

The Effect of Compensation on Employee Performance is Mediated by Job Satisfaction

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Article history:

Received December 27, 2022

Revised January 1, 2023

Accepted February 9, 2023

Available online on April 1, 2023

Keywords:

compensation, job satisfaction, employee performance

Paper type: Research paper

Please cite this article [Turabian of style 8th edition]: Pudjiarti, Emiliana Sri, Murdiansyah Herman, and Deewar Mahesa. "The Effect of Compensation on Employee Performance Is Mediated by Job Satisfaction". *IQTISHODUNA: Jurnal Ekonomi Islam* 12, no. 1 (April 1, 2023): 209–222. Accessed April 1, 2023.

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ABSTRACT

The goal of this study is to see if there is an effect of compensation on job satisfaction that is mediated by job satisfaction. The subject of study at PT FMG Semarang. The study was carried out using quantitative methods and the SEM Smart PLS software as an analysis tool. The total number of samples obtained by using a random sampling technique and the Slovin formula was 99. The data was collected by filling out online surveys with Google Forms. The R-square test, Bootstrapping, Path Coefficient, and Specific indirect effects are the data analysis methods used. According to the findings of this study, compensation has an effect on employee performance, compensation has a positive and significant effect on job satisfaction, job satisfaction affects employee performance, and job satisfaction is capable of improving employee performance.

Abstrak: Tujuan dari penelitian ini adalah untuk melihat apakah terdapat pengaruh kompensasi terhadap kepuasan kerja yang dimediasi oleh kepuasan kerja. Subyek studi di PT FMG Semarang. Penelitian dilakukan dengan menggunakan metode kuantitatif dan software SEM Smart PLS sebagai alat analisis. Jumlah sampel yang diperoleh dengan menggunakan teknik random sampling dan rumus Slovin adalah 99. Pengumpulan data dilakukan dengan mengisi survei online dengan Google Forms. Uji R-square, Bootstrapping, Koefisien Jalur, dan Efek tidak langsung khusus adalah metode analisis data yang digunakan. Menurut temuan penelitian ini, kompensasi berpengaruh terhadap kinerja karyawan, kompensasi berpengaruh positif dan signifikan terhadap kepuasan kerja, kepuasan kerja berpengaruh terhadap kinerja karyawan, dan kepuasan kerja mampu meningkatkan kinerja karyawan..

Kata kunci: kompensasi, kepuasan kerja, kinerja karyawan

INTRODUCTION

In the current global era, various companies face problems in small, medium and large areas. This phenomenon describes the development of the company's business area. It is hoped that with the development of an organization, adequate facilities and infrastructure and reliable management of resources can be developed. Human resources are very important because humans play an active role and lead in every organizational activity. People in the organization act as determiners, participants, and planners to achieve company goals, determine the company's progress and setbacks. The current progress of competition demands people who can think smart, innovative and advanced to work and have high enthusiasm in facing the globalization era. Humans are a resource that is different from other factors of production because they have different feelings, thoughts, desires, and backgrounds. Humans also have unlimited needs, meaning that human needs always increase from time to time. Human needs are defined as everything they have, know, and enjoy, so that people are motivated to carry out activities through work. The company's human resources are an important aspect that determines the effectiveness and success of the company. If there is no one who manages and disseminates ideas, then companies with facilities and infrastructure are meaningless. As a human being, other than a goal meaning that human needs always increase from time to time. Human needs are defined as everything they have, know, and enjoy, so that people are motivated to carry out activities through work. The company's human resources are an important aspect that determines the effectiveness and success of the company. If there is no one who manages and disseminates ideas, then companies with facilities and infrastructure are meaningless. As a human being, other than a goal meaning that human needs always increase from time to time. Human needs are defined as everything they have, know, and enjoy, so that people are motivated to carry out activities through work. The company's human resources are an important aspect that determines the effectiveness and success of the company. If there is no one who manages and disseminates ideas, then companies with facilities and infrastructure are meaningless. As a human being, other than a goal If there is no one who manages and disseminates ideas, then companies with facilities and infrastructure are meaningless. As a human being, other than a goal If there is no one who manages and disseminates ideas, then companies with facilities and infrastructure are meaningless. As a human being, other than a goal.

The company that employees have to achieve also has personal goals, therefore company goals and employee personal goals need to be integrated so that overlapping or overlapping does not occur. The needs of each employee must be understood and considered so that the goals of the employee can be well integrated. Employees have various personal needs. These needs are physical and non-physical and must be met to live a normal life.

