

THE IMPACT OF COMPENSATION AND WORK ENVIRONMENT TOWARD EMPLOYEE PERFORMANCE AT PT. JAGAAMAN SARANA

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ABSTRACT

This study aims to The years from 2020 to 2023 in Indonesia were marked by economic turmoil, impacting sectors like mining due to a combination of external and domestic factors. This research, centered on PT. Jagaaman Sarana in the mining industry, delves into the relationship between compensation, work environment, and employee performance, aiming to provide insights into how these factors influence employee performance during challenging economic times. This study examines compensation disparities and the effects of work environment on employee performance at PT. Jagaaman Sarana, a significant player in Indonesia's mining sector. The findings offer valuable insights for enhancing employee well-being and optimizing performance within the mining industry. The method that is used in this research is quantitative approach with purpose of descriptive research, the data were collected through many sources and proceeded by statistical program in Smart PLS. Object in this research is PT. Jagaaman Sarana, the independent variabel in this research is Compensation and Work Environment where the dependent variabel is employee performance. The study at PT. Jagaaman Sarana underscores a crucial nexus between compensation, work environment, and employee performance in the demanding mining industry. Rigorous tests, including robust validity and reliability assessments, affirm a substantial positive correlation. Compensation and an improved work environment collectively contribute significantly, explaining a noteworthy 67% of the variance in enhanced employee performance. These findings highlight the strategic imperative of optimizing compensation structures and cultivating positive work environments, as they play a dominant role in driving a remarkable three-quarters of the observed performance improvements. This chapter's insights provide a compelling blueprint for organizations aiming to meticulously refine their human resource management strategies, offering a potent formula for achieving not just satisfactory but superior employee performance in the dynamic landscape of the mining sector

Keywords: Work Environment, Compensation, Employee Performance

PROEM

The years spanning from 2020 to 2023 have marked a period of economic turbulence in Indonesia, significantly impacting various sectors, including the mining

industry. The economic challenges faced by the nation were not solely attributed to external factors but were also deeply intertwined with domestic dynamics. To comprehend the impact of this economic slowdown on the mining sector and its subsequent implications for employee performance, it is imperative to explore the underlying causes of this phenomenon (Permitindo's, 2023).

The economic downturn that unfolded during this period had multifaceted origins. While the global community grappled with the unprecedented challenges brought about by the COVID-19 pandemic, Indonesia's economy encountered a unique set of complexities (Lath, 2020). The pandemic's ramifications reverberated through the nation, affecting public health, trade, and the broader economy. Restrictive measures aimed at containing the virus, such as lockdowns and travel restrictions, disrupted supply chains and stifled economic activity. However, it is essential to acknowledge that the economic slowdown in Indonesia was not solely a product of external forces (Ghina & Sinaryanti, 2021). The nation faced pre-existing challenges, including regulatory changes, political uncertainties, and fluctuating commodity prices, which were exacerbated by the pandemic (Nations, 2020). Regulatory shifts in the mining industry, aimed at improving environmental and social standards, introduced new operational complexities for mining companies. Geopolitical uncertainties further heightened volatility in commodity markets, affecting the profitability of mining ventures (Bank Indonesia, 2020).

The mining sector in Indonesia, known for its reliance on natural resource extraction and a skilled workforce, stood at the epicenter of these challenges. Beyond the financial implications reflected in the balance sheets of mining companies, the industry was thrust into a period of profound transformation. Mining enterprises were compelled to confront a series of strategic dilemmas as they navigated an environment characterized by economic uncertainty and evolving market dynamics.

The economic pressures bore down on mining companies, prompting a critical reassessment of operational strategies. This reassessment extended to the realm of human resource management, as the industry recognized that its workforce's well-being and engagement played a pivotal role in steering through turbulent times (Wuttaphan, 2017; Yuliantari, 2020). Thus, the mining sector found itself at the crossroads of adversity, tasked with devising innovative solutions to ensure both its survival and the

welfare of its employees.

