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The Effect of Work Environment and Compensation on Employee Work Satisfaction at Medical Appliance Company

Aprilia Riahta Millenia Sinuraya[1] Sanny Ekawati[1*]

[1]*Faculty of Economics and Business, Universitas Tarumanagara, West Jakarta - 11470, Indonesia*
[*]*Corresponding author. Email: sannye@fe.untar.ac.id*

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ABSTRACT
The purpose of this study was to examine the effect of work environment and compensation towards employees work satisfaction at Medical Appliance Company. This study was causal research using quantitative method. The sampling method used purposive sampling technique based on certain criteria. This study had a sample size of 57 respondents. The data analysis used outer and inner model test in SmartPLS software version 3.3. The findings of this study showed that the work environment and compensation had a positive and significant effect on employee work satisfaction at Medical Appliance Company. This study can be used as a reference for Human Resource Department to make policy and decision that have an impact on increasing employee job satisfaction.

Keywords: *Work Environment, Compensation, Work Satisfaction*

1. INTRODUCTION

Human Resources is the company's main asset because employee performance is what the company needs to achieve the company's vision, mission, and goals [1]. The quality of a company's human resources determines its success or failure. With this perspective, the company should recognize that its most valuable asset is its human resources, which must be managed more sustainably. Employee work satisfaction is an important factor in increasing the company's progress [2]. Employees who are happy at work are more loyal and eager to do the best results for the company's advancement. This study utilized Frederick Herzberg's (1959) [3] theory of two factors (Two Factor Theory). This theory is called two factors because it has consisted of two factors: Motivator and Hygiene Factors. Motivators or satisfaction factors (satisfiers) are factors that lead to employee work satisfaction, such as the work itself, achievement, progress, and others, meanwhile, Hygiene Factors (dissatisfiers) are factors that lead to employee work dissatisfaction, such as the work environment, salaries and bonuses, and relationships with co-workers and supervision. Work environment and compensation, both have an impact on employee work satisfaction which can lead to employee work dissatisfaction. The work environment encompasses everything that surrounds employees and as the ability to influence their capacity to execute the duties that have been allocated to them [4]. A proper work environment will result in a comfortable and safe work environment that makes employees feel at ease at work and increases employee work satisfaction. work satisfaction is influenced not only by the work environment but also by other factors such as compensation. Compensation is the company's appreciation to employees for their efforts while working at the company [5]. Compensation is a tool for sustainable living, so it has an impact on employee work satisfaction; the higher the compensation given by the employer, the higher the percentage of employee work satisfaction, and vice versa [6]. This study is conducted at Medical Appliances Company that imports medical devices and distributes them to hospitals, laboratories, and clinics throughout Indonesia. Employees are dissatisfied with the company's bonuses and incentives since there are inappropriate to the results of their work. On the contrary, employees perceived work

satisfaction in terms of the work environment at the company. They felt comfortable and safe while working at the company, in contrast to the dissatisfaction felt by employees regarding the compensation provided. Based on this background, a study was conducted titled "The Effect of Work Environment and Compensation on Employee Work Satisfaction at Medical Appliance Company".

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Work Satisfaction

According to Greenberg and Baron [7], work satisfaction is an individual's positive or negative attitude toward the work that has been completed. According to Kreitner and Kinicki [8], work satisfaction is defined as a person's emotional or affective response to various jobs. According to Robbins et al; [9], work satisfaction is the result of evaluating characteristics that create positive feelings about the work that has been done.

2.2. Work Environment

Work environment refers to everything that surrounds employee when they are working that can affect their work satisfaction and thus determine the best performance [10]. Sedarmayanti [11] said the environment that surrounds employees when carrying out their work, both from the form and modalities of work as individual or group. Furthermore, Heizer and Render [12] define the work environment as a physical environment that influences both employee quality and performance.

2.3. Compensation

According to Werther & Davis [13], compensation is something that employees accept as an imbalance in their work toward the company. Compensation includes all forms of rewards that arise because of employee contributions and are determined by the company [14]. Compensation, according to Hasibuan [15] is any earnings in the form of goods or services earned either directly or indirectly as a reward for services rendered to the company.

2.4. The Effect of the Work Environment on the Employee Work Satisfaction

Febriani et al; [16] conducted a study on the Surakarta District Court Special Class 1A State Civil Apparatus and discovered a positive and significant relationship between the work environment and work satisfaction. Suifan [17] had found a positive and significant effect of the work environment on work satisfaction. Furthermore, according to Aisyaturrido et al; [18], there was a positive and signifcant effect of the work environment on direct work satisfaction at PT. Trinity Plastic Industry.

Based on the theory and the prior research, the following hypothesis can be developed:
H1: Work environment has a positive and significant effect on Employee Work Satisfaction at Medical Appliance Company.

