Research Article

The Effect of Compensation and Work Environment on the Employee of Linting Section Performance at Dua Dewi Cigarette Factory in Kediri

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Abstract: Human resources play a crucial role in achieving organizational goals, where compensation and the work environment are the main factors influencing employee performance. This study aims to determine the influence of compensation and work environment on the performance of employees in the linting section at Dua Dewi Cigarette Factory Kediri. The research approach used is associative quantitative, with a survey method involving questionnaires distributed to 40 employees as the sample. Data analysis was conducted using multiple linear regression with the assistance of SPSS 25. The results of the t-test showed that both compensation and work environment had a significant influence on performance partially, with significance values of 0.020 and 0.002, respectively. The F-test result showed a significance value of 0.000, indicating that compensation and work environment simultaneously affect employee performance. The work environment was found to be the most dominant variable.

Keywords: Compensation, Work Environment, Employee Performance

1. Introduction

Human resources are a crucial factor because they significantly influence the sustainability of a company. Without competent human resources, a company cannot function optimally. Human resources play a vital role in improving work quality, as good performance can be observed from how employees carry out their tasks (Guntoro & Djunaedi, 2024). Therefore, companies must pay attention to the factors that affect employee performance, including compensation and the work environment.

With increasing competition caused by technological advancements and environmental changes across all sectors, every business requires employees who can provide the best and most beneficial services. Employee performance is a critical aspect that organizations need to continuously improve (Budiantara, 2020). Companies are constantly striving to enhance employee performance with the hope of achieving organizational goals. Employee performance determines the quality and quantity of work delivered in accordance with responsibilities assigned by the company (Sepvi et al., 2024).

Compensation refers to everything employees receive as a reward for their work within an organization, whether in financial or non-financial form (Mangkunegara, 2020). Employees who receive adequate compensation feel more valued, which motivates them to be more committed to their jobs (Djaya, 2021). Compensation plays
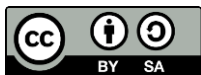
a vital role in supporting the success of human resource management and the sustainability of an organization. It may include salaries, bonuses, allowances, incentives, and other benefits that enhance employee welfare.

On the other hand, the work environment both physical and non-physical—also plays a major role in supporting employees to perform their duties effectively. A comfortable work environment improves employee performance, allowing tasks to be completed optimally in a healthy, safe, and pleasant setting (Wahyuni, 2023). Physical aspects such as lighting, cleanliness, and workspace layout influence comfort and health, while non-physical aspects like effective communication and support from colleagues and management help build harmonious relationships among team members.

Based on preliminary observations of employees in the linting section at Dua Dewi Cigarette Factory Kediri, several issues were found regarding a decline in work motivation and productivity. Some employees reported dissatisfaction with compensation that did not align with their workload, and an uncomfortable work environment. These issues may negatively impact overall performance and work efficiency.

Considering the background described above, this research seeks to examine whether compensation and work environment influence employee performance.

Problem Formulation

1. Does compensation affect the performance of linting section employees at Dua Dewi Cigarette Factory?

2. Does the work environment affect the performance of linting section employees at Dua Dewi Cigarette Factory?

3. Do compensation and work environment simultaneously affect the performance of linting section employees at Dua Dewi Cigarette Factory?

Research Objectives

1. To determine the effect of compensation on the performance of linting section employees at Dua Dewi Cigarette Factory.

2. To determine the effect of work environment on the performance of linting section employees at Dua Dewi Cigarette Factory.

3. To determine the simultaneous effect of compensation and work environment on the performance of linting section employees at Dua Dewi Cigarette Factory.

2. Research Method

Type of Research

This study employs a quantitative method. According to (Sugiyono, 2021), quantitative research is a method based on the philosophy of positivism, used to examine specific populations or samples, collect data using research instruments, and analyze quantitative or statistical data with the goal of testing predetermined hypotheses.

Population and Sample

The population is a general area consisting of objects or subjects that possess certain quantities and characteristics determined by the researcher to be studied and from which conclusions are drawn (Sugiyono, 2021). The population in this study consists of all employees in the linting section at Dua Dewi Cigarette Factory Kediri.

The sample is a subset or representative of the population being studied. This research uses a saturated sampling technique, where all members of the population are used as the sample. This approach is used when the entire population is relatively small (Amin et al., 2023). Therefore, the sample in this study includes all 40 employees in the linting section at Dua Dewi Cigarette Factory Kediri.