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In this context, this research endeavors to scrutinize the intricate relationship between compensation, work environment, and employee performance within the context of PT Jagaaman Sarana, a distinguished entity in the mining sector. By anchoring investigation in the economic realities and challenges faced by the mining industry in Indonesia, the author aim to provide valuable insights into the factors shaping employee well-being and engagement in a sector that holds a critical position in the nation's economic landscape. One major challenge impacting employee performance at PT Jagaaman Sarana relates to compensation. In times of economic uncertainty, like the recent economic slowdown discussed earlier, the issue of fair and competitive pay becomes even more critical.

First problem is According to some significant challenge affecting employee performance at PT Jagaaman Sarana, as lately there have been decreasing number in performance among employee at the PT Jagaaman Sarana Tabel 1.1 PT. Jagaaman Sarana as further the author provide the data in the table below:

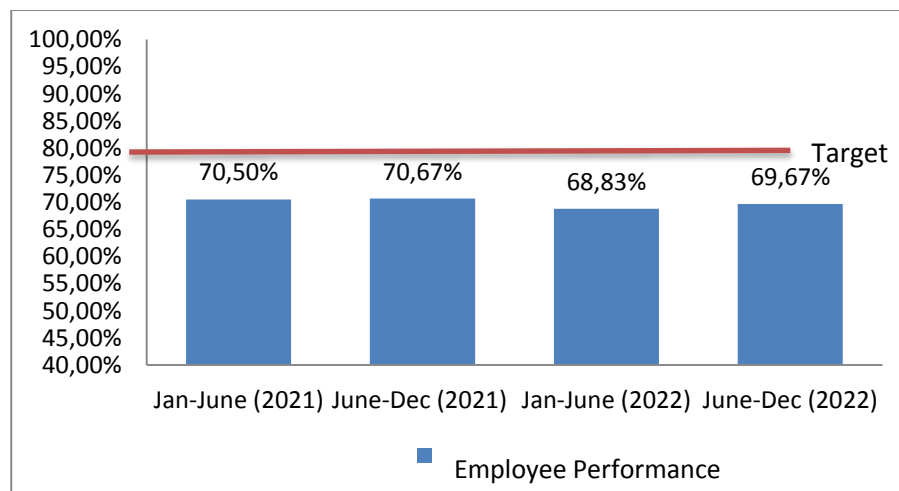
Table 1. Working Filed Employee Performance

Performance Indicator	Number of Employee	Working Filed Employee Performance by Semester of Years			
		Jan-June (2021)	June-Dec (2021)	Jan-June (2022)	June-Dec (2022)
Production	162	71%	73%	70%	72%
Target		72%	74%	71%	73%
Unit		70%	68%	68%	67%
Maintenance					
Spare Part		70%	67%	69%	68%
Safety		71%	72%	68%	70%
PPE Used		69%	70%	67%	68%
Total		70,5%	70,6%	68,8%	69,6%

Source: Internal Data, 2023

In 2021, PT Jagaaman Sarana demonstrated varying performance levels across different categories. The year began with production at 71%, which later improved to 73% in the second semester, culminating at 78% for the year. This upward trend suggests increased production efficiency over time. Target achievement grew from 72% in the first semester to 74% in the second semester, eventually reaching the company's annual goal of 80%. However, challenges were observed in unit maintenance and spare part performance, both experiencing a decline from the first to the second semester.

Unit maintenance dropped from 70% to 68%, and spare part performance decreased from 70% to 67%, contributing to an overall performance dip in the latter half of the year. On the safety front, there was a remarkable surge, with safety performance rising from 71% in the first semester to 72% in the second semester, concluding the year at 90%. PPE usage also improved, increasing from 69% to 70% in the second semester, resulting in an annual performance of 78%, aligning with the company's target of 80%, as can be seen in the graphic below:



Source: Internal Data, 2023

Figure 1. Employee Performance

In recent times, PT Jagaaman Sarana has grappled with significant compensation challenges. These issues are multifaceted and have raised concerns among employees, impacting various facets of the company's performance and work environment. One prominent issue within PT Jagaaman Sarana relates to disparities in direct compensation components. The following direct compensation elements have generated concern. Based on the interview that the author conduct with. On 5 October 2023 regarding the the issued with compensation challenges above the author would like to provide the

detail of the compensation that PT Jagaaman Sarana give to company employees as it will be shown down below on the table:

