

The Effect Of Compensation And Work Environment On Employee Performance In The Chicken Business In Sei Sikambing Market Medan

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Abstract

This study aims to analyze the influence of compensation and work environment on employee performance in the slaughtered chicken business at Sei Sicaming Market, Medan. The background of this research is based on the importance of the role of human resources in increasing productivity and business success, especially in the traditional trade sector which demands efficiency and precision of work. The main problem faced by chicken business owners is low employee performance which is allegedly caused by an inadequate compensation system and suboptimal working environment conditions. This study uses a quantitative approach, which aims to determine the relationship and influence between variables. The population in this study is all employees in various slaughtered chicken businesses in Sei Sicaming Market, Medan, with a sample of 100 respondents selected using purposive sampling techniques, namely employees who have worked for at least six months. Primary data was collected through questionnaires compiled based on variable indicators of compensation, work environment, and employee performance. Data analysis was carried out using Partial Least Square (PLS) with the help of SmartPLS 3.0 software, which included convergent validity tests, reliability tests, structural model analysis (inner model), and intervariable significance tests. The results of the study show that compensation has a positive and significant effect on employee performance, which means that the higher the compensation received, the higher the performance produced. The work environment also has a positive and significant effect on employee performance, which shows that safe, comfortable, and supportive working conditions can increase employee morale and productivity. In addition, simultaneously these two variables have a significant effect on employee performance in the chicken slaughter business at Sei Sikambing Market in Medan. Improving employee performance can be achieved through the provision of proper and systematic compensation, as well as the creation of a conducive work environment both physically and non-physically. The results of this study are expected to be input for slaughtered chicken business owners in designing effective human resource management strategies to increase business productivity and sustainability.

Keywords: Compensation, Work Environment, Employee Performance.

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2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

<https://proceeding.pancabudi.ac.id/index.php/ICIE/index>

Introduction

Human resources (HR) are the most important asset in an organization or business, both on a large and small scale. In the context of micro businesses such as the chicken slaughter business at Sei Sikambing Market in Medan, the success of the business is highly dependent on employee performance. Mangkunegara (2017), employee performance is the result of work in terms of quality and quantity achieved by employees in carrying out their duties in accordance with the responsibilities given.

Employee performance is the willingness of a person or group of people to carry out activities in achieving goals and sticking to existing regulations. Noni Ardian (2019), there are two important factors that are believed to affect employee performance, namely compensation and work environment. Compensation includes any form of award that an employee receives in return for his or her contribution. Hasibuan (2018), compensation is all income received in the form of direct or indirect money in return for work given. Fair and decent compensation is believed to increase work morale and loyalty, Dr. Rizki Amalia, SE., M.Si. (2022), compensation aspects and a conducive work environment are the main factors in creating a productive workforce in the informal sector.

On the other hand, the work environment also plays an important role in influencing work comfort and productivity. Sedarmayanti (2019), the work environment is the overall work tools, physical environment, and work atmosphere around work. A clean, safe, and harmonious work environment can boost morale and reduce stress, however, the reality on the ground shows that employees with relatively good compensation and a work environment do not necessarily show high performance. In the chicken business at Sei Sikambing Market, business competition and operational pressure are very high, so employee performance greatly determines business sustainability. Therefore, it is important to scientifically research the extent to which compensation and the work environment affect employee performance. Employee performance is the result of the quality and quantity of work achieved by a person in carrying out his duties Mangkunegara, (2019). In the informal sector, performance is greatly influenced by internal factors such as motivation and external support such as compensation and the work environment.

In an effort to improve the quality of employee performance in the slaughtered chicken business at the Sei Sikambing Market in Medan, it is a crucial factor that must be considered. Optimal performance depends not only on individual abilities, but is also influenced by various organizational factors such as compensation and work environment. at Sei Sikambing Market Medan, challenges in human resource management include the need for effective strategies to improve employee performance through a holistic approach.

Table 1. Employee Performance Appraisal

Yes	Assessment Dimensions	Target Achievement (%)	Realization (%)	Criteria Percentage of Population (number of employees)	Information
1	Compensation	85%	78%	78 out of 100 employees	Shows that there is room for improvement in compensation aspects such as salary, incentives, or benefits.
2	Work Environment	80%	75%	75 out of 100 employees	Assessing the work environment is not ideal, both in terms of facilities, security, and relationships between employees.
3	Employee Performance	88%	80%	80 out of 100 employees	Shows that there are still obstacles in achieving maximum performance, which may be influenced by compensation factors, work environment, and motivation.

Source; Sei Sikambing Market Medan

Based on the performance assessment table, it can be concluded that the achievements in each dimension still vary:

1. Compensation: The achievement target for the compensation variable is 85%, but the results show that only 78% of respondents feel that the compensation provided is appropriate. This means that as many as 78 people feel adequate compensation, while 22 people are not satisfied. indicates that there is room for improvement in compensation aspects such as salaries, incentives, or benefits. Example: A chicken slaughter worker, working more than 10 hours on busy market days (Monday and Thursday). However, the wages he receives remain the same as on a normal day without additional overtime or meal money. He felt that his work was hard but not proportional to the income he received.
2. Work Environment: For the work environment variable, the target achievement is 80%, and the realization reaches 75%. This means that 75 respondents feel that the work environment has supported work comfort and productivity, but there are still 25 people who consider the work environment to be not ideal, both in terms of facilities, security, and relationships between employees Example: The chicken slaughtering section, said that the workplace is often wet and slippery due to water and chicken blood. He once almost slipped because the floor was not cleaned regularly. In addition, poor air ventilation causes a pungent odor throughout the day.
3. Employee Performance: Employee performance is targeted to reach 88%, but realization is only 80%. A total of 80 respondents showed performance that was in line with expectations, both in terms of quality, quantity, and responsibility. Shows that there are still obstacles in achieving maximum performance, which may be influenced by compensation factors, work environment, and motivation. Example: When the supply of chicken from the farmer arrives late, the slaughtering team has to work in a hurry. This causes the work process to be rushed, the quality of the cut decreases, and the service to customers to be slow. This has an impact on daily performance assessments.

