



## THE EFFECT OF COMPENSATION AND PHYSICAL WORK ENVIRONMENT ON PERFORMANCE AT PT ABS WITH JOB SATISFACTION AS AN INTERVENING VARIABLE

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### ABSTRACT

*One of the determining factors for the success of a company in achieving all planned and determined targets is the quality of the human resources who work and are active in it, in this case employees. But it is also possible that there are many factors that can cause employee performance and company goals to not be achieved, which include issues regarding compensation and the physical work environment which are closely related to employee job satisfaction. These three factors are very important for the company to pay attention to, because employees need to be encouraged to perform well, it is necessary to have support, one of which is appropriate compensation and a proper and harmonious physical work environment.*

**Keywords:** *online shopping behavior, purchase intention, fashion innovativeness, attitude, subjective norms, perceived behavioral control*

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### INTRODUCTION

In this research, the author conducted a case study at PT ABS, where PT ABS is a company engaged in outsourcing or outsourcing. PT ABS started running its business in 2004 specifically providing services in the field of business management and has continued to grow to date. The head office of PT ABS is currently located in South Jakarta and already has branch offices in several cities, one of which is the city of Cilegon. PT ABS provides outsourcing services or Business Process Outsourcing (BPO) in the scope of recruitment services, marketing & sales

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outsourcing, operation outsourcing, customer service, as well as training for training and development of human resources or human resources. For all programs from this company to run smoothly, highly dedicated human resources are needed to produce the satisfactory performance expected by the organization.

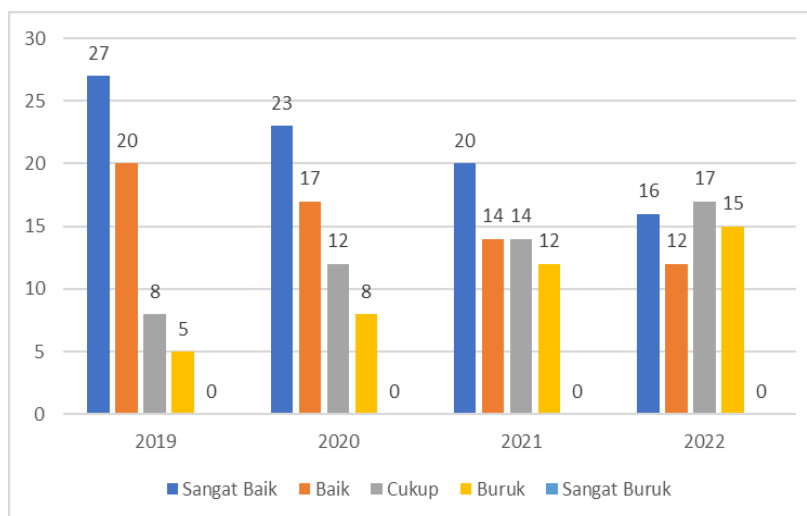
In the current era of technological and information development, all organizations are facing challenges were changes experience dynamic and very fast movements. To face these challenges, organizations must be able to adapt to current developments.

Referring to the data in Table 1.1 and Figure 1.1 below, during 2019-2022 the number of employees with good and very good performance evaluation criteria has decreased, while employees with fair and poor performance ratings have increased in number. This information is an indication that there has been a decline in employee performance.

**Table 1. Employee Performance Assessment Data at PT ABS**

| Evaluation |          | Year of Performance Assessment |      |      |      |
|------------|----------|--------------------------------|------|------|------|
| Category   | Range    | 2019                           | 2020 | 2021 | 2022 |
| Very Good  | 80 – 100 | 27                             | 23   | 20   | 16   |
| Good       | 60 – 80  | 20                             | 17   | 14   | 12   |
| Enough     | 40 – 60  | 8                              | 12   | 14   | 17   |
| Bad        | 20 – 40  | 5                              | 8    | 12   | 15   |
| Very Bad   | 0 – 20   | 0                              | 0    | 0    | 0    |
| Total      |          | 60                             | 60   | 60   | 60   |

Source: HR Department data PT ABS, 2023.



**Figure 1. Graph of Employee Performance Assessment at PT ABS**

Source: HR Department data PT ABS, 2023.

