
3	KMP3	-	-	6	42	8	80,7	Good
4	KMP4	-	-	6	41	9	81,0	Good
5	KMP5	-	-	8	37	11	81,0	Good
6	KMP6	-	-	3	42	11	82,8	Good
7	KMP7	-	-	3	42	11	82,8	Good
8	KMP8	-	-	4	39	13	83,2	Good
Mean							82,0	Good

Based on the frequency distribution of the compensation variable (X1) assessment, an overview of the average score of the compensation variable



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

statement items was obtained. In general, the calculation of the TCR percentage of respondent answer achievement (TCR) is 82.0% with a good category. This means that the compensation variable has a "good" influence.

Frequency Distribution of Respondents' Answers to the Work Environment Variable Statement Instrument (X2)

Table 5. Frequency Distribution of Respondents' Answers to the Instrument Statement of Work Environment Variables

No	Indicator	STS 1	TS 2	KS 3	S 4	SS 5	TCR	Criteria
1	LK1	-	1	4	41	10	81,4	Good
2	LK2	-	5	7	36	8	76,7	Good
3	LK3	-	2	3	44	7	80,0	Good
4	LK4	-	4	2	41	9	79,6	Good
5	LK5	-	2	4	38	12	81,4	Good
6	LK6	-	8	9	34	5	72,8	Good
7	LK7	-	2	3	40	11	81,4	Good
8	LK8	-	9	12	26	9	72,5	Good
Total							78,2	Good

Based on the frequency distribution of the assessment of the work environment variable (X2) in table 4.7, an overview of the average score of the work environment variable statement items was obtained. In general, the calculation of the TCR percentage of respondents' answer achievement level (TCR) is 78.2% with a good category. This means that the work environment variable has a "good" influence.

This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)

Statement Instrument (Z)

Table 6. Frequency Distribution of Respondents' Answers to the Instrument Statement of Job Satisfaction Variables

No	Indikator	<u>STS</u> 1	<u>TS</u> 2	<u>KS</u> 3	<u>S</u> 4	<u>SS</u> 5	TCR	Kriteria
1	KK1	-	-	7	41	8	80,3	Good
2	KK2	-	-	6	43	7	80,3	Good
3	KK3	-	-	4	44	8	81,4	Good
4	KK4	-	-	7	39	10	81,0	Good
5	KK5	-	1	10	39	6	77,8	Good
6	KK6	-	-	8	37	11	81,0	Good
7	KK7	-	1	11	38	6	77,5	Good
8	KK8	-	1	9	38	8	78,9	Good
Tota 1							79,8	Good

Based on the frequency distribution of the assessment of the job satisfaction variable (Z), an overview of the average score of the job satisfaction variable statement items was obtained. In general, the calculation of the TCR percentage of respondents' answer achievement level (TCR) is 79.8% with a good category. This means that the job satisfaction variable has a "good" influence.

Frequency Distribution of Respondents' Answers to the Employee Performance Variable Statement Instrument

Table 7. Frequency Distribution of Respondents' Answers to the Instrument Employee Performance Variable Statement

No	Indikator	<u>STS</u>	<u>TS</u>	<u>KS</u>	<u>S</u>	<u>SS</u>	TCR	Kriteria
		1	2	3	4	5		
1	KP1	-	1	7	40	8	79,6	Good
2	KP2	-	-	6	38	12	82,1	Good
3	KP3	-		7	40	9	80,7	Good
4	KP4	-	1	5	41	9	80,7	Good
5	KP5	-	1	8	38	9	79,6	Good
6	KP6	-	-	5	42	9	81,4	Good
Total							80,7	Good



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

Based on the frequency distribution of the employee performance variable (Y) assessment in table 4.9, an overview of the average score of the employee performance variable statement items was obtained. In general, the calculation of the TCR percentage of the respondents' answer achievement level (TCR) is 80.7% with a good category. This means that the employee performance variable has a "good" influence.

Hypothesis Testing

Table 8. Path Coefficients Values

Path Coefficients					
Mean, STDEV, T-Values, P-Val...	Confidence Intervals	Confidence Intervals Bias Co...	Samples	Copy to Clipboard:	Excel Fc
	Original Sample (O)	Sample Mean (M)	Standard Deviation ...	T Statistics (O /...	P Values
Kepuasan Kerja -> Kinerja Pegawai_	0.684	0.705	0.148	4.617	0.000
Kompensasi -> Kepuasan Kerja	0.363	0.335	0.176	2.059	0.044
Kompensasi -> Kinerja Pegawai_	0.125	0.113	0.119	1.054	0.297
Lingkungan Kerja -> Kepuasan Kerja	0.546	0.576	0.176	3.096	0.003
Lingkungan Kerja -> Kinerja Pegawai_	0.119	0.118	0.140	0.853	0.397

The results of the data testing with SmartPLS show that compensation has a positive and significant effect on job satisfaction (influence value 0.363, t-statistic 2.059 > t-table 1.96), but not significant on employee performance (influence value 0.125, t-statistic 1.054 < t-table 1.96). The work environment also has a positive and significant effect on job satisfaction (influence value 0.546, t-statistic 3.096 > t-table 1.96), but not significant on employee performance (influence value 0.119, t-statistic 0.853 < t-table 1.96). Meanwhile, job satisfaction has a positive and significant impact on employee performance (influence value 0.684, t-count 4.617 > t-table 1.96).



