

THE EFFECT OF COMPENSATION AND WORK ENVIRONMENT ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AT UD. EFIYANTO, MEDAN CITY

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Abstract

Employee performance plays a crucial role in achieving organizational goals. To enhance performance, companies must consider various influencing factors, including compensation and work environment. Moreover, job satisfaction serves as a key element that can mediate these influences. This study aims to determine the effect of compensation and work environment on employee performance, both directly and indirectly through job satisfaction as an intervening variable at UD. Efiyanto in Medan City. This research employed a quantitative approach using descriptive and verificative methods. The population consisted of all 40 employees of UD. Efiyanto, using a saturated sampling technique. Data were collected through questionnaires and analyzed using path analysis with the aid of SPSS version 25. The results show that compensation contributes 93.2% and the work environment 95.5% to the improvement of employee performance. Additionally, compensation and work environment respectively influence job satisfaction by 35.4% and 8.2%, while job satisfaction contributes 9% to employee performance. This implies that when a company provides fair compensation and a comfortable work environment, job satisfaction increases and significantly impacts performance. Furthermore, F-test results indicate that compensation and work environment simultaneously have a significant effect on performance through job satisfaction, with contributions of 93.7% and 95.4%, respectively. Based on these findings, the company should pay attention to equitable compensation policies and foster a supportive work environment to ensure employee satisfaction and optimal performance.

Keywords: Compensation, Job Satisfaction, Performance, Work Environment.

A. INTRODUCTION

Facing increasingly fierce industrial competition in today's era, each company must continuously cultivate a competitive spirit so that its employees can make maximum contributions in carrying out their responsibilities. This will enable the company to maintain its survival and face the ever-increasing competition.

Compensation is the reward or reward provided by a company to employees in return for their contributions, in the form of salary, allowances, bonuses, or other incentives. Fair and appropriate compensation for employee performance can increase employee motivation, work enthusiasm, and loyalty to the company. When employees feel appreciated with adequate compensation, they are more motivated to improve their performance. Compensation is used as a tool to motivate employees to improve their output. Good compensation can improve employee performance. Companies need productive employees, so managers must always collaborate with their employees by providing employee benefits such as compensation, incentives, salary, holiday bonuses, bonuses, and allowances. When

employees receive rewards for their work, they are more motivated to work, and their work results are also more effective.

According to Masram (2017:38), compensation is everything employees receive in return for their work. Compensation is also one of the most effective ways for the personnel department or HR department to improve employee performance, motivation, and job satisfaction. Another opinion states that compensation is all income, whether in cash or in-kind, directly or indirectly received by employees in return for their work to the company (Priyono and Marnis, 2008:223).

According to Priyono and Marnis (2008:224-225), compensation is divided into financial compensation, which consists of wages, salaries, commissions, bonuses, insurance, social assistance, allowances, and leave. Second, non-financial compensation consists of interesting tasks, challenges, responsibility, opportunities for recognition, a sense of accomplishment, sound policies, competent supervision, pleasant coworkers, appropriate status symbols, a comfortable environment, and free time.

A good work environment encompasses both physical (such as a comfortable workspace, adequate facilities) and psychological (such as relationships between employees, and a supportive company culture) aspects. A positive work environment can create a conducive atmosphere for employees to work more effectively and productively. Conversely, a poor environment can cause stress, discomfort, and decrease employee motivation. It is important to assess how well the work environment created by management supports employee performance. A supportive environment can increase employee job satisfaction, leading to improved performance.

The work environment is everything surrounding employees while they work, both physical and non-physical, that can affect an employee and their work (Sedarmayanti, 2013). A well-planned work environment will improve employee performance; therefore, employee discomfort at work leads to a poor work environment. The work environment in question includes office lighting, security, quietness, cleanliness, and temperature. If an employee has high performance but is dissatisfied with their job due to environmental factors, their performance is likely unproductive simply because they are dissatisfied with their job. According to Sedarmayanti (2018), "The work environment is all conditions surrounding the workplace that directly and indirectly affect employees." Research by Ike Susanti and Indriana Kristiawati (2019) shows that the work environment simultaneously influences employee productivity. Research by Endang Sugiarti (2020) shows that the work environment significantly influences employee performance.

Employee performance is a key factor in achieving company goals. Companies always strive to optimize employee performance because employees' positions are crucial to the company's success. Better results cannot be achieved without management or leadership that can encourage the company's efforts to improve performance. Therefore, company managers must find solutions to improve employee performance, as performance reflects the joy and serenity of work, resulting in better results and benefits for the company.