Performance is the result of work performed by a person or group of people in an organization, in accordance with the authority and responsibilities of each ¹. Results of work In accordance with company goals Very dependent on the work of employees. Employee work is influenced by several factors, namely internal factors and external factors. Internal factors are related to a person's characteristics, including attitudes, personality traits, body traits, desires or motivations, age, gender type, level of education, work experience, cultural background and other personal variables. External factors that affect employee performance include the environment, leadership, colleagues, type of training and supervision, and the social environment payroll system. Employee performance in the organization is a very important part, and PT ISS is no exception. The current phenomenon at PT ISS is related to the declining level of employee productivity. Decrease in employee performance from various aspects or certain factors. Employees believe that the compensation they receive is not what they expected. Most employees believe that compensation in the form of salaries and bonuses is not in line with employee expectations. The compensation provided by the company to its employees must meet the expectations of the company's best employees. Employees believe that the compensation they receive is not what they expected. Most employees believe that compensation in the form of salaries and bonuses is not in line with employee expectations. The compensation provided by the company to its employees must meet the expectations of the company's best employees. Employees believe that the compensation they receive is not what they expected. Most employees believe that compensation in the form of salaries and bonuses is not in line with employee expectations. The compensation provided by the company to its employees must meet the expectations of the company's best employees.

Compensation is a substitute received by employees as their service contribution to the company. They contribute to the company's operations. Every employee in the organization wants compensation according to their expectations. If these expectations are met, then the employee will always be enthusiastic at work. ² states that the personnel department designs and administers employee compensation. If the compensation provided is appropriate, employees are more satisfied and motivated to achieve organizational goals. Organizations try to provide fulfillment of employee needs through compensation. If employees get a large enough salary, their job satisfaction will increase. This is one of the company's standards, namely creating talent and producing the best performance by maintaining employee

¹ Tri Wartono, 'Pengaruh Stres Kerja Terhadap Kinerja Karyawan (Studi Pada Karyawan Majalah Mother and Baby)', *KREATIF: Jurnal Ilmiah Prodi Manajemen Universitas Pamulang*, 4.2 (2017).

² Edrick Leonardo, 'Pengaruh Pemberian Kompensasi Terhadap Kinerja Karyawan Pada PT. Kopanitia', *Agora*, 3.2 (2015), 28-31.

job satisfaction. Employees who are satisfied with the company will show their loyalty to the company and work harder, which can bring opportunities for the company's success. The company's success can not only be achieved through the implementation of business strategies, but also must be supported by the company's human resources. Therefore, human resources are also considered as a complex force, and employee performance has a direct effect on the company³. The company's success can not only be achieved through the implementation of business strategies, but also must be supported by the company's human resources. Therefore, human resources are also considered as a complex force, and employee performance has a direct effect on the company. The company's success can not only be achieved through the implementation of business strategies, but also must be supported by the company's human resources. Therefore, human resources are also considered as a complex force, and employee performance has a direct effect on the company.

Everyone who works wants to get satisfaction from workplace. Job satisfaction will affect the expected productivity of managers. Therefore, organizations need to understand the steps that must be taken so that employees can work satisfactorily, therefore companies must be able to create conditions that encourage and enable employees to develop and improve their abilities and skills to the fullest extent possible. One of the steps a company can take to create these conditions is to provide satisfactory compensation. One way to improve employee performance and job satisfaction is to provide compensation. One of the factors to note is related to performance employees is whether workers are satisfied with their jobs. Employees who are satisfied with their work can be seen from the enthusiasm shown by workers at work. Employees are passionate about meeting the work standards set by the company. Describes what makes individuals want and like their work and is able to make them feel happy at work and have the desire to leave work as a form of individual job satisfaction. ⁴ defines job satisfaction as a form of positive emotion generated by workers from feeling comfortable while doing their job.

The use of job satisfaction as a mediating variable is based on previous research. Workers who are satisfied with their jobs tend to improve their performance in accordance with the results provided by the company⁵.

³ Muhammad Asir, Muhammad Yusuf, and Rian Ardianto, 'Performance In The Company : A Review Literature Dampak Kompensasi , Motivasi Dan Kepuasan Kerja Terhadap Kinerja Karyawan Di Perusahaan : Review Literature', 3.October (2022), 3476–82.