Referring to the data in Table 1.1 and Figure 1.1 above, during 2019-2022 the number of employees with good and very good performance evaluation criteria has decreased, while employees with fair and poor performance ratings have increased. This information is an indication that there has been a decline in employee performance.

This is an indication of a problem with work performance. Therefore, it is necessary to study empirically regarding the factors that can affect employee performance at PT ABS, where PT ABS must be able to manage existing human resources properly to improve employee performance so that the company in carrying out its business can fulfill company performance, especially in achieving annual performance that has not been achieved as expected.

The second business phenomenon that causes a decrease in employee performance at PT ABS is compensation issues. The author presents secondary data from the employment section of PT ABS in Table 1.2 showing that employees do not get the rights they should.

**Table 2. PT ABS Compensation Data for 2019-2022**

| Compensation Type         | Year of Compensation |      |      |      |
|---------------------------|----------------------|------|------|------|
|                           | 2019                 | 2020 | 2021 | 2022 |
| Workers' health insurance | √                    | √    | √    | √    |
| Family health insurance   | √                    | √    | -    | -    |
| Year-end bonuses          | √                    | -    | -    | -    |
| Employee entertainment    | √                    | -    | -    | -    |
| Housing allowance         | √                    | -    | -    | -    |
| Transportation allowance  | √                    | -    | -    | -    |

The third business phenomenon that causes a decrease in employee performance at PT ABS is the condition of the physical work environment. Table 1.3 presents information indicating that there is a problem in the physical environment at PT ABS so that in the future it can affect the performance of the employees who work there.

**Table 3. Data on the Conditions of the Physical Work Environment of PT ABS**

| No. | Environmental Parameters | EQS      | Unit               | Environmental Parameter Test Results |      |      |      |
|-----|--------------------------|----------|--------------------|--------------------------------------|------|------|------|
|     |                          |          |                    | 2019                                 | 2020 | 2021 | 2022 |
| 1   | Air Quality              | 10       | mg/m <sup>3</sup>  | 0,5                                  | 1,2  | 1,4  | 2,5  |
| 2   | Noise                    | 85/8 Jam | dB (A)             | 57,1                                 | 57,7 | 59,2 | 60   |
| 3   | Light intensity          | 100      | Lux                | 184                                  | 137  | 101  | 347  |
| 4   | Work Climate             | Alami    | %                  | 59                                   | 71   | 65   | 69   |
| 5   | Vibration                | 0,8661   | m/det <sup>2</sup> | 0,2                                  | 0,5  | 0,7  | 0,7  |

Information:

EQS is an environmental quality standard for Physical Factors, in accordance with the Regulation of the Minister of Manpower of the Republic of Indonesia Number 5 of 2018 concerning Occupational Health and Safety in the Work Environment (Appendix 1.B).

## METHODOLOGY

In conducting this research, the author used a descriptive quantitative research method. According to Sugiyono (2019: 16), the quantitative research method is a research method based on the philosophy of positivism, used to research certain populations or samples, with the aim of testing the hypotheses that have been set. This research is also descriptive in nature which according to Sugiyono (2019: 147) descriptive research is statistics used to analyze data, by describing or describing the data that has been collected without intending to make generally accepted conclusions or generalizations.

This study uses two sources of data, namely primary and secondary data. Primary data is the data that is used in this research is to provide sheets of questions directly to employees of PT ABS or what is known as questionnaire data. Secondary data is data obtained from literature, books, and other sources that are relevant to the discussion in this study.

The population in this study were PT ABS employees who had worked for more than one year.

The number of PT ABS employees is currently 65 people consisting of 47 men (72%) and 18 women (23%). In determining the number of samples in this study, researchers used the formula according to A. Ferdinand (2014: 185) and S. Haryono (2017) that for multivariate analysis the recommended number of samples is at least 5 times the estimated parameters. The total indicators in this study are 20 indicators, so that the minimum total sample that can be used in this study is 5

x 20 indicators = 100 sample respondents. Sample data were obtained from respondents by distributing questionnaires via Google form.

### RESULT AND DISCUSSION

This study uses SmartPLS4 Software to process research data from respondents. The number of respondents who succeeded in contributing their opinions in this study amounted to 120 respondents, whereby gender was 68% male and 32% female. In terms of age, PT ABS employees who served as the most respondents were aged 31-40 years, as much as 45%. Respondents with more than ten years of service are the largest number of respondents in this study with a percentage of 45%. Then, the highest level of education of the respondents was high school/vocational high school graduates with a total of 36%.