According to Mangkuprawira (2009: 220), performance is the work results achieved by an individual or group of people within an organization, according to their respective authorities and responsibilities, in an effort to achieve organizational goals. Meanwhile, according to Rivai (2016:15), performance is the willingness of an individual or group of people to carry out an activity and perfect it according to their responsibilities, resulting in the desired results. According to Bangun (2012:233), employee performance assessment standards can be clearly measured and understood through the amount of work, quality of work, punctuality, attendance, and ability to collaborate.

Job satisfaction is the positive feeling an employee has regarding their work. This job satisfaction can be influenced by various factors, including compensation received and the quality of the work environment. Employees who are satisfied with their jobs are more likely to perform well because they feel appreciated and motivated to work harder.

Wilson Bangun (2012:327) states that job satisfaction allows an employee to determine whether their work is enjoyable or not. According to Edy Sutrisno (2019:73), job satisfaction is a quite interesting and important issue, as it has proven to be of significant benefit to individuals, industry, and society. Meanwhile, Robbins and Judge (2009:119) state that there are five factors of job satisfaction: job satisfaction, reward satisfaction, supervisor satisfaction, coworker satisfaction, and promotion opportunities.

Conversely, good employee performance can positively impact job satisfaction and organizational profitability. Therefore, improving employee performance can help organizations increase production and achieve their business goals. Based on this theoretical understanding, it can be concluded that research on the influence of compensation and the work environment on employee performance through job satisfaction is highly relevant to conduct at UD. Efiyanto, Medan City. This is supported by preliminary observations by the researcher. The researcher identified several issues related to employee performance due to compensation and the work environment, including:

- Employees feel that their salary or benefits are not commensurate with the responsibilities and work performed, thus decreasing their work motivation.
- b. Excessive workloads, pressure from superiors, or a lack of work-life balance can increase employee stress, which impacts their performance.
- Unharmonious work relationships, lack of communication, and minimal support from management can lead to decreased work motivation.
- Employee loss: The organization experiences the loss of several employees with strong skills and abilities. This makes it difficult for the organization to run its operations effectively and can affect the performance of remaining employees.
- Low levels of job satisfaction: Employees feel dissatisfied with the working conditions and work environment within the organization. This can affect employee performance levels.

The various problematic factors above indicate that employee performance at UD. Efiyanto, Medan City, is not determined by a single aspect, but rather by a combination of several key factors, such as compensation and the work environment. Employees who receive high compensation and a positive work environment can positively contribute to improving performance at UD. Efiyanto, Medan City. Based on this description, the author is interested in conducting research at UD. Efiyanto, Medan City, with the title "The Influence of Compensation and Work Environment on Employee Performance Through Job Satisfaction."

B. LITERATURE REVIEW

Compensation

Compensation is a form of remuneration or appreciation provided by an organization to employees for their contributions and work, both financial and non-financial (Hasibuan, 2019). Compensation encompasses all rewards received by employees, such as salaries, wages, incentives, bonuses, allowances, and work facilities, aimed at increasing employee motivation, satisfaction, and loyalty (Rivai, 2016; Mondy & Noe, 2021). Fair and competitive compensation is believed to create a productive work environment and encourage employees to perform at their best (Sedarmayanti, 2020; Luthans, 2019).

Beyond serving as a form of reward, compensation serves strategic purposes within an organization, including strengthening bonds of cooperation, increasing job satisfaction and

motivation, attracting and retaining qualified employees, maintaining work stability and discipline, and minimizing external influences such as unions and government intervention (Hasibuan, 2010). Therefore, compensation must be based on the principles of justice, appropriateness, and fairness to ensure it is commensurate with the workload and adequately meets employee needs (Suwatno et al., 2011). Generally, compensation is divided into direct and indirect financial compensation, which complement each other in supporting the achievement of organizational goals and improving employee performance (Dessler, 2017).

Compensation Indicator

According to Hasibuan (2020:127), the factors that influence compensation are:

1. Labor Supply and Demand
2. Company Ability and Willingness
3. Employee Productivity
4. Cost of Living
5. National Economic Conditions

Work environment

The work environment encompasses all conditions surrounding employees, both physical and psychological, that influence the way employees perform their duties and their performance (Prasetyo, 2021; Indriyati, 2022). The work environment encompasses the tools, work methods, work arrangements, and work atmosphere faced by employees, both individually and in groups, which play a crucial role in creating a sense of security, comfort, and work efficiency (Ekawati, 2022). A conducive work environment can positively influence employee emotions, boost work morale, and encourage effective use of work time, thus improving employee performance and productivity (Latif et al., 2022).