⁴ Achmad Sani Supriyanto, 'Role of Procedural Justice, Organizational Commitment and Job Satisfaction on Job Performance: The Mediating Effects of Organizational Citizenship Behavior', *International Journal of Business and Management*, 8.15 (2013), 57–67.

⁵ Kosasih Andi Kurniawan, 'Pengaruh Tingkat Work-Life Balance Terhadap Tingkat Kepuasan Kerja Pada Perawat Rumah Sakit' (UAJY, 2014).

⁶suggests that job satisfaction has a positive and significant effect on employee performance. Employees who are satisfied with their jobs will improve their performance by providing the best service and working as optimally as possible⁷; Employees with high job satisfaction have high morale, so that their work performance will be optimal in an organization.⁸ On the other hand, employees with low job satisfaction lead to low work performance. Employees are not enthusiastic at work, and this will greatly impact the company. Employee job satisfaction is considered very important, especially to support company performance in competition in the current era of globalization ⁹.

Employee job satisfaction is a phenomenon that must be considered by the leadership of the organization. Employee job satisfaction is very closely related to employee performance. Satisfied people will have high motivation, commitment to the organization and work participation which will continue to improve their performance. On the other hand, higher employee performance can also affect job satisfaction. Job satisfaction will be associated with employee participation in the organization. If job satisfaction cannot be maintained, it will result in a higher employee turnover rate in the organization. In addition, low employee productivity, high absenteeism and low organizational commitment can also cause employee dissatisfaction ¹⁰. One of the factors that influence worker job satisfaction is through the provision of compensation. As explained by ¹¹, companies providing compensation to workers is one way for companies to improve work performance, motivation, morale and job satisfaction of workers. Workers' compensation is usually used to meet their greatest needs, including food, drink, clothing, shelter, etc. Meeting workers' needs through compensation can give workers job satisfaction, including food, drink, clothing, shelter, etc. Meeting workers' needs through compensation can give workers

⁶ Garry Surya Changgriawan, 'Pengaruh Kepuasan Kerja Dan Motivasi Kerja Terhadap Kinerja Karyawan Di One Way Production', *Agora*, 5.2 (2017).

⁷ Ranasari Bimanti Esthi and Muhamad Ekhsan, 'The Effect of Millennial Intrinsic Value toward Employee Outcomes with Employee Benefit as Mediating Variable for Strengthening Indonesia's Startup Business', *Solid State Technology*, 63.2s (2020), 8856–71.

⁸ Ryani Dhian Parashakti and Muhamad Ekhsan, 'The Effect of Discipline and Motivation on Employee Performance in PT Samsung Elektronik Indonesia', *Journal of Research in Business, Economics, and Education*, 2.3 (2020), 653–60.

⁹ Ferry Jaya Wijaya, 'Pengaruh Komitmen Organisasional Dan Kepuasan Kerja Karyawan Terhadap Organizational Citizenship Behavior (Ocb) Di PT Xyz Surabaya', *Agora*, 2.2 (2014), 1574–79.

¹⁰ L P Sinambela, *Manajemen Sumber Daya Manusia: Membangun Tim Kerja Yang Solid Untuk Meningkatkan Kinerja* (books.google.com, 2021) <https://books.google.com/books?hl=en&lr=&id=_AUIEAAQBAJ&oi=fnd&pg=PR19&dq=sumber+daya+manusia&ots=8z0TLJklQl&sig=WPqr6PVp4LupeP8U0AIsMEbukhc>.

¹¹ Zairina Afrida, Bambang Swasto Sunuharyo, and Endang Siti Astuti, 'Pengaruh Kompensasi Finansial Dan Non Finansial Terhadap Motivasi Kerja Dan Kinerja Karyawan', *Jurnal Administrasi Bisnis (JAB)*, 2014.

job satisfaction including food, drink, clothing, shelter, etc. Meeting workers' needs through compensation can give workers job satisfaction.¹²

LITERATURE REVIEW

Employee performance

Performance having the ability to produce high performance is the hope of every organization for its employees. According to ¹³performance is the result in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. Performance is the appearance of individuals and group work of personnel. while employee performance (work achievement) is the result of work in quality and quantity that can be achieved by an employee in carrying out their duties in accordance with the responsibilities given to him. ¹⁴ explains that performance can be interpreted as the result of work achieved during a certain time of year. States that performance is a function of the interaction between ability, motivation and opportunity, meaning that performance is a function of ability, motivation and opportunity. Work results consist of successful completion of work, satisfaction with work results, and opportunities. Job goals and objectives include understanding organizational goals and objectives and understanding job objectives. Performance appraisal and feedback consists of performance evaluation, value fairness and superiors' appreciation. The development opportunity dimension includes satisfaction with career opportunities and having development opportunities.