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

Table 9. Specific Indirect Effect

Specific Indirect Effects

Mean, STDEV, T-Values, P-Val...	Confidence Intervals	Confidence Intervals Bias Co...	Samples	Copy to Clipboard:	Excel Format	R F
	Original Sample (O)	Sample Mean (M)	Standard Deviation...	T Statistics (O /...	P Values	
Kompensasi -> Kepuasan Kerja -> Kinerja Pegawai_	0.248	0.233	0.135	1.836	0.072	
Lingkungan Kerja -> Kepuasan Kerja -> Kinerja Pegawai_	0.373	0.412	0.168	2.227	0.030	

The results of the data testing with SmartPLS show that compensation has a positive but not significant effect on employee performance through job satisfaction (influence value 0.248, t-statistic 1.836 < t-table 1.96). On the other hand, the work environment has a positive and significant effect on employee performance through job satisfaction (influence value 0.373, t-count 2.227 > t-table 1.96).

Discussion

The influence of compensation on job satisfaction

There is a positive and significant effect of compensation on job satisfaction. Where it is seen that the t-statistic is 2.059 and the t-table is 1.96, where the t-statistic is greater than the t-table (2.059>1.96) or the significance level is smaller than alpha (0.044<0.05), then H0 can be rejected and H1 accepted. The results of this study are in line with the research conducted by Lestari et al. (2022), which shows that compensation has a positive and significant effect on job satisfaction.

The Influence of the Work Environment on Job Satisfaction

There is a positive and significant influence of the work environment on job satisfaction. Where it is seen that the t-statistic is 3.096 and the t-table is 1.96, where the t-statistic is greater than the t-table (3.096>1.96) or the significance level is smaller than alpha (0.003<0.05), then H0 can be rejected and H2 accepted. The results of this study are in line



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

with the research conducted by (Lestari et al., 2022), which found that the work environment has a positive and significant effect on job satisfaction.

The Influence of Compensation on Employee Performance

There is a positive but insignificant effect of compensation on employee performance.

Where it is seen that the t-statistic is 1.054 and the t-table is 1.96, where the t-statistic is less than the t-table ($1.054 < 1.96$) or the significance level is greater than alpha ($0.297 > 0.05$), then H_0 is accepted and H_3 is rejected. This research is not accepted because compensation is considered still low in improving performance, so it is hoped that management will pay more attention to the indicators within compensation by focusing more on salary, wages, and allowances so that these can improve employee performance. The results of this study are not in line with the research conducted by (Heryenzus & Laia, 2018), which found that compensation has a positive and significant effect on employee performance. However, another study that supports this research is the one conducted by (Fajar et al., 2020), which states that compensation has a positive but insignificant effect on employee performance.

The Influence of the Work Environment on Employee Performance

There is a positive but insignificant effect of the work environment on employee performance. Where it is seen that the t-statistic is 0.853 and the t-table is 1.96, where the t-statistic is smaller than the t-table ($0.853 < 1.96$) or the significance level is smaller than alpha ($0.397 > 0.05$), then H_0 is accepted and H_4 is rejected. In this study, it is not accepted because the work environment is considered still low and affects employee performance. It is therefore hoped that the company will pay attention to the indicators of the work environment, namely lighting, facilities, and cleanliness, so that employee performance will be maximized if the work environment indicators are met.



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

The results of this study are not in line with the research conducted by (Nanulaita, 2018), which found that the work environment has a positive and significant effect on employee performance. However, another study that supports this research is the one conducted by (Prakitri Kumalasari & Sugito Efendi, 2022), which states that the work environment has a positive but insignificant effect on employee performance.

The Influence of Job Satisfaction on Employee Performance

There is a significant positive effect of job satisfaction on employee performance. Where it is seen that the t-statistic is 4.617 and the t-table is 1.96, where the t-statistic is greater than the t-table ($4.617 > 1.96$) or the significance level is greater than alpha ($0.000 < 0.05$), thus H_0 is rejected and H_5 is accepted. The results of this study are in line with the research conducted by (Adha & Wandu, 2019), which found that job satisfaction has a positive and significant effect on employee performance.