The primary goal of the work environment is to create a pleasant, safe, and relaxing work environment so that employees feel at home and are able to work optimally, thereby improving organizational performance and productivity (Jayanti & Syamsir, 2018; Pribadi, 2022). A good work environment also provides various benefits, including increased productivity and work efficiency, reduced health and insurance costs, increased employee commitment, and improved organizational image in the eyes of the workforce (Putra et al., 2013). In general, the work environment is divided into physical and non-physical work environments, where the physical work environment includes lighting conditions, temperature, cleanliness, security, and comfort of the workplace, while the non-physical work environment relates to work relationships between superiors and fellow coworkers which also influence employee performance (Sedarmayanti, 2017).

Work Environment Indicators

According to Darmawan (2019:43), the work environment indicators used in this study are as follows:

- Workplace Lighting
- Workplace Temperature
- Workplace Humidity
- Workplace Air Circulation
- Workplace Noise
- Unpleasant Odors
- Workplace Decorations
- Workplace Music
- Workplace Safety

Employee performance

Employee performance can be understood as the results of work or the level of individual productivity demonstrated through the quality and quantity of work within a specific period

in accordance with assigned responsibilities (Babin & Boles, 1998; Afandi, 2018). Performance is the result of the interaction between an employee's abilities, motivation, and opportunities in carrying out their duties (Robbins, 1996). Thus, performance reflects an employee's ability to carry out their job functions effectively and ethically to support the achievement of organizational goals (Sinambela et al., 2011; Adhari, 2020; Chairunnisah et al., 2021).

The goals and benefits of employee performance are closely related to efforts to align individual goals with organizational goals at various levels, from the individual to the organization as a whole (Wibowo, 2017). Performance assessments serve as a basis for managerial decisions, such as reward, promotion, training, development, and human resource planning (Rivai, 2016). Performance achievement is influenced by factors such as ability and work motivation, where ability encompasses knowledge and skills, while motivation is influenced by attitudes toward the work environment and organizational policies (Ningsih et al., 2023). In general, performance can be viewed in the form of individual performance and organizational performance, and is assessed through an attitude, behavior, results, and contingency approach according to the characteristics of the job and the situation faced (Kasmir, 2016; Rozarie, 2017).

Employee Performance Indicators

According to Ningsih (2023), performance is the work results achieved by an individual in carrying out their duties and responsibilities based on standards set by the organization. Employee performance reflects their effectiveness and efficiency at work and plays a crucial role in achieving company goals. In this study, performance indicators cover the following aspects:

- Quality of Work
- Quantity of Work
- Punctuality
- Ability to Work Together
- Responsibility at Work

Job satisfaction

Job satisfaction is an individual's attitude or emotional response to various aspects of their work. It is subjective and varies from employee to employee, depending on their values, needs, and expectations (Kreitner & Kinicki, 2001; Robbins, 2003). Job satisfaction reflects the extent to which the rewards received match what an employee perceives as appropriate. Therefore, an individual may be satisfied with one aspect of their work but dissatisfied with another. Thus, job satisfaction is influenced by an employee's assessment of their work situation, current and past work experiences, and the work values they consider important in meeting their basic needs.

Employee job satisfaction is influenced by various factors, including psychological, social, physical, and financial factors, which collectively contribute to feelings of satisfaction or dissatisfaction with their work (Sutrisno, 2019). Job satisfaction can also be seen in several ways, including satisfaction with superiors, coworkers, the job itself, promotion opportunities, and income received, where each of these aspects plays a significant role in increasing employee comfort, involvement, and responsibility in their work (Afandi, 2018). High job satisfaction will encourage positive employee attitudes towards their work and contribute to improved performance and organizational sustainability.

Job Satisfaction Indicators

According to Wirya & Andiani (2020), there are five main indicators in assessing job satisfaction, namely:

- Salary Matches to the Job

- Working Conditions and Environment
- Relationship with Superiors
- Opportunities for Self-Development
- Recognition and Awards for Achievement

C. RESEARCH METHODOLOGY

This quantitative study used four variables: two exogenous variables and two endogenous variables. The exogenous variables were Compensation (X1) and Work Environment (X2), while the endogenous variables were Performance (Y) and Job Satisfaction (Z). The population in this study was all 40 employees at UD. Efiyanto Medan, and the sample was determined using a saturated sampling method. According to Sugiyono (2016), the researcher used a population size of 40 employees as a sample. Data collection techniques in this study were conducted systematically to maintain data validity and reliability, using questionnaires and observations as the primary data collection instruments (Siyoto et al., 2015; Riduwan, 2018; Sugiyono, 2016).