Operational Definition of Variables

There are two independent variables (X):

1.   Compensation (X1)

Compensation refers to all forms of rewards received by employees as remuneration for their work within an organization, both in financial and non-financial form (Mangkunegara,2020).

Indicators for this variable include:

a.   Salary

b.   Incentives

c.   Bonus

d.   Wages

e.   Insurance

2. Work Environment (X2)

The work environment refers to the conditions surrounding employees that influence their performance, including both physical aspects such as facilities and comfort, and non-physical aspects such as social relations and work culture.

Indicators for this variable include:

a. Adequate lighting

b. Comfortable temperature

c. Appropriate equipment layout

d. Noise levels that do not interfere with work

e. Good interpersonal relationships among employees

3. Employee Performance (Y)

Employee performance is the measure of how effectively an individual completes tasks and responsibilities at the workplace (Kristanti, 2020).

Indicators for this variable include:

a. Punctuality

b. Accuracy

c. Success of work results

d. Speed

3. Research Results

Descriptive Statistics

Based on the descriptive analysis of respondent profiles, it was found that the majority of respondents were aged between 21–25 years. In terms of length of service, most had been working for 1 year. Regarding educational background, the majority of respondents were senior high school graduates (SMA).

Validity Test

Table 1. Validity Test Results

Veriable	Question Items	r-table Value	r-value Count	Significance value	Explanation
	X1.1	0,312	0,505	0,001	VALID
	X1.2	0,312	0,598	0,000	VALID
	X1.3	0,312	0,603	0,000	VALID
	X1.4	0,312	0,656	0,000	VALID
Compensation (X1)	X1.5	0,312	0,583	0,000	VALID
	X1.6	0,312	0,690	0,000	VALID
	X1.7	0,312	0,748	0,000	VALID
	X1.8	0,312	0,642	0,000	VALID
	X1.9	0,312	0,707	0,000	VALID
	X1.10	0,312	0,567	0,000	VALID
	X2.1	0,312	0,731	0,000	VALID
	X2.2	0,312	0,708	0,000	VALID
Work Environment (X2)	X2.3	0,312	0,649	0,000	VALID
	X2.4	0,312	0,763	0,000	VALID
	X2.5	0,312	0,724	0,000	VALID
	X2.6	0,312	0,712	0,000	VALID
	X2.7	0,312	0,656	0,000	VALID

	X2.8	0,312	0,666	0,000	VALID
	X2.9	0,312	0,773	0,000	VALID
	X2.10	0,312	0,753	0,000	VALID
Employee Performance (Y)	Y1.1	0,312	0,751	0,000	VALID
	Y1.2	0,312	0,620	0,000	VALID
	Y1.3	0,312	0,546	0,000	VALID
	Y1.4	0,312	0,49	0,001	VALID
	Y1.5	0,312	0,503	0,000	VALID
	Y1.6	0,312	0,536	0,000	VALID
	Y1.7	0,312	0,495	0,001	VALID
	Y1.8	0,312	0,488	0,001	VALID

All items for the variables of compensation, work environment, and employee performance show an r-count > r-table (0.312) and a significance level below 0.05. Therefore, all questionnaire items are considered valid.

Reliability Test

Table 2

Sub Variable	Cronbach's Alpha Value	Results
Compensation (X1)	0,756	Reliabel
Work Environment (X2)	0,771	Reliabel
Employee Performance (Y)	0,727	Reliabel

Based on the results of the reliability test above, it can be concluded that the research measuring instrument, in the form of this questionnaire, is reliable because its Cronbach's Alpha value is greater than 0.6. For this reason, research related to variables and indicators can be analyzed further.

Classical Assumption Test
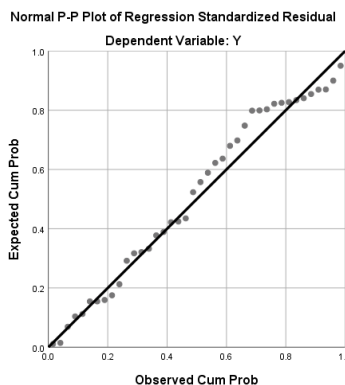
1. Normality Test

Figure 1. Normality Test Results

Based on the p-plot curve image above, it can be seen that the points are spread around the diagonal line, and their distribution follows the direction of the diagonal line. This means that this curve shows that the regression model is feasible to use because of the normality assumption.

