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## The Influence of Compensation and Training Towards Employee Performance With Job Satisfaction As An Intervening Variable in PT EN

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**Abstract:** This study aims to analyze the influence of compensation and training on employee performance with job satisfaction as Intervening Variable at PT EN with population and sample 67 employees with at least one year work experience at PT EN. The data collecting method is questionnaire, analyzed using model of structural equation modeling (SEM). The result of the research show that compensation have possitive and significant effect on Job satisfaction, training have positive and significant effect on Job satisfaction, Job satisfaction have positive and significant effect on employee performance, Compensation have positive and signivcant effect on employee performance through job satisfaction, Training have positive and significant effect on employee performance through job satisfaction.

**Keyword:** Compensation, Training, Job Satisfaction, Employee Performance

### INTRODUCTION

The company requires human resource management to address these circumstances to achieve competitive advantage, enabling the company to sustain itself amidst economic growth and competition within the industry. Achieving competitive advantage necessitates the development of strategies, particularly in human resource management, to navigate new market conditions.

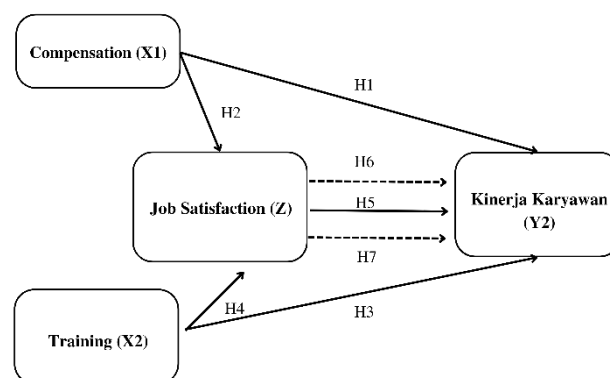
Like other manufacturing industries, PT EN, a company engaged in Manufacturing, Contracting, and Service in Electrical Automation, Instrumentation & Electrical Control, aims to compete and enhance its competitive advantage. In facing competition and changing market conditions, every company is required to cultivate a more effective and efficient working culture. Companies are also expected to improve their competitiveness to sustain their business continuity. Every company undoubtedly harbors aspirations to achieve its corporate objectives.

Based on the performance evaluation report over the past three years from 2020 to 2022, where employees were assessed and categorized into three parameters: "Good", "Satisfactory", and "Poor", it is evident that the performance evaluations have been unstable or fluctuating, seen in 2020 to 2021 performance evaluation there was decreasing in the number of employees

rated as "Good" and an increase in the number of employees rated as "Satisfactory". However, from 2021 to 2022, there was an improvement, indicated by an increase in the number of employees rated as "Good" and a decrease in those rated as "Satisfactory" and "Poor". It can be concluded that in these three years, the company has not yet achieved the target of having 100% of employees rated as "Good". This inconsistency could pose a problem for the company if the factors influencing employee performance are not investigated.

After discussions with three Key Person and supported by a preliminary survey involving at least 20 employees of PT EN, three variables were identified: Compensation, Training, and Job Satisfaction, suspected to influence the performance issues at PT EN. The preliminary survey results from 23 employees indicated that indeed some employees perceive these issues, aligning with the Key Person discussions where not all responses showed 100% agreement. This suggests that targets have not been fully met. Additionally, prior research by Saman (2020) highlighted the significant influence of Compensation on employee performance, while Sendawula et al. (2018) found that Training also impacts employee performance.

Research by Rinny, Purba, & Handiman (2020) suggests that Compensation does not have a significant impact on employee performance also research by Syahputra & Tanjung (2020) mentioned that Training also did not have a partial influence on employee performance. Thus, there is a research gap indicating inconsistent findings from previous studies. Therefore, this study introduces a mediating variable to connect these two variables: Job Satisfaction. This is supported by discussions with Key Person and previous research by Saban, Basalamah, Gani & Rahman (2020) that indicating a significant positive influence of Compensation (X1) on Job Satisfaction (Y1). Additionally, the study suggests that Job Satisfaction positively and significantly impacts employee performance. Furthermore, previous research has also demonstrated a significant relationship between Training and Job Satisfaction (Basa, Erari, & Setiani, 2022). Therefore, a conceptual framework for this study is developed, as illustrated in Figure 1.