The data obtained were then analyzed using IBM SPSS version 25 through descriptive and verification analysis with a quantitative approach. Path analysis was used to examine the influence of compensation and work environment on employee performance, both directly and indirectly through job satisfaction at UD. Efiyanto, Medan City (Wirartha, 2006). Before testing the hypothesis, a data quality test was conducted which included a validity test with Pearson's product moment and a reliability test using Alpha Cronbach, as well as a classical assumption test which included normality, heteroscedasticity, multicollinearity, and autocorrelation tests to ensure the feasibility of the regression model (Sugiyono, 2020; Siregar, 2016; Ghozali in Melati et al., 2024). Hypothesis testing was carried out through the coefficient of determination (R^2), simultaneous test (F test), and partial test (t test) to determine the magnitude of the contribution and significance of the influence of the independent variables on the dependent variable according to the established statistical criteria (Chin; Hidayatullah in Melati et al., 2024).

D. RESULT AND DISCUSSION

Based on the respondent descriptions, it was found that the majority of UD. Efiyanto Medan City employees are female (34 employees, 85%), while only 6 employees are male (15%), indicating a female workforce dominance. In terms of age, the majority of respondents (27 employees, 67.50%) were between the ages of 25 and 30, while the remaining 13 (32.50%) were under 25. Therefore, it can be concluded that the employees are predominantly of productive age and relatively young.

Based on educational level, the majority of respondents (26 employees, 65%) had a bachelor's degree, followed by 8 (20%) high school graduates and 6 (15%) associate's degrees, indicating a relatively good educational background. Furthermore, based on length of service, most respondents had a service period of 1–5 years, as many as 20 people (50%), followed by a service period of 6–10 years, as many as 11 people (27.50%), 16–20 years, as many as 5 people (12.50%), and 11–15 years, as many as 4 people (10%), which shows that the majority of employees have relatively medium work experience with a fairly good level of loyalty to the Company.

Validity Test

Table 1. Data Validity Test Results

Variable	Item	R count	R table	Information
Kompensasi	X1.1	.846	0.312	Valid

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(X1)	X1.2	.830	0.312	Valid
	X1.3	.736	0.312	Valid
	X1.4	.754	0.312	Valid
	X1.5	.766	0.312	Valid
	X1.6	.782	0.312	Valid
	X1.7	.754	0.312	Valid
	X1.8	.723	0.312	Valid
	X1.9	.722	0.312	Valid
	X1.10	.748	0.312	Valid
	Work environment (X2)	X2.1	.846	0.312
X2.2		.806	0.312	Valid
X2.3		.761	0.312	Valid
X2.4		.694	0.312	Valid
X2.5		.832	0.312	Valid
X2.6		.750	0.312	Valid
X2.7		.812	0.312	Valid
X2.8		.802	0.312	Valid
X2.9		.817	0.312	Valid
Job Satisfaction (Z)		Z.1	.838	0.312
	Z.2	.780	0.312	Valid
	Z.3	.742	0.312	Valid
	Z.4	.673	0.312	Valid
	Z.5	.720	0.312	Valid
	Z.6	.708	0.312	Valid
	Z.7	.678	0.312	Valid
	Z.8	.781	0.312	Valid
	Z.9	.743	0.312	Valid
	Z.10	.713	0.312	Valid
Employee Performance (Y)	Y.1	.836	0.312	Valid
	Y.2	.859	0.312	Valid
	Y.3	.790	0.312	Valid
	Y.4	.749	0.312	Valid
	Y.5	.812	0.312	Valid
	Y.6	.808	0.312	Valid
	Y.7	.782	0.312	Valid
	Y.8	.779	0.312	Valid
	Y.9	.833	0.312	Valid
	Y.10	.878	0.312	Valid

Source: Primary Data Processing Results, 2025.

Based on the results of the validity test, all statement items in the Compensation (X1), Work Environment (X2), Job Satisfaction (Z), and Employee Performance (Y) variables were declared valid, because all calculated r values for each item were greater than the r table of 0.312, so that each statement item was able to measure the variables studied accurately. The calculated r values for the four variables showed a strong correlation between the item scores and the total score of the variables, which indicated that the research instrument had a good level of measurement accuracy and was suitable for use in further data analysis.

Reliability Test

Table 2. Data Reliability Test Results

Variable	Cronbach Alpha	Sig.	Information
Compensation (X1)	.943	0.60	Reliable
Work Environment (X2)	.947	0.60	Reliable
Job Satisfaction (Z)	.933	0.60	Reliable
Employee Performance (Y)	.957	0.60	Reliable

Source: Primary Data Processing Results, 2025.