The first stage is to test the quality of the data with the SmartPLS 4 algorithm software. The results of the data quality test are as follows:

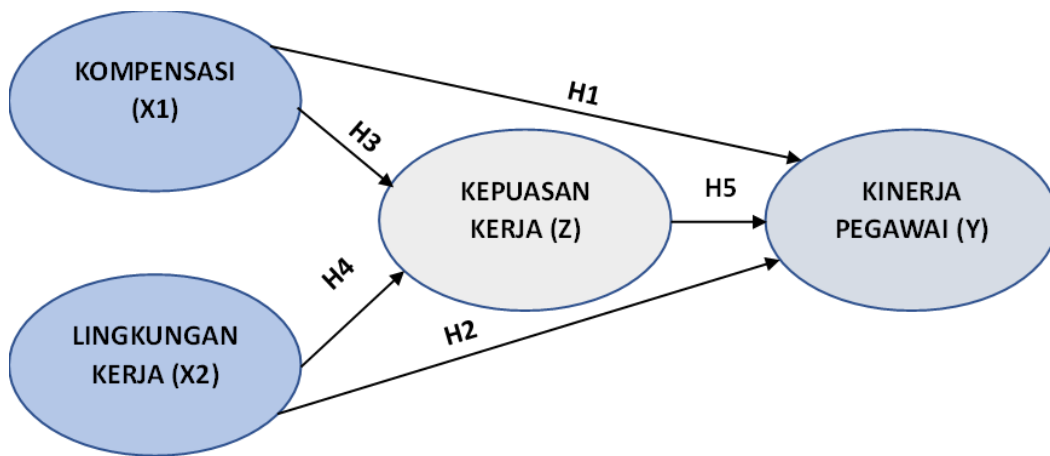


Figure 2. Research Framework Model

Table 4. SmartPLS 4 Algorithm Test Result Data

| Variable                  | Construct Reliability and Validity - Overview |                               |                                 |                                  |
|---------------------------|---|-------------------------------|---------------------------------|----------------------------------|
|                           | Cronbach's alpha                              | Composite reliability (rho_a) | Composite reliability y (rho_c) | Average variance extracted (AVE) |
| Job satisfaction          | 0,880   | 0,883                         | 0,926                           | 0,807                            |
| Performance               | 0,894   | 0,902                         | 0,919                           | 0,656                            |
| Compensation              | 0,915   | 0,925                         | 0,940                           | 0,797                            |
| Physical Work Environment | 0,714   | 0,719                         | 0,839                           | 0,635                            |
| Variable                  | Job satisfaction                              | Performance                   | Compensation                    | Physical Work Environment        |
| Job satisfaction          | 0,898   |                               |                                 |                                  |
| Performance               | 0,896   | 0,801                         |                                 |                                  |
| Compensation              | 0,646   | 0,754                         | 0,893                           |                                  |
| Physical Work Environment | 0,861   | 0,896                         | 0,747                           | 0,797                            |

Source: Research data processing with SmartPLS 4, 2023.