Source : Processed by the author (2022)

**Figure 1. Conceptual Framework**

Compensation is an activity that involves remuneration for employees, This means that employees who have made significant contributions to the company will be recognized and rewarded accordingly. Training is a learning process that enables employees to perform their jobs according to required standards, and It aims to enhance employee performance. Another strategy involves organizing training sessions to ensure proficiency in current tasks and readiness for upcoming responsibilities. Job satisfaction is defined as a term that describes a person's positive feelings about their work resulting from an evaluation of the characteristics of the job. Employee performance is the overall work result that can be achieved by an

organization in a certain period, which emphasizes that the goals of an organization certainly involve all elements within it.

## METHOD

This research applies a quantitative method through the distribution of questionnaires, employing descriptive analysis as its research objective to obtain data that can depict the topic of the study. The questionnaire results were processed using the Partial Least Squares (PLS) statistical method, employing Structural Equation Modeling (SEM) approach to test both measurement and structural models, operated through the SmartPLS program.

This study has a relatively small population size; therefore, it utilizes non-probability sampling as its sampling technique. Specifically, it employs saturation sampling, which is a total sampling method where the entire population is included as the sample (Sugiyono, 2017).

Population for this study consists of 67 individuals. According to Arikunto (2017), when the population size is below 100, the entire population is typically used as the sample for the study.

## RESULTS AND DISCUSSION

### Evaluation Of Model Result (Outer Model)

Measurement evaluation is conducted using Reliability Test and Convergent Validity Test with Loading Factor values and Average Variance Extracted (AVE) values. The AVE value should be 0.5 or higher, indicating at least 50%, and the criterion for loading factor values is that they should be greater than 0.7. However, according to Chin (1998) as cited in Ghozali, Imam (2014), loading factor values between 0.5 and 0.6 are still acceptable.

Next, carry out a discriminant validity test using the results of the HTMT value. The measurement must have a value smaller than 0.85 to a maximum of 0.90 to be said to have validity, which is said to be a better alternative if you want to test discriminant validity according to Hanseler et al. (2015) in Hair et al. (2021).

**Table 1. Convergent Validity & AVE Stage 2**

Variable	Indicator	Outer Loading Value	Note	AVE
Compensation	X1.1	0,724	Valid	0,537
	X1.2	0,809	Valid	
	X1.3	0,865	Valid	
	X1.4	0,603	Valid	
	X1.5	0,628	Valid	
Training	X2.1	0,983	Valid	0,893
	X2.2	0,988	Valid	
	X2.3	0,879	Valid	
	X2.4	0,963	Valid	
	X2.5	0,983	Valid	
	X2.6	0,948	Valid	
	X2.7	0,967	Valid	
	X2.8	0,956	Valid	
	X2.9	0,938	Valid	
	X2.10	0,83	Valid	
Job Satisfaction	Z1.1	0,779	Valid	0,585
	Z1.2	0,746	Valid	
	Z1.6	0,693	Valid	
	Z1.7	0,811	Valid	
	Z1.8	0,817	Valid	
	Z1.9	0,73	Valid	
	Z1.10	0,773	Valid	

Employee Performance	Y1.1	0,708	Valid	0,549
	Y1.2	0,836	Valid	
	Y1.3	0,541	Valid	
	Y1.4	0,885	Valid	
	Y1.5	0,767	Valid	
	Y1.6	0,721	Valid	
	Y1.7	0,829	Valid	
	Y1.8	0,681	Valid	
	Y1.9	0,517	Valid	
	Y1.11	0,804	Valid	

Source : Processed by the author using SmartPls (2023)

Based on Table 1 in this study, a minimum loading factor of 0.5 is used. In the first stage, there were still some loading factor values below 0.50. Therefore, the researcher proceeded to the second stage.

**Table 2. Discriminant Validity Test (Heterotrait-Monotrait Criterion)**

	Job Satisfaction (Z)	Employee Performance (Y)	Compensation (X1)	Training (X2)
Job Satusfaction (Z)				
Employee Performance (Y)	0.845			
Compensation (X1)	0.515	0.444		
Training (X2)	0.529	0.294	0.608	

Source : Processed by the author using SmartPls (2023)

Based on Table 2 above, all values are below 0.85, indicating good discriminant validity. Next, the reliability test with the instrument can be considered reliable if using Composite Reliability and Cronbach's Alpha values above 0.70 (Ghozali, Imam. 2014).