Table 3. Kolmogorov-Smirnov Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		**40**
Normal Parameters[a,b]	**Mean**	**.0000000**
	Std. Deviation	**2.63875516**
Most Extreme Differences	**Absolute**	**.130**
	Positive	**.074**
	Negative	**-.130**
Test Statistic		**.130**
Asymp. Sig. (2-tailed)		**.088[c]**
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

a. Dependent Variable: Employee Performance (Y)

Based on the results of normality using the Kolomogrov Smirnov method above, the significant results of the normality test were 0.88, where these results were greater than the significance level of 0.05, so it can be concluded that the normality test in this study was normally distributed.

2.   Multicollinearity Test

Table 4

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Compensation (X1)	.575	1.738
	Work Environment (X2)	.575	1.738

a. Dependent Variable: Employee Performance (Y)

Based on the table above, it can be seen that the results of the test for multicollinearity above, the compensation variable has a VIF value of 1.738 <10.00, so the compensation variable is concluded that there is no symptom of multicollinearity. The multicollinearity test for the work environment variable has a VIF value of 1.738

<10.00, so the work environment variable is also concluded that there is no symptom of multicollinearity.
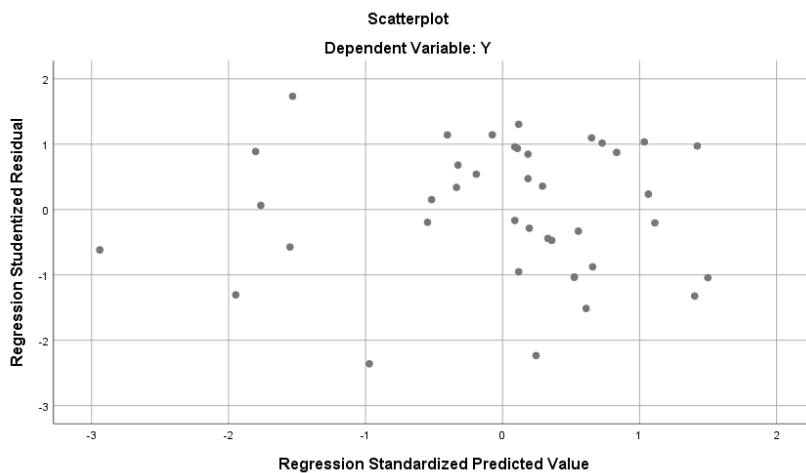
3. Heteroscedasticity Test

Figure 2

Based on the scatterplot graph in the image above, it can be seen that the points are spread randomly and are spread both above and below zero on the Y axis. This can be concluded that there is no heteroscedasticity in the regression model.

Table 5

Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.900	2.935		4.054	.000
	Compensation (X1)	.234	.096	.347	2.437	.020
	Work Environment (X2)	.262	.078	.479	3.363	.002
a. Dependent Variable: Employee Performance (Y)						

Based on the results of the statistical analysis of multiple linear regression calculations, it can be seen that the form of the regression equation is: Y = 11.900 + 0.234X1 + 0.262X2 + e

Coefficient of Determination Test (R2)

Table 6

Model Summaryᵇ				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.753ᵃ	.567	.544	2.709
a. Predictors: (Constant), X2, X1				
b. Dependent Variable: Y				

The influence given by the independent variable to the dependent variable indicated by the adjusted R square (R2) is only 0.567. This means that 56.7% of employee performance is influenced by compensation and work environment variables. While the remaining 43.3% is influenced by other variables not examined in this study.

Hypothesis Testing

t-Test (Partial Test)

Table 7

Coefficientsᵃ						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.900	2.935		4.054	.000
	Compensation (X1)	.234	.096	.347	2.437	.020
	Work Environment (X2)	.262	.078	.479	3.363	.002

a. Dependent Variable: Employee Performance (Y)

The Effect of Compensation (X1) on Employee Performance shows that the calculated t value of 2.437 is greater than the t table value of 2.026 (2.437 > 2.026). Therefore, it can be concluded that the Compensation variable has a significant effect on Employee Performance at the Dua Dewi Kediri Cigarette Factory. This conclusion is supported by a significance value of 0.020, which is smaller than the significance level of 0.05 (0.020 < 0.05).