Based on the results of the reliability test, all research variables, namely Compensation (X1), Work Environment (X2), Job Satisfaction (Z), and Employee Performance (Y) are declared reliable, because each variable has a Cronbach's Alpha value greater than the minimum limit of 0.60. The very high Cronbach's Alpha values, namely 0.943 for Compensation, 0.947 for Work Environment, 0.933 for Job Satisfaction, and 0.957 for Employee Performance, indicate that the research instrument has a very good level of internal consistency and can be relied upon for use in collecting and analyzing research data.

Classical Assumption Test

Normality Test

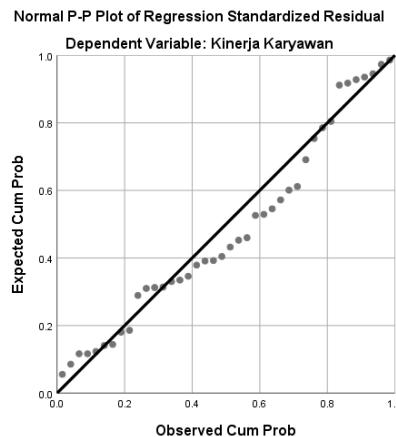


Figure 1. Normality Test: Normal Probability Plot

Source: Primary Data Processing Results, 2025

The image above shows that the data points are spread along the diagonal line in the Normal Probability Plot graph. This indicates that the data distribution approaches a normal distribution pattern. It is concluded that the data in this study meets the assumption of normality. For more definitive results, the researchers conducted a One-Sample Kolmogorov-Smirnov test.

Table 3. KS Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		40
Normal Parameters ^{a,b}	Mean	.0000000

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	Std. Deviation	1.28018294
Most Extreme Differences	Absolute	.117
	Positive	.117
	Negative	-.095
Test Statistic		.117
Asymp. Sig. (2-tailed)		.184 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Primary Data Processing Results, 2025

Based on the results of the normality test using the One-Sample Kolmogorov-Smirnov Test, the Asymp. Sig. (2-tailed) value was obtained at 0.050. Because this value is right at the significance threshold (0.05), the residual data can be said to be close to a normal distribution. Thus, the normality test, both through the P-P Plot graph and the Kolmogorov-Smirnov statistical test, shows that the data in this study have met the assumption of normality.

Heteroscedasticity Test

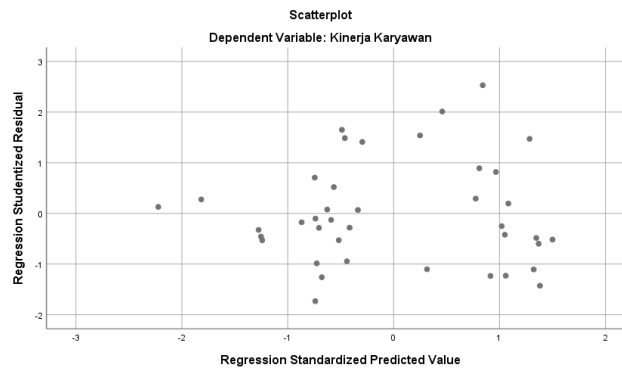


Figure 2. Scatterplot Heteroscedasticity Test Results

Source: Primary Data Processing Results, 2025

The scatterplot image above shows that the resulting points are randomly distributed and do not form a specific pattern or trend line. The image also shows that the data is spread around the zero point. These test results indicate that this regression model is free from heteroscedasticity. In other words, the variables tested in this study are not heteroscedastic.

Multicollinearity Test

Table 4. Multicollinearity Test Results

		Coefficients ^a				Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta	t	Sig.	
Model 1	(Constant)	2.417	1.865		1.296	.203	
	Compensation	.408	.120	.372	3.390	.002	.676 3.169
	Work Environment	.686	.126	.608	5.433	.000	.673 3.649

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Job Satisfaction	.047	.040	.039	1.189	.242	.872	1.147
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a. Dependent Variable: Employee performance

Source: Primary Data Processing Results, 2025

Based on the table above, the tolerance value for variable X1 is 0.676, for variable X2 is 0.673, and for variable Z is 0.872, indicating that the values are >0.10 . Meanwhile, the VIF values for variable X1 are 3.169, for variable X2 is 3.649, and for variable Z is 1.147, indicating that the values are <10 . Therefore, it can be concluded that the variables compensation, work environment, and job satisfaction are considered to independently explain the variability in employee performance variables, so there are no symptoms of multicollinearity in this study.

Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.980 ^a	.961	.960	1.40541	1.986	

a. Predictors: (Constant), Job Satisfaction, Compensation, Work Environment

b. Dependent Variable: Employee performance

Source: Primary Data Processing Output, 2025

From the table above, the Durbin Watson values are as follows:

Table 6. Description: There is no autocorrelation

N	DW	dL	dU	4-dL	4-dU
40	1.986	1.338	1.658	2.462	2.342

Source: Durbin-Watson (DW) Table, $\alpha = 5\%$

Information:

n: Number of samples

d: Durbin Watson

dL: Lower limit of Durbin Watson

dU: Upper limit of Durbin Watson

Based on the results of data processing, the Durbin-Watson (DW) value was obtained as 1.986 with a sample size (n) of 40. Based on the Durbin-Watson distribution table, it is known that the lower limit (dL) value is 1.338, the upper limit (dU) value is 1.658, the 4-dU value is 2.462, and the 4-dL value is 2.342. When compared with the DW value = 1.986, the position of the DW value is in the range between dU and 4-dU ($1.658 < 1.986 < 2.342$). Based on the criteria from Ghazali (2018), this position indicates that there is no autocorrelation in the regression model. This means that the residuals between observations are not correlated with each other.

Hypothesis Testing

Coefficient of Determination (R²) Test

In this test, the assessment reference refers to Chin's opinion (1998 in Melati, et al., 2024), where an R^2 value > 0.67 is categorized as strong, a value between $0.33 < R^2 \leq 0.67$ is considered moderate, and a value of $0.19 < R^2 \leq 0.33$ is included in the weak category.

Table 7. Results of the Determination Coefficient Test

Model Summary	
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<http://jurnaldialektika.com/>

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983 ^a	.967	.964	1.33246

a. Predictors: (Constant), Job Satisfaction, Compensation, Work Environment

Source: Primary Data Processing Results, 2025

Based on the table above, the R value is 0.983. This means that 98.3% of the variation that occurs in the Employee Performance variable (Y) can be explained by two independent variables, namely Compensation (X1) and Work Environment (X2) and the intervening variable Job Satisfaction (Z). Meanwhile, the remaining 1.7% is explained by other factors outside this research model. Referring to the classification of R Square values according to Chin (1998 in Melati et al., 2024), the value of 0.967 is included in the strong category, because the R² value is at R² > 0.67. Thus, the regression model in this study is very good at explaining the relationship between the variables analyzed.

Partial Test (T-Test)

Value t_{table} can be obtained through calculations using the following formula:

$$\begin{aligned}
 t_{table} &= \frac{\alpha}{2}; (n - k - 1) \\
 &= \frac{0,05}{2}; (40 - 4 - 1) \\
 &= 0,025 ; 35
 \end{aligned}$$

This formula is used as the basis for determining the t-distribution value at a certain significance level. Based on this calculation, with an α of 0.025 and a df of 35, the t-table value is 2,030. This t-table value is then used to compare it with the calculated t-value in the partial test analysis.

Table 8. T-Test Results

Independent Variables	Dependent Variable	T _{count}	Sig.	Result
Compensation (X1)	Employee Performance (Y)	23.155	0.000	There is influence
Work Environment (X2)	Employee Performance (Y)	28.761	0.000	There is influence
Compensation (X1)	Job Satisfaction (Z)	6.573	0.000	There is influence
Work Environment (X2)	Job Satisfaction (Z)	2.123	0.000	There is influence
Job Satisfaction (Z)	Employee Performance (Y)	2.208	0.000	There is influence

Source: Primary Data Processing Results, 2025

Based on the results of the partial test (t-test) with a t-table value of 2.030 at a significance level of 5%, all variables tested showed a calculated t-value greater than the t-table and had a significance value of 0.000 (<0.05). This indicates that statistically Compensation (X1) and Work Environment (X2) have a significant effect on Employee Performance (Y), as well as a significant effect on Job Satisfaction (Z). In addition, Job Satisfaction (Z) is also proven to have a significant effect on Employee Performance (Y), so that all research hypotheses can be accepted. This finding confirms that improving employee performance is not only directly influenced by compensation and the work environment, but also indirectly through job satisfaction as an intervening variable. Thus, organizations need to pay attention to a fair compensation system and create a conducive work environment to

increase employee job satisfaction, which will ultimately have an impact on improving employee performance in a sustainable manner.

Simultaneous Test (F Test)

The formula for determining the F-table value is as follows:

$$\begin{aligned} F_{table} &= k - 1 ; n - k \\ &= 4 - 1 ; 40 - 4 \\ &= 3 ; 36 \end{aligned}$$

Description:

n = Number of samples

k = Total number of variables

Based on the analysis results, with degrees of freedom for the numerator (df1) of 3 and the denominator (df2) of 36, the F-table value obtained was 2.87. This figure is used as a reference for comparison with the calculated F-value.