**Table 5. Data on SmartPLS 4 Algotm Test Results**

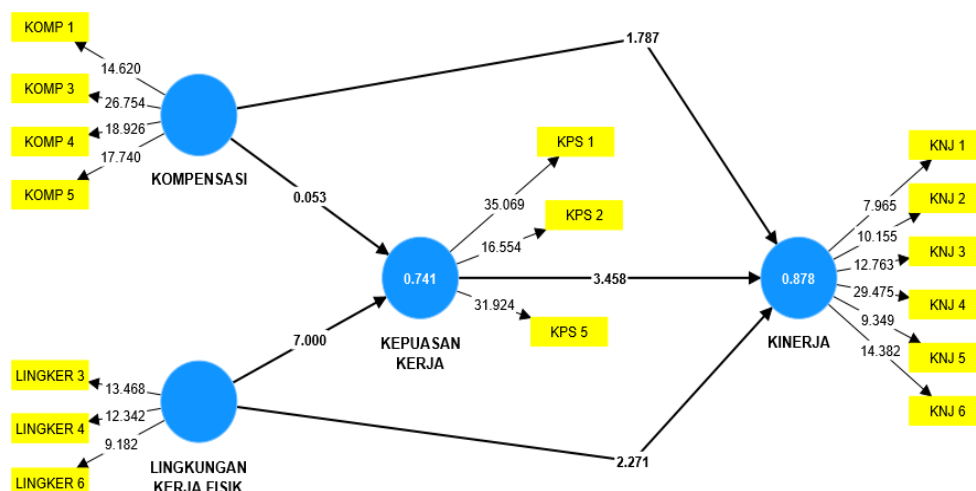
|  | Outer Loadings | Collinearity Statistic<br>- VIF Outer Model |
|--|----------------|---|
| KNJ 1 <- Performance                   | 0,730          | 1,811                                       |
| KNJ 2 <- Performance                   | 0,801          | 2,165                                       |
| KNJ 3 <- Performance                   | 0,836          | 3,161                                       |
| KNJ 4 <- Performance                   | 0,914          | 4,589                                       |
| KNJ 5 <- Performance                   | 0,751          | 1,934                                       |
| KNJ 6 <- Performance                   | 0,816          | 2,328                                       |
| KOMP 1 <- Compensation                 | 0,878          | 2,637                                       |
| KOMP 3 <- Compensation                 | 0,917          | 4,257                                       |
| KOMP 4 <- Compensation                 | 0,918          | 4,022                                       |
| KOMP 5 <- Compensation                 | 0,856          | 2,642                                       |
| KPS 1 <- Job satisfaction              | 0,910          | 2,636                                       |
| KPS 2 <- Job satisfaction              | 0,892          | 2,468                                       |
| KPS 5 <- Job satisfaction              | 0,893          | 2,288                                       |
| LINGKER 3 <- Physical Work Environment | 0,819          | 1,414                                       |
| LINGKER 4 <- Physical Work Environment | 0,810          | 1,524                                       |
| LINGKER 6 <- Physical Work Environment | 0,761          | 1,321                                       |

Source: Research data processing with SmartPLS 4, 2023.

The results of the validity test for each indicator are acceptable and able to explain each indicator if the indicator loading value is  $\geq 0.07$ , which means that all have a good convergent validity value. This is also supported by the Average Variance Extracted (AVE) value, if the AVE value is  $> 0.50$ , it can be said that the indicators have a good convergent validity value. The data from the reliability test results in Table 4.1 can be concluded that the latent variable has a good reliability value, has good reliability in making measurements if the Cronbach's Alpha and Composite Reliability values are  $> 0.70$ .

The results of the Fornier Lacker Criterion in Table 4.1, the correlation of the latent variables is said to have good discriminant validity if the value is greater than the correlation between the latent variables. The measurement results show that the highest value is greater than the correlation between latent variables, so it can be said that it has good discriminant validity. The correlation of job satisfaction to compensation is the smallest among the others.

Next, test the inner model by bootstrapping. The test results are displayed in the following image:



**Figure 3. Inner Model Test Results.**

Source: Research data processing with SmartPLS 4, 2023.

The results of the inner model test (bootstrapping) are shown in Table 6 below:

**Tabel 6. Inner Model Test Results (Bootstrapping)**

|   | <i>Original Sample (O)</i> | <i>Sample Mean (M)</i> | <i>Standard Deviation (STDEV)</i> | <i>T Statistics (IO/STDEV)</i> | <i>P Values</i> |
|---|----------------------------|------------------------|-----------------------------------|--------------------------------|-----------------|
| Job satisfaction -> Performance               | 0,477                      | 0,447                  | 0,138                             | 3,458                          | 0,001           |
| Compensation -> Job satisfaction              | 0,007                      | 0,021                  | 0,127                             | 0,053                          | 0,958           |
| Compensation -> Performance                   | 0,188                      | 0,181                  | 0,105                             | 1,787                          | 0,074           |
| Physical Work Environment -> Job satisfaction | 0,856                      | 0,851                  | 0,122                             | 7,000                          | 0,000           |
| Physical Work Environment -> Kinerja          | 0,345                      | 0,383                  | 0,152                             | 2,271                          | 0,023           |

Source: Research data processing with SmartPLS 4, 2023.