The Effect of Work Environment (X2) on Employee Performance shows that the calculated t value of 3.363 is greater than the t table of 2.026 (3.363 > 2.026). Thus, it can be concluded that the Work Environment variable has a significant effect on Employee Performance at the Dua Dewi Kediri Cigarette Factory. This is also supported by a significance value of 0.002, which is below the significance limit of 0.05 (0.002 < 0.05).

Table 8

2. F Test (Simultaneous)						
ANOVAᵃ						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	356.217	2	178.108	24.267	.000ᵇ
	Residual	271.558	37	7.339		
	Total	627.775	39			
a. Dependent Variable: Y						
b. Predictors: (Constant), X2, X1						

Based on the results of the statistical analysis of multiple linear regression calculations, it can be seen that the form of the regression equation is: Y = 11.900 + 0.234X1 + 0.262X2 + e

Coefficient of Determination Test (R2)

Table 9

Model Summaryᵇ				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753ᵃ	.567	.544	2.709
a. Predictors: (Constant), X2, X1				
b. Dependent Variable: Y				

The influence given by the independent variable to the dependent variable indicated by the adjusted R square (R2) is only 0.567. This means that 56.7% of employee performance is influenced by compensation and work environment variables. While the remaining 43.3% is influenced by other variables not examined in this study.

Hypothesis Testing

1. t-Test (Partial Test)

Table 10

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.900	2.935		4.054	.000
	Compensation (X1)	.234	.096	.347	2.437	.020
	Work Environment (X2)	.262	.078	.479	3.363	.002

Coefficients^a

a. Dependent Variable: Employee Performance (Y)

The Effect of Compensation (X1) on Employee Performance shows that the calculated t value of 2.437 is greater than the t table value of 2.026 (2.437 > 2.026). Therefore, it can be concluded that the Compensation variable has a significant effect on Employee Performance at the Dua Dewi Kediri Cigarette Factory. This conclusion is supported by a significance value of 0.020, which is smaller than the significance level of 0.05 (0.020 < 0.05).

The Effect of Work Environment (X2) on Employee Performance shows that the calculated t value of 3.363 is greater than the t table of 2.026 (3.363 > 2.026). Thus, it can be concluded that the Work Environment variable has a significant effect on Employee Performance at the Dua Dewi Kediri Cigarette Factory. This is also supported by a significance value of 0.002, which is below the significance limit of 0.05 (0.002 < 0.05).

Table 11

2. F Test (Simultaneous)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	356.217	2	178.108	24.267	.000^b
	Residual	271.558	37	7.339		
	Total	627.775	39			

a. Dependent Variable: Y

b. Predictors: (Constant), X2, X1

Based on the results of the simultaneous test (F test) in the ANOVA table above, it is known that the calculated F value of 24.267 is greater than the F table of 3.24 (24.267> 3.24). In addition, the significance value of 0.000 indicates that 0.000 <0.05, so the regression model can be used to predict that the Compensation (X1) and Work Environment (X2) variables simultaneously have a significant effect on Employee Performance at the Dua Dewi Kediri Cigarette Factory.

4. Conclusion

Based on the results of the study on " The Effect of Compensation and Work Environment on the Employee of Linting Section Performance at Dua Dewi Cigarette Factory in Kediri", the following conclusions can be drawn:

1. Compensation has a positive and significant effect on employee performance partially. This is indicated by the results of the t-test which produces a t-count value of 2.437, greater than the t-table of 2.026, and a significance value of 0.020 (<0.05). Thus, compensation statistically contributes significantly to improving employee performance.

2. The work environment has a positive and significant effect on employee performance partially. This is supported by the t-count value of 3.363 which is also greater than the t-table of 2.026, and a significance value of 0.002 (<0.05). This shows that a good work environment can provide a real influence on improving employee performance.

3. Simultaneously, compensation and the work environment have a significant effect on employee performance. The F-test results show that the F-count of 24.267 is greater than the F-table of 3.24, with a significance value of 0.000 (<0.05). This means that both independent variables together are able to influence the dependent variable, namely employee performance.

4. The work environment is the most dominant variable in influencing employee performance, as indicated by the standard beta coefficient (β) of 0.479, higher than compensation (β = 0.347). In addition, the work environment also has a lower significance value (0.002) than compensation (0.020), which confirms that its influence is statistically stronger.

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