Table 2. Employee Compensation at PT Jagaaman Sarana

No	Type	Description
1	Basic Salary	Employees have expressed dissatisfaction with the basic salary structure, perceiving discrepancies among their peers in similar roles.
2	Rental Allowance	Variations in rental allowances have led to discontent and discussions around the fairness of these allocations.
3	Medical Allowance	Discrepancies in medical allowances have added to the dissatisfaction, affecting employee morale.
4	Special Allowance	Concerns have arisen regarding the transparency and fairness of special allowance distribution.
5	Bonus Structure	The bonus system has raised questions about equity and has resulted in decreasing motivation among employees.
6	Leave Travel Allowance	Differences in leave travel allowance provisions have contributed to the overall dissatisfaction.

Source: Internal Data, 2023

Beyond in direct compensation, another critical challenge is the intensifying tension between field works. The nature of indirect compensation elements has played a role in this issue, particularly regarding the following components.

1. Flexible Time: Variations in flexible time policies for field employees have caused frustration and discontent among this group. Some field workers may perceive a lack of flexibility in their schedules.
2. Overtime Policy: Field workers have expressed concerns about the company's overtime policies. Differences in compensation for extra hours worked have led to dissatisfaction and resentment among field employees.
3. Hospitalization Benefits: Field employees often have different hospitalization benefits compared to their office peers. These differences in healthcare support have contributed to feelings of inequality and have negatively impacted the morale of field workers.
4. Insurance Coverage: Disparities in insurance coverage have created a sense of unfairness among field employees. They may feel that they do not receive the same level of coverage and support as their colleagues.
5. Retirement Benefits: Field employees have reported disparities in retirement benefits. These differences in long-term financial security have caused dissatisfaction and reduced motivation among the field workforce.

6. Holiday Home Access: Field workers may have limited access to holiday homes. This inequality in access has led to tensions and discord among field employees.
7. Leave Policy: Variations in leave policies have created challenges for field employees, who may perceive that they have fewer opportunities for leave. These differences have contributed to resentment and reduced job satisfaction among the field workforce.

Another challenges is the issue of workplace tension between employees who work in the field and those in the office. The mining industry is known for its demanding and sometimes hazardous working conditions. The combination of long hours, physical labor, and adherence to safety protocols can create a divide between these two groups of employees. This division can lead to feelings of jealousy and resentment among those in the field who perceive that office-based employees have more favorable working conditions.

This workplace tension not only affects individual employees but can also have ripple effects throughout the organization. Employees experiencing these tensions may become less engaged in their work, leading to decreased productivity and potential safety risks. Addressing these issues is essential for PT Jagaaman Sarana to ensure a healthy and motivated workforce. Strategies such as open communication, team-building initiatives, and bridging the gap between field and office employees can play a crucial role in improving overall employee performance.

There are also problems in work environment for work field employees at PT Jagaaman Sarana which are Extreme Weather Challenges, Land Legalization and Local Disruptions, Community Demonstrations and Wildlife Intrusions, as the HR representative at PT Jagaaman Sarana, has been instrumental in understanding and addressing the recurring issue of extreme weather conditions within the mining industry. Her insights, shared in 2023, highlight the substantial impact of adverse weather events on daily operations.

Djulisari's role extends beyond mere observations; she actively engages in mitigating the challenges brought about by extreme weather. Her interview includes compelling video evidence that vividly illustrates the magnitude of these disruptions. In her capacity, Djulisari has worked to develop strategies to ensure employee safety and operational continuity when faced with extreme weather, recognizing the critical

importance of resilience and adaptability in the workforce. Cabarcos, Rodriguez, and Pineiro (2022) stated that the benefit of people-oriented management on employee performance was analyzed how the combined effects by work environment.