Compensation

Argues that compensation is something that is considered as something comparable. The effectiveness of the compensation system is the most important part of HR Management because it helps and can maintain job talents.¹⁵ In addition, the company's strategic performance is generated by the existence of a compensation system. According to ¹⁶ compensation is any form

¹² Syah, Harits, 'The Effect of Financial Compensation on Job Satisfaction and Employee Motivation at PT. Graha Raja Empat', *Jurnal Ilmu Manajemen*, 1.2 (2013), 462-71

¹³ A A Anwar Prabu Mangkunegara, 'Manajemen Sumber Daya Manusia, PT Remaja Rosdakarya' (Bandung, 2000).

¹⁴ A O Siagian, 'SUMBER DAYA MANUSIA UNGGUL 4.0', *SDM Unggul Di Industry 4.0*, 2021

<<https://books.google.com/books?hl=en&lr=&id=Kz0rEAAQBAJ&oi=fnd&pg=PA17&dq=sumber+daya+manusia&ots=YClrd4gJQ8&sig=Py-UUX3qDSANjb7hIGSTOO9cIFA>>.

¹⁵ Mangkunegara.

¹⁶ A Sa'dullah and T Supriyatno, *Peningkatan Mutu Sumber Daya Manusia Lembaga Pendidikan Islam Berbasis Sustainable Development Goals Di Yayasan Pendidikan Anak Saleh Kota Malang* (repository.unisma.ac.id, 2021)
<<http://repository.unisma.ac.id/handle/123456789/2621>>.

of appreciation given by employees as remuneration for the contributions they make to the organization.¹⁷ states that compensation is a number of remuneration either in the form of money, goods or enjoyment that is usually received by employees for the performance that is donated to the company.

Job satisfaction

Job satisfaction is a positive feeling about one's work which is the result of an evaluation of its characteristics.¹⁸ that job satisfaction is an effectiveness or emotional response to various aspects of work. There are twelve main keys to job satisfaction, namely: input, manager and staff relations, work discipline, work environment, adequate rest and food, discrimination, job satisfaction, performance rewards, policy clarification, opportunities, decision makers and the role of the manager. Job satisfaction is an employee's attitude towards his work, whether he is happy or not by looking at his own work.

Hypothesis Development

Compensation relationship with employee performance

Influence compensation for performance according to ¹⁹ argues that compensation is a counter-performance to the use of labor or services that have been provided by the workforce. Thus, of course, the amount of compensation can influence employee behavior which will certainly have an effect on the resulting performance. This is in accordance with research conducted by ²⁰ explaining that compensation can affect employee performance. Based on the results of previous research, the following hypotheses can be proposed:

H1: compensation has a positive effect on employee performance.

Compensation relationship with job satisfaction

Effect of compensation on job satisfaction Compensation has an important meaning because compensation reflects the organization's efforts to maintain and improve the welfare of its employees.²¹ that job satisfaction as effectiveness or emotional response to various aspects of work. By giving proportional compensation according to their performance, employees will have a more

¹⁷ Suad Husnan, 'Heidjrachman', *Manajemen Personalia*, 2011.

¹⁸ Robert Kreitner and Angelo Kinicki, 'Organizational Behavioral' (Boston: McGraw-Hill, 2014).

¹⁹ Hanif Ananto Wibowo, 'Pengaruh Kompensasi, Lingkungan Kerja Non Fisik Dan Motivasi Kerja Terhadap Kepuasan Kerja Karyawan (Sentra Industri Keripik Tempe Sanan)' (University of Muhammadiyah Malang, 2017).

²⁰ Abdul Hameed, Muhammad Ramzan, and Hafiz M Kashif Zubair, 'Impact of Compensation on Employee Performance (Empirical Evidence from Banking Sector of Pakistan)', *International Journal of Business and Social Science*, 5.2 (2014).

²¹ Ratna Agustina and others, 'EMPLOYEE PERFORMANCE MEDIATED QUALITY OF WORK LIFE RELATIONSHIP SATISFACTION ON THE JOB AND ORGANIZATIONAL COMMITMENT', *Jurnal Darma Agung*, 30.2 (2022), 589–605.