The Influence of Compensation on Employee Performance through Job Satisfaction

There is a positive but insignificant effect of compensation on employee performance through job satisfaction. Where it is seen that the t-statistic is 1.836 and the t-table is 1.96, where the t-statistic is greater than the t-table ($1.836 < 1.96$) or the significance level is smaller than alpha ($0.072 > 0.05$), then H_0 can be accepted and H_6 can be rejected. This research is not accepted because compensation cannot have a direct impact on employee performance, but compensation will have a direct influence on job satisfaction. Therefore, the company pays attention to one of the indicators of job satisfaction, which is the rewards received. Job satisfaction resulting from the rewards received/good compensation will improve employee performance. The results of this study are not in line with the research conducted by (Heryenzus & Laia, 2018), which



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

shows that compensation has a positive and significant effect on employee performance with job satisfaction as an intervening variable. However, the research that supports the results of this study is the research conducted by (Prafitri Kumalasari & Sugito Efendi, 2022).

The Influence of the Work Environment on Employee Performance through Job Satisfaction

There is a significant positive influence of the work environment on employee performance through job satisfaction. Where it is seen that the t-statistic is 2.227 and the t- table is 1.96, where the t-statistic is greater than the t-table ($2.227 > 1.96$) or the significance level is smaller than alpha ($0.030 < 0.05$), then H_0 can be rejected and H_7 can be accepted. The results of this study are in line with the research conducted by (Handoko et al., 2021) which shows that the work environment affects employee performance through job satisfaction as an intervening variable.

Conclusiones

Based on the analysis results, it can be concluded that compensation and work environment partially have a positive and significant effect on job satisfaction. However, compensation and work environment partially do not have a significant effect on employee performance. On the other hand, job satisfaction has a positive and significant impact on employee performance. Job satisfaction does not mediate the relationship between compensation and employee performance, but it acts as a mediator in the relationship between the work environment and employee performance. Additionally, more attention needs to be given to other factors that may have a more direct impact on employee performance. Efforts to improve job



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

satisfaction should also be prioritized as they have been proven to have a significant impact on performance.

References

1. Adha, S., & Wandu, D. (2019). The Influence of Job Satisfaction on Employee Performance at the Department of Industry, Trade, and ESDM of Pandeglang Regency. *Vocational Economics Journal*, 2(1), 61–72.
2. Armstrong, M. (2014). Armstrong, M. (2014). *Armstrong's Handbook of Human Resource Management Practice* (13th ed.). Kogan Page.
3. Dessler, G. (2017). *Gestión de Recursos Humanos* (15^a ed.). Pearson.
4. Fajar, A., Remmang, H., & Menne, F. (2020). The Influence of Compensation, Work Discipline, and Work Environment on Employee Performance at the Regional Human Resource Development Center in Makassar. *Indonesian Journal of Business and Management*, 2(1), 21–27. <https://doi.org/10.35965/jbm.v2i1.174>
5. Handoko, S. D., Wibowo, N. M., & Hartati, C. S. (2021). Analysis of the Influence of Work Environment, Leadership, and Compensation on Employee Performance Through Job Satisfaction. *EMA Journal*, 6(1), 17–26. <https://doi.org/10.47335/ema.v6i1.61>
6. Heryenzus, H., & Laia, R. (2018). The Influence of Compensation and Motivation on Employee Performance with Employee Satisfaction as an Intervening Variable at PT Bank Negara Indonesia
7. Batam Branch. *JIM UPB* (Scientific Journal of Management Universitas Putera Batam), 6(2), 12–21. <https://doi.org/10.33884/jimupb.v6i2.674>
8. Koesmono, H. (2019). *Introduction to Human Resource Management*. Jakarta: RajaGrafindo Persada.
9. Lestari, S., Pangesti, A. S., History, A., & Kerja, K. (2022). ON EMPLOYEE JOB SATISFACTION (Case Study at CV. Aneka Jaya). 1.
10. Marwansyah, A. (2018). *Human Resource Management*. Bandung: Alfabeta.



This work is licensed under a [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/)
Smart International Management Journal, March 2025, Vol 2, No 1

11. Nanulaitta, D. T. (2018). The Influence of Compensation and Work Environment on Employee Performance at KSU. Amboina Mekar in the City of Ambon. *Minds Journal: Idea and Inspiration Management*, 5(2), 203.
<https://doi.org/10.24252/minds.v5i2.6211>
12. Nugraha, A. R., & Tjahjawati, S. (2018). *Human Resource Management: Theory and Practice*. Jakarta: Gramedia.
13. Ndaraha, F., et al. (2018). Work Environment Management and Its Impact on Employee Performance. *Journal of Management*, 14(3), 119-126.
14. Putra, R. B. (2023). The Influence of Compensation and Work Environment on Employee Performance: A Study at CV Jawa Grafika Group Semarang. *Journal of Human Resource Management*, 8(1), 45-58.
15. Prafitri Kumalasari, & Sugito Efendi. (2022). The influence of compensation, work environment, and leadership on employee performance through job satisfaction as an intervening variable at the Depok City Fire Department. *Scientific Journal of Accounting and Finance*, 4(7), 2719–2732.
16. Widiarto, A. (2023). Job Satisfaction and Employee Performance: An Empirical Study in the Service Industry. *Journal of Psychology and Management*, 11(2), 99-112.