The challenges highlighted in the data provided closely align with Sedarmayanti's work environment dimensions (2020). The disparities in compensation and workplace tensions at PT Jagaaman Sarana reflect issues related to the physical and social aspects of the work environment. Based on the background stated above, the conducted a study by taking the title "The Impact of Compensation and work environment Toward Employee Performance at PT Jagaaman Sarana

THEORETIC

Employee Performance

Employee Performance is a multifaceted evaluation that encompasses both quantitative and qualitative aspects of an individual's or group's contributions within an organizational framework (Bustan, 2020). It reflects the tangible and measurable outcomes achieved by employees over a defined period while carrying out their assigned responsibilities and duties within an organization. This comprehensive concept of employee performance includes the following dimensions:

1. Task Performance: This dimension, as outlined by Pradhan & Jena (2017) encompasses job-specific behaviors and fundamental job responsibilities assigned as part of job descriptions. It involves aspects such as work quality, planning and organizing work, being result-oriented, prioritizing, and working efficiently.
2. Adaptive Performance: According to Pradhan & Jena (2017), this dimension relates to an individual's ability to adapt to dynamic work situations. It includes: Coming Up with Creative Solutions to Novel, Difficult Problems, Keeping Job Knowledge Up to Date, Keeping Job Skills Up to Date, Dealing with Uncertain and Unpredictable Work Situations, and Adjusting Work Goals When Necessary.
3. Contextual Performance: This dimension, as defined by Pradhan & Jena (Pradhan & Jena, 2017) focuses on prosocial behaviors demonstrated by individuals in a work setting that are not overtly mentioned in job descriptions. It encompasses qualities such as initiative, accepting and learning feedback, cooperating,

communication, responsibility, customer-oriented, creative: producing novel, and challenging work tasks.

Compensation

The financial aspects of compensation hold a prominent position in the contemporary socioeconomic landscape. Money, in its various forms, has assumed a pivotal role in fulfilling most of our material needs and desires. Financial incentives, therefore, constitute tangible rewards that carry a direct monetary value, meeting the immediate and future financial security needs of individuals (Lopez, et al., 2022).

Direct compensation, sometimes known as "base pay" or "cash compensation," constitutes the financial rewards that an employee receives as a direct result of their work performance. This component of an employee's total earnings is characterized by its tangible and easily quantifiable nature. It encompasses the various forms of monetary compensation that an individual earns in recognition of their contributions to the organization (Jaiswal, 2022).

Indirect Compensation, often referred to as "employee benefits" or "fringe benefits," encompasses the non-monetary rewards and provisions that an employer offers to enhance an employee's overall well-being and work-life satisfaction. Unlike direct compensation, which comprises quantifiable financial elements like base salary and bonuses, indirect compensation consists of a wide array of non-cash benefits that contribute to an employee's holistic compensation package (Jaiswal, 2022).

Based on the research conducted by (Michael, et al., 2019) Employee performance is already good and given compensation was the pivotal to the employees for improving the result of employee work. Based on the theory state by experts, it can be concluded that a large compensation will be obtained by employees, if employees can help the company or organization can reach the target that it wants to be taken. Compensation can be achieved by employees if the employee can complete the responsibilities that have been given by the company or organization (Kallol, 2018).

Work Environment

On the other hand, according to (Naidu, 2018) the work environment is the facilities and infrastructure or the conditions around the location where work takes place. The work environment can include the workspace, layout, facilities, infrastructure, and working relationships with colleagues (Curtin & Jia, 2020). From the

opinions of these experts, it can be concluded that the work environment includes everything around employees while they are working, whether it's in a physical or non-physical form, and that can influence their ability to perform their daily tasks and job responsibilities (Kabeyi, 2019). According to (Sedarmayanti, 2017), the dimensions and indicators of the work environment are as follows Physical Work Environment and Non-physical Work Environment.