(pleasant) view of their organization. This is in line with the opinion of Salisu that compensation has a positive effect on job satisfaction, this is reinforced by research conducted by ²² that financial compensation and non-financial compensation have a simultaneous and partial effect on job satisfaction. Based on the results of previous research, the following hypotheses can be proposed:

H2: compensation has a positive effect on job satisfaction.

The relationship between job satisfaction and employee performance

Effect of job satisfaction on performance Job satisfaction is an affective or emotional response to various aspects of a person's work. A person with a high level of job satisfaction holds a positive attitude towards his job, while a person who is dissatisfied with his job holds a negative attitude about his job. Job satisfaction is the result of employee perceptions of how good their work is. So that the more employees are said to be satisfied, the better their performance will be ²³ results show a positive relationship between job satisfaction and performance. Based on the results of previous research, the following hypotheses can be proposed:

H3: Job satisfaction has a positive effect on employee performance.

Compensation relationship with employee performance through job satisfaction

Compensation is more effective in directly influencing performance than mediated by job satisfaction. Thus the provision of compensation that is appropriate and timely and proportional based on the resulting performance will have an impact on further improving performance with the assumption that appropriate compensation is provided, being the main factor to spur the resulting performance. These results develop research conducted by ²⁴ which states that compensation has a positive and significant relationship with worker job satisfaction, because when workers receive compensation that is felt to be comparable to the sacrifices that have been given it will make these workers feel satisfied. Based on the results of previous research, the following hypotheses can be proposed:

H4: Compensation has a positive effect on employee performance mediated by job satisfaction.

²² Humaeroh Humaeroh, 'Pengaruh Kompensasi Terhadap Kepuasan Kerja Karyawan Dan Dampaknya Terhadap Motivasi Kerja (Studi Pada Karyawan PT Krakatau Steel (Persero) Tbk.)' (Brawijaya University, 2015).

²³ Munir Ahmad and others, 'Analysing the Impact of Climate Change on Rice Productivity in Pakistan', 2014.

²⁴ Harits Syah, 'Pengaruh Kompensasi Finansial Terhadap Kepuasan Kerja Dan Motivasi Kerja Karyawan Pada PT. Graha Raja Empat', *Jurnal Ilmu Manajemen*, 1.2 (2013), 462-71.

METHODS

The chosen methodology is quantitative research. The survey was collected through the required quantitative information and the data was collected through a questionnaire. Literature review was conducted to identify the variables of compensation, job satisfaction and employee performance. The questionnaire was developed based on the identification of variables. The sampling technique in this study used random sampling, as many as 99 respondents at PT FMG Semarang. The sampling technique through the Google form in filling out online surveys then strengthens the research results with descriptive analysis. The analytical tool used in this study is the Smart PLS SEM software.

RESULTS AND DISCUSSION

Structural Model Testing

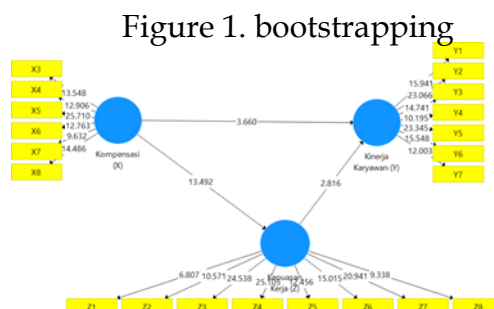
This test is a test of a structural model by looking at the value of R-square which is the result of the goodness of fit model test. The compensation model on employee performance gives an R-square value of 0.580 which can be interpreted that the construct variable of employee performance can be explained by the construct variable of compensation by 58.0% while 42.0% is explained by other variables outside this study. Another influence model is on the job satisfaction variable with the indicated value of 0.503 so that it can be interpreted that 50.3% of the construct of job satisfaction with the dependent variable is compensation and employee performance. Meanwhile, 49.7% is explained by other variables that are not included in this study. Can be seen through the table below:

Table 2. R-square

	<i>R-square</i>
Employee performance	0.580
Job satisfaction	0.503

Source: Primary data processed, 2020

After the determination test, path analysis is carried out to determine the causal relationship between exogenous and endogenous variables by bootstrapping on smart pls 3.0 to obtain predictions from the results of path analysis in this model.



Source: Primary data processed, 2020

Furthermore, detailed in table 2 path coefficient, which explains the coefficient values of the T value and P value to become a reference for the causal relationship in this model.