**Table 3 Reliability Test (Composite Reliability and Cronbach's Alpha)**

	Composite Reliability	Ket	Cronbach's Alpha	Ket
Job Satisfaction (Z)	0,886	Reliabel	0,882	Reliabel
Employee Performance (Y)	0,917	Reliabel	0,905	Reliabel
Compensation (X1)	0,815	Reliabel	0,789	Reliabel
Training (X2)	0,989	Reliabel	0,986	Reliabel

Source : Processed by the author using SmartPls (2023)

Based on Table 3, both Composite Reliability and Cronbach's Alpha values are all above 0.70. Therefore, it can be stated that all indicators are reliable or consistent in measuring their respective variables.

### Structural Testing or Inner Model

In the structural testing phase, the evaluation is based on the R-Square value, Goodness of Fit, and the values of path coefficients and p-values.

**Table 4. R-Square Measurement**

Variabel	R-square
Job satisfaction (Z)	0,33
Employee performance (Y)	0,62

Source : Processed by the author using SmartPls (2023)

The R-square value in Table 4 shows that the R-square for Job Satisfaction (Z) is 0.33 or 33%, indicating that Job Satisfaction (Z) can be influenced by Compensation (X1) and Training (X2), while the remaining 67% is influenced by variables outside of this study. This R-square value of 0.33 for Job Satisfaction is considered moderate. For Employee Performance (Y), the R-square value is 0.62, meaning that 62% of Employee Performance (Y) can be influenced by Compensation (X1) and Training (X2), with the remaining 38% influenced by other variables not examined in this study.

Next, the accuracy of the model can be assessed by using formulas to evaluate the integration of the Outer Model (measurement model) and the Inner Model (structural model), as follows:

$$GoF = \sqrt{AVE \times R^2}$$

$$GoF = \sqrt{0,641 \times 0,475}$$

$$GoF = \sqrt{0,304}$$

$$GoF = 0,55$$

Information:

$$AVE = \frac{0,585 + 0,549 + 0,537 + 0,893}{4} = \frac{2,564}{4} = 0,641$$

$$R^2 = \frac{0,33 + 0,62}{2} = \frac{0,95}{2} = 0,475$$

From the calculations above, with a value of  $0.573 > 0.36$ , the conclusion is that the performance of the integration between the measurement model and the structural model in this study is good (Ghozali & Latan, 2015).

## Hypothesis Result

Hypothesis testing can be assessed through the results of the path coefficient and p-value tests. This stage involves using second-order analysis and bootstrapping with up to 5000 samples. The results of the bootstrapping test can be seen in Figure 2 below.

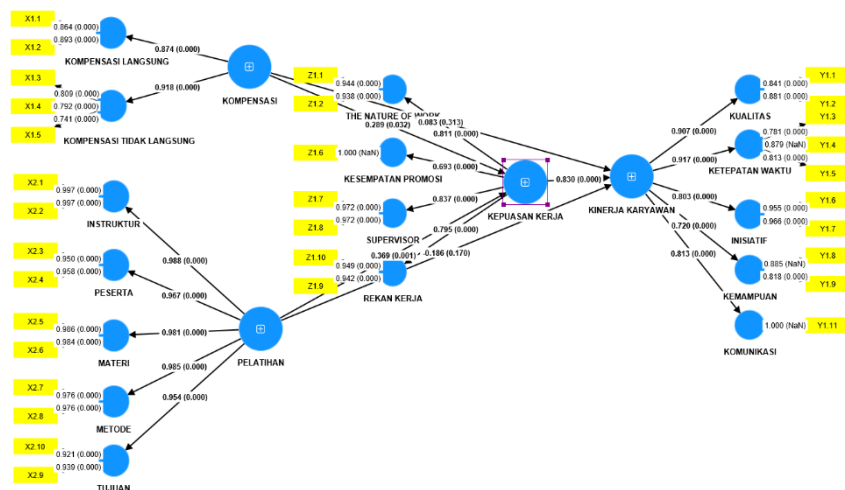


Figure 2. Second-Order Structural Model Testing

Source : Output SmartPLS 4.0 (2023)

The results of the path coefficient values and P-values that can be used to evaluate hypotheses in research, as shown in the table below:

Table 4 Hypothesis Test of Direct Effects with Path Coefficient and P-values

Hipotesis	Path Coefficient	P-Value	Ket
<b>Direct Effect</b>			
<b>H1. Compensation (X1) → Employee Performance (Y)</b>	0,083	0,313	Rejected (Positive and Not Significant)
<b>H2. Compensation (X2) → Job Satisfaction (Z)</b>	0,289	0,032	Accepted (Positive and Significant)
<b>H3. Training (X2) → Employee Performance (Y)</b>	-0,186	0,17	Rejected (Positive and Not Significant)
<b>H4. Training (X2) → Employee Performance (Z)</b>	0,369	0,001	Accepted (Positive and Significant)
<b>H5. Job Satisfaction (Z) → Employee Performance (Y)</b>	0,83	0	Accepted (Positive and Significant)
<b>Undirect Effect</b>			
<b>H6. Compensation (X1) → Job Satisfaction (Z) → Employee Performance (Y)</b>	0,24	0,031	Accepted (Positive and Significant)
<b>H7. Pelatihan (X2) → Job Satisfaction (Z) → Employee Performance (Y)</b>	0,306	0,005	Accepted (Positive and Significant)

Source : Processed by the author using SmartPLS (2023)

In Table 4 above, hypothesis testing using bootstrapping and second-order analysis yields the following results regarding the relationships between variables:

H1 Rejected, Compensation has a positive but not significant effect on Employee Performance, with a path coefficient of 0083 and a p-value of 0.313 (> than 0.05).

H2 Accepted, Compensation has a positive and significant effect on Job Satisfaction, with a path coefficient of 0,289 and a nilai p-value of 0,032 (< than 0,05).

H3 Rejected, Training does not have a positive and significant effect on Employee Performance, with a path coefficient of -0.186 and a p-value of 0.17 (> than 0.05).

H4 Accepted, Training has a positive and significant effect on Job Satisfaction, with a path coefficient of 0.369 and a p-value of 0.01 (< than 0.05).

H5 Accepted, Job Satisfaction has a positive and significant effect on Employee Performance, with a path coefficient of 0.83 and a p-value of 0.00 (< than 0.05).

H6 Accepted, Compensation has a positive and significant indirect effect on Employee Performance through Job Satisfaction, with a path coefficient of 0.24 and a p-value of 0.031 (< than 0.05).

H7 Accepted, Training has a positive and significant effect on Employee Performance through Job Satisfaction, with a path coefficient of 0.306 and a p-value of 0.005 (< than 0.05).

## Discussion

Improving Employee Performance at PT EN by enhancing Compensation within the company can lead to better Job Satisfaction among employees, similar to the findings of Wellen & Djawoto (2022), which identified an influence between Compensation and Job Satisfaction. Therefore, if compensation within the company is increased, employee job satisfaction will rise significantly. Moreover, the more effective the training implemented for employees, the greater the improvement in job satisfaction. This aligns with the research by Basa, Erari, & Setiani (2022), which supports these findings. Similarly, research by Sabuhari, Sudiro, Irawanto, & Rahayu (2020) indicates that if PT EN enhances job satisfaction, employee performance will also improve. When employees are satisfied with their work, it leads to an increase in their performance.

Likewise, increasing compensation for employees and providing effective training for employees can indirectly improve employee performance by increasing job satisfaction in the



company first, similar to previous research, namely Saban, Basalamah, Gani & Rahman (2020), namely Job satisfaction which functions as a mediation between compensation and employee performance as well as research from (Saragih, Tarigan, Pratama, Wardati, & Siregar, 2022) which states that through Job Satisfaction, Training also shows an influence on Employee Performance.

## CONCLUSION

The conclusions that can be drawn from this study are:

Compensation has a positive but not significant effect on employee performance at PT EN. The research indicates that increasing compensation does not result in a change in employee performance within this company. However, the study reveals that compensation has a positive and significant impact on job satisfaction. Therefore, an increase in compensation significantly enhances employee job satisfaction.

Training at PT EN has a direct negative and insignificant effect on employee performance. Despite the company's efforts to provide training, there is no significant impact on employee performance. However, training and job satisfaction have a positive and significant effect, indicating that effective training can improve employee job satisfaction within the company.

At PT EN, there is evidence that employee performance is positively and significantly influenced by job satisfaction. This means that when employees are satisfied with their work, their performance tends to improve. Additionally, employee performance is also positively and significantly affected by compensation through job satisfaction as a mediating factor. This indicates that increasing the level of compensation can help enhance employee job satisfaction, which in turn has a positive impact on employee performance. Similarly, training at PT EN also has a positive and significant effect on employee performance, with job satisfaction serving as a mediating factor. This shows that providing effective and well-structured training to employees can improve job satisfaction, which directly contributes to better employee performance within the company.

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