Increasing Performance by Financial Compensation

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Abstract:

**Background:** This study aims to examine the effect of the Work Environment and Direct Financial Compensation on Employee Performance. Besides, this study also aims to examine the effect of Job Satisfaction as an intervening variable. To test these variables, the researchers chose the Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency as the object of research.

**Materials and Methods:** The study was conducted by distributing questionnaires to 182 Waste and Sanitation Unit Employees of Environmental Services Unit of Pemalang Regency. Sampling research is using Stratified Random Sampling techniques.

**Results and Conclusion:** The results showed that Work Environment and Direct Financial Compensation had a significant positive effect on the Employee Performance in the Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency. But Job Satisfaction as an intervening variable weakens the influence of the Work Environment and Direct Financial Compensation on Employee Performance in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

**Key Word:** Direct Financial Compensation; Employee Performance; Job Satisfaction; Work Environment

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**I. Introduction**

Waste has been a crucial problem which effect is not only polluting land environment but also has been a problem in the sea. According to the data of The World Bank in 2018, China is on the first place as the biggest waste contributor in the world which has 8.81 millions of tons/year, while Indonesia is on the second biggest place as the contributor of plastic waste in the world which is 3.21 millions of tons/year. Based on the data of the Ministry of Environmental and Forestry, the total of waste produced by the citizens of Indonesia is 65,752 millions of tons.

According to E. Kurniawan (in Grahanida, 2012), the increase of the number of population causing the increase of the amount of the waste. Often times, the increase of the amount of the waste is not counterbalanced by a good waste management system. The constant increase of the amount of the waste will not be able to be managed well if it is not handled by a potential human resource. In the Academic Discussion about The Establishment of Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency (Organizational Section, 2017), it is mentioned that the Waste and Sanitation Unit in Environmental Unit Service in Pemalang Regency is one of the government institutions which plays a role in operational technical work which is required to be focused on giving sanitation and solid waste services.

Yogatama (2013) and Nursanti (2014) stated that compensation has significant positive effect on employees performance. The fair and on point awarding of compensation has effects on employee performance, because basically, compensation is the main needs of employees in performing their responsibilities. Furthermore, Agustin (2018), stated in her research that direct financial compensation has a positive effect on work satisfaction. Moreover, employees who have completed their work or responsibilities must get rewards in the form of equal financial compensation from the company. If the company has unobjective compensation system for the employees, it will cause dissatisfaction or social gap among employees in the company.

According to the data of Environmental Services Unit of Pemalang Regency, from 2014 up to 2018, the amount of waste hauled per day increases, counterbalanced by the increase of the number of officers who...
handle sanitation. Nevertheless, if the comparison of the amount of waste hauled and the number of people who handle them are counted, it turns out that the workload per person per day is decreasing.

According to the background described above, the writers want to conduct a study titled “Employee Performance on Work Satisfaction on Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency” to analyze how far the effect of work environment and direct financial compensation is on employee performance of Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

Purposes of the study are:
1. To analyze the effect of work environment on work satisfaction.
2. To analyze the effect of direct financial compensation on work satisfaction.
3. To analyze the effect of work satisfaction on performance.
4. To analyze the effect of work environment on performance.
5. To analyze the effect of direct financial compensation on performance.

II. Literature Review

Relationship between work environment and work satisfaction
Work environment is all situation surrounding workplace which will either directly or indirectly affect the employees on their work (Sedarmayanti, 2011). The ease and comfort of the employees during their work in the environment must not be apart from the condition of the air, lighting, sound, coloring, and security (Sedarmayanti, 2011). A conducive situation in a company is highly needed for the employees in order to concentrate on the jobs at hand. This conducive situation can be realized if the relationship either among employees or superior and his subordinates is well, so the subordinates can do every direction given by their superiors (Hariandja, 2002).

In accordance with the previous study, hypotheses can be suggested as follows:
H1. Work environment has positive and significant effect on work satisfaction.