METHOD

This study employs a quantitative methodology. The primary objective of research conducted within a quantitative framework is to formulate theories based on established facts (Kuswati, 2020). As noted by (Hardani, et al., 2020) quantitative research is a systematic and scientific examination of phenomena and their interrelationships. The fundamental aim of quantitative research is to create and apply mathematical models, theories, and hypotheses in the context of natural phenomena. The approach utilized by the author involves a survey method employing questionnaires to collect and ascertain factual data. The responses gathered through the questionnaires yield numerical data with precise outcomes. These numeric values offer valuable insights to the authors for their research, in accordance with the principles outlined by (Sugiyono, 2017) where research data in quantitative methods are numerical and undergo statistical analysis.

To ensure clarity, it is essential to specify both the size and the geographical scope of the population under investigation, as emphasized by (Hardani, et al., 2020) In the context of this study, the population comprises all 162 fieldwork employees at PT Jagaaman Saranah. Non-probability sampling, as described by (Sinambela, 2018). The non-probability sampling technique used by researchers is surfeited sampling. Expand more this research to do the research test this research conducts; validity test, reliability test, good fit model. SEM Equation Model (SEM) through SmartPLS program

RESULT

Validity And Reliability

The outcomes of the data analysis conducted using Smart are presented in the following result that started with variable X1(Compensation) followed by variable X2 (Work Environment) then variable Y (Employee Performance).

Table 3. Validity Test Results

Variable	r Count	r Table	Valid/Invalid
Compensation (X1)	0.735	0.5	Valid
Work Environment (X2)	0.827	0.5	Valid
Employee Performance (Y)	0.808	0.5	Valid

Source: Reseach data, 2023

From the table above, it shows that 59 items of questionnaires used as compensation, work environment and employee performance measurements produce 59 valid and 0 invalid. Valid means the research instrument r counts is greater than r table.

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Critical Point	Result
Compensation (X1)	.708	0.60	Reliable
Work Environment (X2)	.825	0.60	Reliable
Employee Performance (Y)	.705	0.60	Reliable

Source: Reseach data, 2023

Good Model Fit (Gof)

Table 5. Model Fit

	Saturated model	Estimated model
SRMR	0.133	0.133
d_ULS	2.708	2.708
d_G	0.713	0.713
Chi-square	741.152	741.152
NFI	0.551	0.551

Source: Reseach data, 2023

Additionally, the coefficient of determination (R Square) serves as a method to assess how much variance in the endogenous construct can be explained by the exogenous constructs. The R Square value is expected to fall between 0 and 1. R Square values of 0.75, 0.50, and 0.25 indicate a strong, moderate, and weak model, respectively (Sugiyono, 2017). Meanwhile, Adjusted R Square is the R Square value adjusted based on the standard error. The Adjusted R Square provides a stronger indication compared to R Square in evaluating the ability of an exogenous construct to explain the endogenous construct.

Table 6. R Square Test

	R-square	R-square adjusted
Employee Performance	0.674	0.671

Source: Reseach data, 2023

In Table above, the R Square value for the simultaneous or joint influence of X1,

and X2 on Y is 0.674, with an adjusted R Square value of 0.67. This implies that all exogenous constructs (X1 and X2) collectively influence Y by 0.67 or 67%. Since the Adjusted R Square is less than 70%, the impact of all exogenous constructs X1 and X2 on Y is considered strong.

Table 7. Hypothesis Test

	Original sample	Sample mean	Standard deviation	T statistics	P values
Compensation -> Employee Performance	0.542	0.544	0.048	11.303	0.000
Work Environment -> Employee Performance	0.443	0.442	0.045	9.862	0.000

Source: Reseach data, 2023

The p-value should be less than 0.05 for the research hypotheses to be considered accepted (Sugiyono, 2017). Based on Table above, the conclusions can be summarized as follows:

1. Compensation achieves a p-value of $0.000 < 0.05$ and a T-statistic value of $11.303 > 1.97$. Hence, H1 is accepted due to the significant positive relationship between Compensations and Employee Performance.
2. Work Environment receives a p-value of $0.000 < 0.05$ and a T-statistic value of $9.862 > 1.97$. Thus, H2 is accepted, indicating a significant relationship between Work Environment and Employee performance

Moderate Test

$$F_n = \frac{R^2/K}{(1 - R^2)/(n - k - 1)}$$

Note:

R = Determination Coefficient (R-Square)

K = Number of Independent Variables

N = Number of Samples

$$\begin{aligned}
 &= \frac{0.674^2/200}{(1 - 0.674^2)/(200 - 2 - 1)} \\
 &= \frac{0.454276/200}{(1 - 0.454276)/(200 - 2 - 1)} \\
 &= \frac{0.00227138}{(0.545724)/(197)}
 \end{aligned}$$

$$\begin{aligned} &= \frac{0.00227138}{0.00277017} \\ &= 0.81994246 \end{aligned}$$

Based on the result from the formula above to answer Hypothesis 3 in this research, the author conducts F-test, because the program that the author used SEM-PLS does not provide simultaneously test. Where the simultaneously test is used to see if the both variable independents in this research (compensation and work environment) have significant influence toward employee performance variable or do not significant. Based on the result it can be seen that the result is 0.819 which mean in statically number it has 82% percentage influence which is strong. By the explanation above it can be concluded that both variable Compensation and Work Environment has significant influence towards employee performance.

Research Discussion

Based on the data results obtained in this study at PT. Jagaaman Sarana, the company's performance is dependent on employee performance, emphasizing the need to enhance work performance. Several factors influencing performance were identified, and the study described the characteristics of employees at PT. Jagaaman Sarana. The respondents were predominantly male employees due to the company's engagement in the steel and mining industry, which requires fieldwork. The majority of employees were young adults, and most had worked for more than a year.

The study's findings indicated that the work environment variable has a significant and substantial positive impact on employee performance at PT. Jagaaman Sarana. This aligns with (Sedarmayanti., 2017) work environment theory, emphasizing the influence of tools, materials, surrounding environment, and work arrangements on an individual's and group's performance (Widiana, 2023).

The results of this study are consistent with the findings of (Rusli & Ayuningtias, 2020), who discovered that the work environment has a simultaneous and positive impact on the performance of employees at PT. Permodalan Nasional Madani (Persero). Physical and nonphysical environments were identified as significant factors influencing employee performance. Moreover, (Kuswati, 2020) supported the positive impact of the work environment on performance, emphasizing the supportive role of the work environment in both government and private sector organizations.

Furthermore, research by (Aima, Adam, & Ali, 2017) demonstrated a significant and positive influence of the work environment on employee performance at PT. Bank Bukopin Headquarters. The study emphasized the importance of providing appropriate facilities and a healthy environment for employees to enhance their performance.

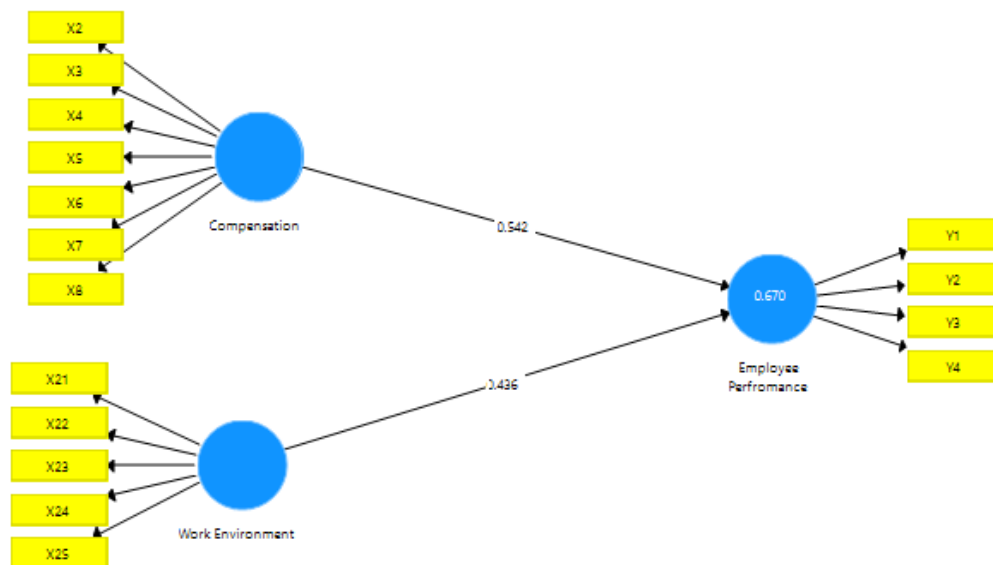
The Average Variance Extracted (AVE) and Cronbach's Alpha values, essential indicators of construct validity and reliability, exceeded the recommended thresholds. The AVE values for Compensation (0.508), Work Environment (0.634), and Employee Performance (0.656) all surpassed the critical 0.5 mark, affirming that more than 50% of the variance in each construct was captured by its respective items. Meanwhile, the Cronbach's Alpha values of Compensation (0.705), Work Environment (0.708), and Employee Performance (0.825) demonstrated high internal consistency.