Table 9. F Test Results

Independent Variables	Intervening Variables	Dependent Variable	f _{count}	Sig.	Result
Compensation (X1)	Job Satisfaction (Z)	Employee Performance (Y)	289.626	0.000	There is influence
Work Environment (X2)	Job Satisfaction (Z)	Employee Performance (Y)	406.593	0.000	There is influence

Source: Primary Data Processing Results, 2025

Based on the results of the F test on both models, the F-count value was obtained for the influence of Compensation (X1) on Employee Performance (Y) through Job Satisfaction (Z) and 406.593 for the influence of Work Environment (X2) on Employee Performance (Y) through Job Satisfaction (Z), all of which were greater than the F-table value of 2.87 with a significance level of 0.000 (<0.05). These results indicate that simultaneously compensation and work environment, with job satisfaction as an intervening variable, have a significant effect on employee performance at UD. Efiyanto, Medan City. Thus, hypotheses H6 and H7 are declared accepted, which indicates that the combination of fair compensation and a conducive work environment, if supported by a good level of job satisfaction, is able to explain variations in employee performance significantly.

Discussion

Based on the results of the t-test on the effect of Compensation (X1) on Employee Performance (Y), the calculated t-value was 23.155 > t-table 2.030 with a significance value of 0.000 < 0.050. Therefore, H1 is accepted, which means that Compensation has a positive and significant effect on Employee Performance at UD. Efiyanto, Medan City. This result is consistent with the research of Nuriani Ritonga (2019), which found that compensation has a significant positive effect on employee performance. In addition, this result is also supported by the findings of I Kadek Edy Sanjaya & Ayu Desi Indrawati (2020), and Meida Qodaria Fauziyah & Henry Yuliamir (2021), which stated that compensation has a partial and simultaneous effect on performance improvement. However, this result is inconsistent with the research of (Pioh et al, 2016) which found that compensation is not significant on performance. Compensation indicators, including labor supply and demand, company capabilities and willingness, and employee productivity, significantly contribute to employees' perceptions of fairness and appreciation. Labor supply and demand indicators indicate that compensation aligned with industry standards influences employee motivation to perform optimally. A company's ability and willingness to provide compensation based on

ability demonstrates that it values contributions, which increases loyalty. Meanwhile, employee productivity, linked to compensation levels, creates a perception of fairness, encouraging employees to improve their performance to maintain appropriate compensation. When companies offer compensation that aligns with labor market needs and company capabilities, while also considering individual productivity, employees will be motivated to perform optimally.

Furthermore, a t-test on the Work Environment (X2) variable on Employee Performance (Y) yielded a calculated t-value of $28.761 > t\text{-table } 2.030$ and a significance level of $0.000 < 0.05$. Therefore, H2 is accepted. This means that the Work Environment has a positive and significant effect on Employee Performance. These results support the findings of Flowrensi, Gabby, Naomi Ering et al. (2020) showed that a conducive work environment increases job satisfaction and performance. Similarly, Nancy L. Pioh et al. (2016), Meida Qodaria Fauziyah & Yuliamir (2021), and I Kadek Edy Sanjaya & Indrawati (2020) stated that the work environment significantly influences employee performance through job satisfaction. Indicators such as lighting, temperature, humidity, air circulation, and noise play a direct role in creating physical work comfort, which impacts concentration and productivity. Decorations, music, and unpleasant odors affect employee mood and work enthusiasm. When the work environment is perceived as pleasant and supportive, employees can work more focused and produce better work output. An environment that supports comfort and positive interactions between employees will increase enthusiasm, responsibility, and efficiency at work.

Based on the results of the t-test on the effect of Compensation (X1) on Job Satisfaction (Z), the calculated t-value was $6.573 > t\text{-table } 2.030$ and a significance of $0.000 < 0.05$, so H3 is accepted, which means Compensation has a positive and significant effect on Job Satisfaction. This explanation is in line with the research of Nancy L. Pioh, et al (2016) and Flowrensi Gabby, et al (2020), which found that compensation directly increases job satisfaction. The description of the indicators strengthens this finding: labor supply and demand are influential because compensation that is in accordance with the job market value creates a sense of appreciation by the company. The company's ability and willingness to provide fair compensation increases employees' sense of security and trust. Meanwhile, work productivity as the basis for providing compensation indicates the existence of performance-based justice, which is an important factor in creating job satisfaction. Thus, compensation not only functions as a means of reward, but also as a reinforcement of perceptions of fairness and appreciation at work. Items such as "the level of compensation received is commensurate with ability" and "compensation based on work productivity" indicate that the more fair and appropriate compensation is, the more employees will feel financially and professionally valued, thus increasing job satisfaction.