2.5. The Effect of the Compensation on the Employee Work Satisfaction

Husain et al; [19] had researched CV. Bahari Tegal Bakery’s employees and discovered that compensation had a positive and significant effect on work satisfaction. Rasyid & Tanjung [20] found that compensation had a positive and significant effect on work satisfaction in their study. According to Ramlah et al; [21], compensation had a significant and positive effect on work satisfaction, which was consistent with the findings of the previous two studies.

Based on the theory and prior research, the following hypothesis can be developed:
H2: Compensation has a positive and significant effect on Employee Work Satisfaction at Medical Appliance Company.

2.6. Research Model

Based on the previous explanations, the schematic description of the framework was as follow:

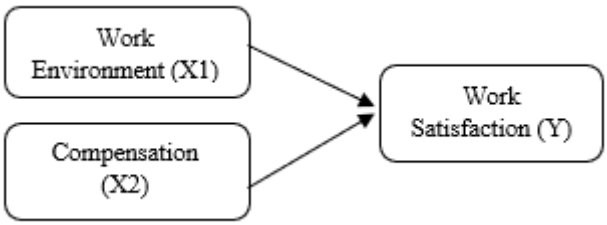

Figure 1 Research Model

3. RESEARCH METHOD

This study used a causal research design with quantitative approached that examined three variables consisting of two exogenous variables, namely work environment and compensation, and one endogenous variable, namely work satisfaction. All employees of Medical Appliance Company were included in this study and the sample size was 57 respondents. The non-probability sampling method with purposive sampling technique was used in this study. All data sources generated in this study were primary data derived from questionnaires in google form to Medical Appliance Company employees. The measurement of variables was carried out with ordinal scale in Likert scale.

3.1. Work Satisfaction

Referring to Luz et al; [22], the indicators of work satisfaction in the questionnaire statement are:
1. I am happy with my job.
2. The work assigned by the company is appropriate for my abilities.
3. The company's promotion system is implemented fairly.
4. The company's salary is commensurate with my work.

3.2. Work Environment

Referring to Pawirosumarto et al; [23], the indicators of work environment in the questionnaire statement are:
1. My workplace has a pleasant working environment.
2. I am at ease because the office where I work has good air circulation.
3. I can effectively communicate with supervisor.
4. I can work cooperatively with my teammates.
5. The company has a security unit, which makes me feel safe and secure while I am working.
6. The company provide equipment to assists employees in performing good work.

3.3. Compensation

Referring to Permadi et al; [24], the indicators of compensation in the questionnaire statement are:
1. My salary is determined by my workload at the company.
2. The salary I receive from the company meets my basic needs.
3. Employees who perform exceptionally well are rewarded by the company.
4. The company's bonus meets my expectation

All data were analyzed using the PLS-SEM with the Smart PLS data analysis tool Version 3.3. The outer model test was used in this study to determine the validity and reliability variables. Validity tests include the Loading Factor, HTMT, and AVE. The reliability tests used composite reliability and Cronbach's alpha. The inner model test used in this study were analyzed using GoF, the coefficient of determination (R^2), the relevance of predictions (Q^2), the effect size test (f^2), and the hypotheses test.

4. FINDINGS AND DISCUSSION

4.1 Findings

4.1.1. Convergent Validity Test Results

The first convergent test showed the loading factor value and there were some indicators less than 0.70 [25]. So, six indicators which declared invalid in the first test (LK7, K5, K6, KK5, KK6, KK7) were eliminated. After the invalid indicators were eliminated, the second loading-factor results fulfil the criteria shown in Table 1.

Table 1 Loading Factor Results

Variable	Work Environment (X1)	Compensation (X2)	Work Satisfaction (Y)
LK1	0.769		
LK2	0.797		
LK3	0.770		
LK4	0.767		
LK5	0.756		
LK6	0.707		
K1		0.847	
K2		0.864	
K3		0.840	
K4		0.726	
KK1			0.763
KK2			0.796
KK3			0.821
KK4			0.775

Source: Data Processed by SmartPLS Version 3.3

4.1.2. Discriminant Validity Test Results

The Heterotrait-Monotrait (HTMT) approach was used to analyze discriminant validity in this study. If the threshold value is less than 0.90 (0.9), it is still acceptable [26]. According to the HTMT value data in table 2, it was valid because it is less than 0.90 (<0.9).

Table 2 HTMT Test Results

Variable	Work Satisfaction (Y)
Work Environment (X1)	0.896
Compensation (X2)	0.881
Work Satisfaction (Y)	-

Source: Data Processed by SmartPLS Version 3.3

4.1.3. AVE Value Test Results

The AVE (average variance extracted) value is valid if it has value more than 0.50 (> 0.50) [27]. Based on table 3, the AVE value had met the requirements because it was more than 0.50 (> 0.50).