The chi-square (χ^2) goodness-of-fit test, a pivotal measure in structural equation modelling, revealed a value of 741.152 for both the saturated and estimated models. While chi-square is sensitive to sample size, making it prone to significance in large samples, it remains an important metric. The closeness of the chi-square values in the saturated and estimated models (971.671) suggests an adequate fit. Diving into the hypothesis testing, both Compensation and Work Environment exhibited significant positive relationships with Employee Performance. The p-values for Compensation (0.000) and Work Environment (0.000) were well below the 0.05 threshold, denoting strong support for the research hypotheses. The T-statistic values for Compensation (11.303) and Work Environment (9.862) further emphasized the robustness and practical significance of these relationships.

However, when assessing the magnitude of influence, it becomes evident that the Compensation variable stands out as the more impactful factor in determining Employee Performance. The coefficients and significance levels suggest that variations in Compensation have a more profound impact on enhancing employee performance compared to the Work Environment. This nuanced insight, emphasizing the crucial role of Compensation in influencing employee performance, aligns with broader literature. The well-structured compensation system and its effectiveness emerge as the primary driver shaping employee well-being and productivity.

In summary, the findings of this study at PT. Jagaaman Sarana underscore the significance of Compensation in influencing employee performance, supporting existing

theories and aligning with previous research conducted in similar contexts, as the model could be seen as below



Source: *Research data*, 2023

Figure 2. SEM Model

CONCLUSION

Building upon the findings presented in the previous chapter, this section encapsulates the outcomes of the comprehensive study conducted to explore the impact of compensation and work environment on employee performance at PT. Jagaaman Sarana. The data collection involved the distribution of structured questionnaires to gather insights from the workforce, followed by a rigorous analysis process, including validity test reliability test, The Goodness of Fit (GOF) and hypothesis test:

1. The continuum data analysis for Compensation indicates a commendable standing, falling within the "Good" category with an average percentage of 75.5%. This suggests that the organization has established a compensation structure that is generally well-received by employees. However, there may be opportunities for periodic reviews and adjustments to align with evolving industry standard.
2. The continuum data analysis reveals that the Work Environment at PT. Jagaaman Sarana falls within the "Very Good" category. With an average percentage of 72.7%, the findings suggest a positive assessment of the work environment by employees. This signifies that the organization has effectively provided a conducive and supportive atmosphere for its workforce.

3. The continuum data analysis for Employee Performance unveils an overall "Very Good" category, with an average percentage of 84%. This signifies a high level of positive sentiment among employees regarding their performance. The results highlight the effectiveness of the organizational strategies in fostering a conducive environment that positively influences employee work output.
4. Influence of Compensation on Employee Performance: The Goodness of Fit (GOF) analysis unveils a significant and positive influence of compensation on employee performance. The Structural Equation Modeling (SEM) for compensation indicate a robust correlation, suggesting that an increase in compensation significantly enhances employee performance. The analysis further indicates that 67% of the variance in employee performance can be explained by compensation and work environment.
5. Influence of Work Environment on Employee Performance: The analysis underscores a substantial and positive influence of the work environment on employee performance. The Structural Equation Modeling (SEM) emphasize a significant correlation, highlighting that an improved work environment significantly contributes to enhanced employee performance.

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