Table 2. Path Coefficient

Source: Primary processed, Based on 2. the path coefficient which explains the effect, then 3 specific indirect explains the indirect effect.	Variable	Original sample(O)	sample Means (M)	standaT rd Devia s tions (O/ST DEV) EV)	P StatisticValues	data 2020 table
	Compensation -> Employee performance	0.456	0.442	0.125	3,660	0.000
	Compensation -> Job Satisfaction	0.709	0.719	0.053	13,492	0.000
	Job Satisfaction-> Performance	0.366	0.381	0.130	2,816	0.005
Table 3. Specific Indirect Effects	Employee					direct table

Variable	Original sample(O)	Sample Means (M)	standard Deviations (STDEV)	T Statistics (O/STDEV)	P Values
Compensation -> Job Satisfaction -> Employee Performance	0.260	0.277	0.104	2,500	0.013

Source: Primary data processed, 2020

The compensation variable has a positive and significant influence on employee performance variables. This means that the greater the compensation received, the better the resulting performance. Thus the amount of compensation can influence employee behavior which will certainly have an impact on the resulting performance. Greater compensation provides guarantees, so that in total employees can give their energy to the organization. With this totality, of course, it can produce maximum performance. The results of this study are in

line with the research conducted²⁵ which shows that compensation has a positive effect on performance.

Compensation variable has a positive and significant effect on job satisfaction variable. This means that the greater the compensation received, the higher the level of employee job satisfaction. By giving proportional compensation according to their performance, employees will have a more favorable view of their organization so that they will have a positive perception of the work being done. The results of this study are in line that compensation has a positive effect on job satisfaction.

Job satisfaction variable has a positive and significant effect on employee performance variables. This means that the higher the job satisfaction, the higher the performance. High job satisfaction means that employees are satisfied with the guarantee at work, are treated well by co-workers, have sufficient opportunities to do work, are satisfied in terms of salary, benefits, promotions, feel happy working with leaders, so that employees will feel comfortable working where he works and try to work as well as possible in order to survive in the organization. The results of this study are supported by research conducted by Ahmad (2014) which shows the results that there is a significant effect between job satisfaction on performance.

Compensation variable has a positive and significant effect on job satisfaction variable which is mediated by job satisfaction. Thus the provision of compensation that is appropriate and timely and proportional based on the resulting performance will have an impact on further improving performance with the assumption that appropriate compensation is provided, being the main factor to spur the resulting performance and satisfaction at work. The results of this study are in line with research conducted by ²⁶ which explains that job satisfaction does not mediate the effect of compensation on performance²⁷

CONCLUSION

Compensation affects employee performance. Compensation affects job satisfaction. Job satisfaction affects employee performance. Compensation has an effect on employee performance which is mediated by job satisfaction. This can be interpreted that the more fair, proper and reasonable the compensation

²⁵ Ferdinandus Sampe and others, 'APPLICATION OF DIGITAL MARKETING IN MAINTAINING MSMES DURING THE COVID-19 PANDEMIC', *Jurnal Darma Agung*, 30.2 (2022), 663–76.

²⁶ Desi Sukatrini, 'Pengaruh Budaya Organisasi Dan Lingkungan Kerja Terhadap Kinerja Karyawan Dengan Kepuasan Kerja Sebagai Variabel Mediasi Pada Konveksi 1 Pt. Dan Liris Sukoharjo' (UNS (Sebelas Maret University), 2014).

²⁷ R M Putra and M Yusuf, 'Pengaruh Kopetensi Sumber Daya Manusia Dan Komunikasi Terhadap Kinerja Karyawan', *JURNAL MANAJEMEN*, 2022 <<https://journal.feb.unmul.ac.id/index.php/JURNALMANAJEMEN/article/view/11216/0>>.

given by the company, the employees will be happy, valued, work hard and have high fighting spirit and the higher employee job satisfaction. Job satisfaction plays an important role as a mediator of the effect of compensation on employee performance. Through high job satisfaction, employees have the enthusiasm to develop a career. This has an impact on good quality work, assignments according to a predetermined time and being able to carry out tasks optimally.

Author's Contribution

Emiliana Sri Pudjiarti: Contribute to formulating research ideas, collecting data, processing data, and interpreting data.

Murdiansyah Herman: Contributing to writing systematics, research methods and compiling a literature review

Deewar Mahesa: Contributing to analyzing interpretation results, the language proofread.

Acknowledgements

The researcher would like to thank those who have helped complete this article, especially when collecting data and reviewing the contents of the article.

Declaration of Competing Interest

We declare that we have no conflict of interest.

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