Relationship between direct financial compensation and job satisfaction
Compensation has some purposes, and one of them is to increase employee job satisfaction. Whereas to the employees, compensation is the source of living, to survive economically and to determine social status in the society (Flippo, 2011).

Although compensation is not the only factor to influence job satisfaction, it is admitted that it is one of the main factors to support the establishment of employee job satisfaction. According to Madura (2011), factors that can influence job satisfaction are fair and worthy compensation program, job security, flexible working hours, and employee involvement program.

The occurrence of employee job satisfaction will make employees work as best as they can in order to earn the expected compensation. This explanation is supported by Hidayatullah (2014) which stated that compensation had significant positive effect on job satisfaction.
Agustins's research (2018) stated that direct financial compensation has positive effect on job satisfaction.
H2: Direct financial compensation has positive and significant effect on Job Satisfaction.

Relationship between Work Environment and Performance
Safe and healthy work environment is needed by every employee, because in this particular work condition, one can work peacefully, so that the result of their work can meet the required standard as expected. Significantly, static environment gives a little uncertainty to the managers rather than the dynamic one (Robbins, 2008). Material condition related to sanitation and the beauty of the office, the comfort of the workplace, the room layout which can create tranquility when working, will be able to support the growth of employee good performance. According to the previous research, a hypothesis is proposed as follows:
H3: Work Environment has positive and significant effect on Performance

Relationship between Direct Financial Compensation and Performance
Compensation is one of the main factors to support employee performance. If employees feel that their effort is well-appreciated and organization performs good compensation system, generally, employees will be motivated to increase their performance. Thus, employee work motivation, which will make them work as best as they can to earn the expected compensation, will appear. When employees are given good financial compensation, they will tend to be motivated to do their job well.
This explanation is also supported by Yogatama’s (2013) and Nursanti’s (2014) research which stated that compensation has significant positive effect on employee performance.
H4: Direct Financial Compensation has positive and significant effect on Performance
Relationship between Job Satisfaction and Performance.

Job satisfaction is a volunteer behavior or an extra role which is able to support the effectiveness of an organization. A successful organization needs employees to do more jobs than their regular jobs, which will contribute to their performance beyond expectation (Robbins, 2008).

Research about Job Satisfaction have often been done and they show that job satisfaction can give significant effect on employee performance. This is according to Agung’s research (2016) which showed that job satisfaction has a significant positive effect on performance.

Lis & Yunus’ research result (2016) also shows that Job Satisfaction has significant positive effect on performance. Job satisfaction has a role in increasing performance since it can increase the effectiveness of an organization. The existence of high job satisfaction in an employee can improve work performance and support effectiveness in an organization because the higher the employee job satisfaction, the higher their performance will be.

Robbins (2008) stated that a successful organization needs employees who will do jobs more than their regular ones, where it will contribute performance beyond expectations. The company surely wants employees who can give performance beyond its minimum standard, therefore, it surely wants high job satisfaction on its employees. According to the previous research, a hypothesis can be proposed as follows:

H5: Job Satisfaction has positive and significant effect on Performance

III. Research Method

This study is using quantitative research, while the approach used is correlational approach. This approach has a purpose to see whether those two or more variables have relationship or correlation or not (Arifin, 2012). Based on the theory, ideas of the experts, or researchers’ understanding in accordance with their experience, it is then developed into problems proposed to gain verification in the form of empirical data support in the field. The form of this quantitative research is used by the writers to know how work environment and direct financial compensation has an effect on employee performance, with job satisfaction as intervening variable.

Definition of Operational Variable

Work environment (X1)

Work environment is everything that surrounds the employees and it can influence themselves to do their responsibilities (Nitisemito, 2001). The indicators are: physical environment (room layout, work safety program, air circulation) and non physical environment (good inter-employee communication, understanding among employees, good employee-employer communication).

Direct Financial Compensation (X2)

Direct financial compensation is directly connected communication with works consisting of main salary/wage payment, achievement payment, incentive payment, commission and bonus (Rivai, 2011). The indicators are: Wage, salary, Bonus, incentive/extra earnings.