Meanwhile, a t-test on the effect of the Work Environment (X2) on Job Satisfaction (Z) showed a calculated t-value of $2.123 > t\text{-table } 2.030$ and a significance level of $0.000 < 0.05$. Therefore, H4 was accepted, indicating that the Work Environment has a positive and significant effect on Job Satisfaction. This finding is supported by previous research by Flowrensi Gabby et al. (2020), which stated that a conducive work environment significantly increases job satisfaction. The Adjusted R Square (R^2) value was 0.082, indicating that the work environment contributes 8.2% to job satisfaction, while the remaining 91.8% is explained by other variables not included in this regression model.

The indicator breakdown further clarifies this: lighting, temperature, and humidity influence physical comfort at work, while air circulation and noise directly impact concentration and mood. Appropriate decor and music create a more pleasant work environment and increase engagement. Finally, unpleasant odors can cause discomfort,

leading to work stress. Therefore, a well-organized work environment not only boosts productivity but also creates psychological and emotional satisfaction for employees. Statements such as "good air circulation supports comfortable work" and "noise-free work environment" demonstrate that employees are more satisfied when working conditions support their productivity and health.

Job Satisfaction (Z), as an intervening variable, was also shown to have a significant effect on Employee Performance (Y), with a calculated t-value of $2.208 > t\text{-table of } 2.030$ and a significance level of $0.000 < 0.05$, thus H5 was accepted. The path coefficient of 0.083 indicates that job satisfaction strengthens the relationship between compensation and the work environment on performance. This is supported by research by Flowerns Gabby et al. (2020), which states that job satisfaction mediates the influence of the work environment and compensation on performance. The Adjusted R Square value of 0.090 indicates that job satisfaction contributes 9% to performance improvement, while the remaining 91% is influenced by factors outside the research model. This indicates that, although its contribution is not very dominant, job satisfaction remains a significant factor in influencing employee performance.

Indicators such as salary appropriateness, supervisor relationships, and recognition for achievements indicate that employees who feel valued tend to have a higher work commitment. The work environment, opportunities for personal development, and rewards provide long-term motivation that strengthens loyalty and work quality. When employees feel valued, given opportunities for development, and recognized, they demonstrate a high level of commitment to the organization.

The F-test results show a calculated F-value of $289.626 > F\text{-table } 2.87$ with a significance value of $0.000 < 0.05$, thus accepting H6. This means that the Compensation and Work Environment variables simultaneously have a significant influence on Job Satisfaction. This indicates that the combination of fair compensation and a comfortable work environment together creates satisfying working conditions for employees. Compensation serves as a form of appreciation and recognition for employee contributions, while a supportive work environment enhances physical and psychological comfort. Thus, the two complement each other in creating optimal levels of job satisfaction.

The F-test results showed an F-count of $406.593 > F\text{-table of } 2.87$ with a significance value of $0.000 < 0.05$. Therefore, H7 was accepted, indicating that Compensation, Work Environment, and Job Satisfaction collectively have a significant effect on Employee Performance. This value confirms that optimal performance is influenced not only by external factors such as salary and work facilities, but also by internal factors such as job satisfaction. When employees feel satisfied due to adequate compensation and supportive working conditions, they will be motivated to work more effectively and productively. These results demonstrate the importance of company management paying attention to aspects of well-being and workplace comfort to boost overall employee performance.

Based on the results of the coefficient of determination test, an R value of 0.980 was obtained. This means that 98% of the variation in the Employee Performance variable (Y) can be explained by the Compensation (X1), Work Environment (X2), and Job Satisfaction (Z) variables collectively. The remaining 2% is influenced by other factors not included in this research model. This high R^2 value indicates that the regression model used has strong predictive ability, and the three independent variables (X1, X2, and Z) provide a significant contribution to improving employee performance at UD. Efiyanto, Medan City.

E. CONCLUSION

Based on the research results, it can be concluded that compensation and work environment have been proven to have a positive and significant effect on employee performance, both directly and through job satisfaction as an intervening variable, at UD. Efiyanto, Medan City. Partially, compensation and work environment have a very large contribution to improving employee performance, while job satisfaction also has a significant effect although with a relatively smaller contribution. Simultaneously, the combination of compensation and work environment through job satisfaction is able to explain most of the variation in employee performance, which indicates the strong role of welfare factors and working conditions in improving performance. Therefore, it is recommended that the management of UD. Efiyanto, Medan City continue to pay attention to and improve the compensation system, create a conducive work environment, and integrate efforts to improve job satisfaction with employee development programs, while for further researchers it is recommended to add other variables such as leadership style, workload, or work motivation to enrich and deepen the study of employee performance.

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