Table 3 AVE Results

Variable	***Average Variance Extracted (AVE)***
Work Environment (X1)	0.580
Compensation (X2)	0.674
Work Satisfaction (Y)	0.623

Source: Data Processed by SmartPLS Version 3.3

4.1.4. Cronbach Alpha Reliability Test Results

Variable is called reliable if its Cronbach Alpha value is greater than 0.60 (> 0.60) [25]. Table 4 shows that the variables in this study were considered reliable because their values were greater than 0.60.

Table 4 Cronbach Alpha Test Results

Variable	***Cronbach Alpha***
Work Environment (X1)	0.856
Compensation (X2)	0.839
Work Satisfaction (Y)	0.799

Source: Data Processed by SmartPLS Version 3.3

4.1.5. Composite Reliability Test Results

A reliable indicator has a value greater than 0.7 (> 0.7), though a value of 0.6 is still acceptable [28]. These variables were reliable based on the data in Table 5 because they had a value greater than 0.70 (0.70).

Table 5 Composite Reliability Test Results

Variable	***Composite Reliability***
Work Environment (X1)	0.892
Compensation (X2)	0.892
Work Satisfaction (Y)	0.868

Source: Data Processed by SmartPLS Version 3.3

4.1.6. Coefficients of Determination (R^2) Test Results

Table 6 shows R^2 values of 0.674, which indicated that the work environment and compensation variables explained 67.4% of the work satisfaction variable, while the remaining 32.6% was explained by variables not included in this study.

Table 6 R^2 Test Results

Variabel	R^2	R^2 Adjusted
Work Satisfaction (Y)	0.674	0.662

Source: Data Processed by SmartPLS Version 3.3

4.1.7. Prediction Relevance (Q^2) Test Results

Q-Square is considered good if the value is greater than zero (>0) [27]. Table 7 showed that the result was 0.394, which was greater than zero, indicating that the Q-Square in this study was good.

Table 7 Q^2 Test Results

Variable	SSO	SSE	Q^2 (=1-SSE/SSO)
Work Environment (X1)	228.000	138.271	
Compensation (X2)	228.000	228.000	
Work Satisfaction (Y)	342.000	342.000	0.394

Source: Data Processed by SmartPLS Version 3.3

4.1.8. Goodness-of-Fit Test Results

According to the GoF manual calculation, the result was 0.650. It means that the GoF value in this study was in a large category because it was more than 0.36 [29], so there was a match between the model and the object under research.

Table 8 Result of The Path Coefficient and Significance

Variable	*Path Coeff*	*t-Statistics*	*P-Values*
Work Environment → Work Satisfaction	0.476	4.699	0.000
Compensation → Work Satisfaction	0.418	4.704	0.000

Source: Data Processed by SmartPLS Version 3.3

According to Table 8, the path coefficient was 0.476, it means that the work environment had a positive effect on employee work satisfaction. The p-value was 0.000 < 0.05, indicating that the work environment had significant effect on employee work satisfaction.

According to Table 8, the path coefficient was 0.418, it means that compensation had a positive effect on employee work satisfaction. The p-value is 0.000 < 0.05, indicating that compensation had significant effect on employee work satisfaction.

Table 9 Effect Size (f^2) Test Results

Variable	f^2	Description
Work Environment → Work Satisfaction	0.368	Large Effect
Compensation → Work Satisfaction	0.285	Moderate Effect

Source: Data Processed by SmartPLS Version 3.3

The effect of the work environment on employee work satisfaction was large because more than 0.35, and the effect of compensation on employee work satisfaction was moderate, within range 0.15 to 0.35 [30].

4.2. Discussion

4.2.1. The Effect of Work Environment on Employee Work Satisfaction at Medical Appliance Company

Based on the results obtained, the findings of this study revealed that the work environment had a positive and significant effect on employee work satisfaction of Medical Appliance Company. This positive and significant effect means the more pleasant and comfortable the company's work environment, the higher employee work satisfaction level. This statement was in line with the results of research conducted by Febriani et al; [16], Suifan [17], and Aisyaturrido et al; [18].

4.2.2. The Effect of Compensation on Employee Work Satisfaction at Medical Appliance Company

The results in this research stated that compensation had a positive and significant effect on the work satisfaction of employees of Medical Appliance Company. This positive and significant effect means that the higher company's compensation provided to employees. the greater employee work satisfaction level. This statement was in line with the previous researched by Husain et al; [19], Rasyid & Tanjung [20], and Ramlah et al; [21].

5. CONCLUSIONS AND IMPLICATIONS

Based on the findings and discussion above, the conclusions and implications in this study were work environment and compensation had a positive and significant effect on employee work satisfaction at Medical Appliance Company. The company should pay attention on salaries and bonuses that are given according to the employees' work results to increase employee job satisfaction. Maintaining a pleasant atmosphere in the workplace makes employees feel comfortable and delight in performing their jobs, that can lead to increase employee job satisfaction.

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