Job Satisfaction (Y1)

Job satisfaction is one’s result of positive or pleasing emotional condition and the assessment on a work or work experience (Luthans, 2005). The indicators are: salary payment, the work itself, colleagues, promotion.

Employee Performance (Y2)

Performance is employee's achieved qualitative and quantitative work result in doing his jobs according to his responsibilities (Mangkunegara, 2012). The indicators are: work result, work knowledge, initiative, mental quickness, attitude, attendance and time discipline.

Population and Sample

Population in this research is 334 (three hundred thirty four), including all employees of Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency with job titles and the number of personnel. The amount of population is 334 and the sample is 182, thus the sample distribution is for each job title in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

Sampling technique used in this research is Stratified Random Sampling. According to Sugiyono (2017), in stratified random sampling, population/element is categorized in specific level in order that the sample taking is spread evenly to all levels and samples represent characters of all heterogeneous population element. After determining the number of sample distribution for each job title, the next step is to distribute questionnaires which method is incidental sampling, a technique used to take samples according to coincidence, it means that whoever meets the researcher can be used as a sample with the note that the researcher sees that the person is worthy to be made as an information source of his research (Sugiyono, 2017).
### IV. Data Analysis

**Result of Regression Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2,334</td>
<td>2.295</td>
<td>1,017</td>
<td>.311</td>
</tr>
<tr>
<td>Work environment (X1)</td>
<td>.620</td>
<td>.091</td>
<td>.443</td>
<td>6,825</td>
</tr>
<tr>
<td>Direct Financial Compensation (X2)</td>
<td>.580</td>
<td>.130</td>
<td>.276</td>
<td>4,445</td>
</tr>
<tr>
<td>Job Satisfaction (Y1)</td>
<td>.161</td>
<td>.102</td>
<td>.102</td>
<td>1,578</td>
</tr>
</tbody>
</table>

**Table no 1: Regression Test**

According to the table, multiple linear regression equation in this research is:

Employee Performance (KP) = 2,334 + 0.620 LK + 0.580 KF + 0.161 KK

The above regression equation can be explained as follows:

a. A Constant is 2,334, which means that if there is no LK (Work Environment) and no Performance, the value of Performance is 2,334.

b. Work Environment (WE) variable has value of 0.620, which means that everytime WE rises for 1%, Performance will increase 62%, where the assumption of other variables is constant.

c. Direct Financial Compensation (FC) variable has value of 0.580, which means that everytime FC rises for 1%, Performance will increase 58%, where the assumption of other variables is constant.

### Sobel Test

Sobel test is a test to know whether a relationship through a mediation variable is significantly able to act as a mediator in that relationship. The example is, the effect of work environment (X1) and Direct Financial Compensation (X2) on Employee Performance (Y2) through Job Satisfaction (Y1). In this variable, Y1 is a relationship mediator from X1 and X2 to Y2.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>7,466</td>
<td>2,084</td>
<td>3,582</td>
<td>.000</td>
</tr>
<tr>
<td>Work Environment (X1)</td>
<td>.716</td>
<td>.093</td>
<td>.511</td>
<td>7,715</td>
</tr>
<tr>
<td>Job Satisfaction (Y1)</td>
<td>.257</td>
<td>.105</td>
<td>.163</td>
<td>2,454</td>
</tr>
</tbody>
</table>

**Table no 2: Sobel Test with Coefficients**

Sobel test is using online statistics in www.danielsoper.com, the result of the calculation is done by regression coefficient value of Direct Financial Compensation on Employee Performance = 0.791 in column A, regression coefficient value of Job Satisfaction on Employee Performance = 0.409 in column B. Error standard value of Direct Financial Compensation effect on Employee Performance in column SEA= 0.142 and error standard value of job satisfaction effect on Work performance in column SEB= 0.107. Then click Calculate. The gained result is 3.151 meaning 3.151 > 1.98. Failure probability value is used to determine whether it is significant, where the failure probability value is 5%. Thus the 5% value of failure, if the limit of normal curve is 1.98, is used. If the value of counting Z < 1.98, it is "not significant", and vice versa.