The path coefficient values shown in the form of T Statistics values in Table 4.3 Inner Model Test Results (Bootstrapping), can explain the relationship of the influence of a variable starting from the largest to the smallest. The results of the inner model test in this study, the effect of the physical work environment on job satisfaction has the greatest influence with a T Statistics value of 7,000. The smallest influence has the relationship between compensation on job satisfaction with a T Statistics value of 0.053. Researchers are also able to explain the relationship is significant or not significant seen from the value of the P Value contained in Table 4.3 above. After going through the testing process, the researcher finally gets answers to the research hypotheses which are explained as follows:

- a. H1: Compensation (X1) has a positive effect on employee performance (Y) at PT ABS  
 The results of measuring the path analysis of the relationship between compensation and employee performance can be seen in Table 4.7 in the column of the original sample value which obtained a result of 0.188. This shows that each increase in value in compensation will increase the performance of PT ABS employees by 18.8%. The statistical T value obtained was 1.787 > from t table 1.96 and P Value 0.074 > 0.05. So, it can be concluded that compensation has a positive but not significant effect on employee performance at PT ABS.
- b. H2: The physical work environment (X2) has a positive effect on employee performance (Y) at PT ABS  
 The results of the path analysis measurement of the relationship between the physical work environment and employee performance can be seen in Table 4.7 in the column of the original sample value which obtained a result of 0.345. The statistical T value obtained was 2.271 > from T table 1.96 and P Value 0.023 < 0.05. If assessed statistically, Ho is rejected and Ha is accepted, meaning that the physical work environment affects employee performance. In conclusion, the physical work environment has a positive and significant effect on employee performance at PT ABS.
- c. H3: Compensation (X1) has a positive effect on job satisfaction (Z) at PT ABS  
 The results of the path analysis measurement of the relationship between compensation and job satisfaction can be seen in Table 4.7 in the column of the original sample value which obtained a result of 0.007. The statistical T value obtained is 0.053 < from t table 1.96 and P Value 0.958 > 0.05. If assessed statistically, it can be concluded that compensation has no positive effect on job satisfaction at PT ABS.
- d. H4: The physical work environment (X2) has a positive effect on job satisfaction (Z) at PT ABS

The results of the path analysis measurement of the relationship between the physical work environment and job satisfaction can be seen in Table 4.7 in the column of the original sample value which obtained a result of 0.856. The statistical T value obtained is 7.000 > from T table 1.96 and P Value 0.000 <0.05. If assessed statistically, Ho is rejected and Ha is accepted, meaning that the physical work environment affects employee job satisfaction at PT ABS. In conclusion H4 can be accepted.

e. H5: Job satisfaction (Z) has a positive effect on employee performance (Y) at PT ABS

The results of the path analysis measurement of the relationship between job satisfaction and employee performance can be seen in Table 4.7 in the column of the original sample value which obtained a result of 0.477. The statistical T value obtained was 3.458 > from T table 1.96 and P Value 0.001 <0.05. If assessed statistically, Ho is rejected and Ha is accepted, meaning job satisfaction on employee performance at PT ABS. In conclusion, H5 is acceptable.

## CONCLUSION

PT ABS has a great opportunity to improve the performance of its employees by providing the compensation expected and needed by employees and providing the best work facilities in the form of a physical work environment so that employees are more enthusiastic and motivated to perform satisfactorily for the realization of common company goals. In accordance with the results in this study, it can be concluded that:

1. Compensation has a positive but not significant effect on the performance of PT ABS employees, which means that compensation has an influence on improving employee performance but is not too significant.
2. The physical work environment has a positive and significant effect on the performance of PT ABS employees, which means that the better and quality the supporting facilities for the physical work environment in the PT ABS work area, the employee performance will also increase.
3. Compensation has no positive effect on job satisfaction of PT ABS employees, which means that if PT ABS provides compensation that is not in line with the expectations of PT ABS employees, then the compensation provided will not have any impact including improving the performance of PT ABS employees.
4. The physical work environment has a positive and significant effect on job satisfaction of PT ABS employees, which means that job satisfaction can be felt so warmly by PT ABS employees with supporting facilities of a good quality physical work environment and very supportive for work.
5. Job satisfaction has a positive and significant effect on the performance of PT ABS employees, which means that with job satisfaction felt by PT ABS employees, of course, productivity and satisfactory performance can be achieved very easily.

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