### V. Conclusion

Work Environment which has an effect on Job Satisfaction is shown by significant P-value, so that Work Environment has significant positive effect on Job Satisfaction in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.
Direct Financial Compensation which has an effect on Job Satisfaction is shown by significant P-value, so that Direct Financial Compensation has significant positive effect on Job Satisfaction in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

Job Satisfaction which has an effect on Employee Performance is shown by significant P-value, so that Job Satisfaction has significant positive effect on Employee Performance in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

Job Satisfaction is intervening variable which weakens the effect of Work Environment on Employee Performance, shown by intervening test result which value is smaller than the direct effect of WE to EP, so that Job Satisfaction is intervening variable which weakens the effect of Work Environment on Employee Performance in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

Job Satisfaction is intervening variable which weakens the effect of Direct Financial Compensation on Employee Performance, shown by intervening test result which value is smaller than the direct effect of FC to EP, so that Job Satisfaction is intervening variable which weakens the effect of Direct Financial Compensation on Employee Performance in Waste and Sanitation Unit in Environmental Services Unit of Pemalang Regency.

Suggestion
Researchers may suggest the following suggestions:
1. Although it is good enough, work environment, either physically or non physically, still needs to be fixed when environment condition which makes the employees uncomfortable occurs. It is because in the factor of work environment, there are employees who give ‘disagree’ statement about work safety and air circulation program in the workplace.
2. In direct financial compensation factor, it shows that there are employees who give ‘dissatisfied’ statement over earned monthly salary, so it is suggested that the institution pays more attention on things related to employee welfare enhancement, especially when they are working overtime.
3. In job satisfaction factor, it shows that there are employees who give ‘disagree’ statement over equal promotion opportunity on employees based on achievement, so it is suggested that the institution gives equal promotion opportunity in order to develop employee potential.
4. In employee performance factor, it shows that there are several employees who give ‘disagree’ statement over targeted work result achievement and work on-time attendance, so it is suggested that the organization pays more attention on supporting factors which influence performance, work environment and direct financial compensation. If those factors are managed well, it will increase employee satisfaction which will finally increase employee performance.

Theoretical Implication
1. The result of this research proves that Work Environment is closely related to Employee Job Satisfaction, because in the element of Work Environment lies indicator which automatically can build employees in the matter of satisfaction. By the existence of safe, comfortable, and organized work environment, employees will have a high spirit in doing their work in order to be better and finally can increase employee performance.
2. The result of this research proves that Direct Financial Compensation is the most important matter either for the organization or for the employees. For the organization, compensation has some purposes, one of them is to increase employee job satisfaction. While for the employees, direct financial compensation is the earning source for surviving economically and for determining social status in the society.
3. The result of this research proves that job satisfaction is an extra-role volunteer behavior which can support the effectiveness of an organization. A successful organization needs employees who do their work more than their regular ones, which will give performance beyond expectations.
4. The result of this research proves that Employee Performance can be reached if the employees finish their work and tasks at hand and the result is on time, employees must be quick and skillful in doing the job description given by the organization, also, their attendance is according to the decided working hours.

Research Limitations
The limitations of this research are:
1. This research only includes variables of work environment and direct financial compensation which affect job satisfaction and employee performance, so there are still many other factors which must be paid attention to which is possible to affect on job satisfaction and employee performance.
2. Job satisfaction variable is moderation/intervening variable, where in this research, job satisfaction weakens the effect of work environment and direct financial compensation on employee performance. Moreover, a re-test needs to be done by changing the objects or the variables of the research.

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Future Research Agenda

In the future research, it is suggested to research on other variables affecting employee performance, such as leadership, employee trust over the superior or on different objects which make them possible to have effects on work performance.

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