From the table above, it can be concluded that in general, the realization results of the three variables are below the achievement target, although the percentage of realization is still in the category of quite good (above 75%). However, what happens to each variable needs to be managerial attention, employee performance through improvements in compensation and work environment.

Literature Review

2.1 Employee Performance

Mangkunegara (2017) defines performance as the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given. Mesra B. (2019) Improving the quality of human resources is an important aspect for an organization that builds competitive advantage through the role of human resources who carry out their organizational strategy. Therefore, it is very important for an organization to improve the quality of human resources that are able to encourage all employees to contribute optimally to the achievement of organizational goals. Rizky (2022) employee empowerment through career development, training, and the provision of work autonomy can increase employee engagement, which ultimately has a positive impact on improving individual and organizational performance. Thus, employee performance does not stand alone, but is the result of a synergy between individual abilities, organizational support, and an effective human resource management system. Anwar (2023) employee performance is influenced by various factors, including leadership, motivation, work discipline, ability, and human resource services. Organizations need to pay attention to and manage these factors effectively to improve employee performance.

According to Mangkunegara (2017), in his book "Corporate Human Resource Management", employee performance is influenced by several main factors, including:

1. Ability/Competence; Employees' abilities include intellectual and physical potential, as well as the skills they have. Employees who have high abilities tend to be able to complete tasks well. The capability consists of two main components:
 - a. Intellectual abilities (knowledge, analysis, decision-making)
 - b. Physical abilities and technical skills that match the demands of one's job or Competencies that reflect the knowledge, skills, and work attitudes required to achieve optimal performance.
2. Motivation Motivation is an internal driver that encourages individuals to act to achieve work goals. Performance will increase if employees have high work motivation.
3. Attitude and Behavior A positive attitude towards work, responsibility, and discipline will encourage the achievement of better performance.
4. Work Environment This factor includes the physical condition of the workplace, relationships between employees, and organizational culture. A supportive work environment will create comfort and increase productivity.
5. Leadership The style and effectiveness of leadership greatly affect the performance of subordinates. Leaders who are able to motivate, direct, and set an example will encourage optimal employee performance.
6. Compensation and Reward A fair and motivating reward system will make employees feel valued and increase morale.
7. Career Development Opportunity The availability of opportunities for training, promotion, and self-development is an important driver in increasing employee loyalty and performance.
8. Work discipline is a person's willingness and willingness to obey all applicable rules and social norms in the organization

According to Mangkunegara (2017) there are 5 (five) employee performance indicators, namely;

1. Quality of work
2. Quantity of work results
3. Timeliness of task completion
4. Initiative at work
5. Collaboration with colleagues

2.2 Compensation

Gary Dessler (2015:360) compensation is any form of payment or reward given to employees as a reward for their contribution to the organization, either in the form of direct or indirect compensation. Sedarmayanti (2019:263) compensation is everything that employees will receive as a form of employee work in return. Juniarti(2024:3) Compensation is the result of work obtained by employees in the form of money, salaries, allowances, bonuses provided by the company or agency either directly or indirectly with a specified time after the completion of the work as agreed between the two parties of the company to its employees. Hasibuan (2017:119) Compensation is all income in the form of money, direct or indirect goods that employees receive in return for services provided to the company. Establishing an effective compensation system is an important part of human resource management because it helps attract and retain talented jobs.

According to Gary Dessler (2015), Factors Affecting Labor Demand and Supply Compensation If labor with certain skills is scarce, then compensation will tend to be higher.

1. Market Conditions and Industry Competition: Companies need to offer competitive compensation in order to compete in attracting and retaining employees.
2. Ability to Pay from the Company: Compensation is affected by the financial condition of the organization. Companies with large revenues are usually able to provide higher compensation.
3. Job Worth/Job Value: The level of responsibility, job risk, and skill level determine the value of the job, which affects the amount of compensation.
4. Employee Productivity and Performance: More productive or accomplished employees tend to receive higher compensation through incentives or bonuses.
5. Company Internal Policy: Each company has its own compensation structure, philosophy, and strategy according to its organizational culture.
6. Government and Union Regulations: Labor laws, minimum wages, and collective bargaining agreements are also key determinants in the compensation system.

According to Gary Dessler (2015) Compensation Indicators there are 5 (five) Indicators, namely:

1. Fair Basic Salary
2. Benefits and Incentives
3. Fairness in the Payment System
4. Indirect Compensation
5. Satisfaction with Compensation

2.3 Work environment

Sedarmayanti (2018) The work environment includes physical, non-physical, and psychological environments. Factors such as ventilation, lighting, ergonomics, working relationships, and development opportunities greatly affect performance. Rivai, Veithzal (2021) The work environment must be seen from three aspects: physical, social, and psychological. Including work facilities, internal communication, supervisor support, and work climate. Abdi Setiawan (2018) the work environment is everything that exists around workers and can affect themselves in carrying out the tasks they are charged with. Nitisemito (756:109) The work environment is everything that exists around the workers and can influence them in carrying out the tasks assigned to them. (Ekawati, 2022) the work environment is the situation around workers when workers perform their duties, which has an influence on workers when doing their work in order to carry out company operations, because the work environment has an important role for workers so that their duties can be carried out effectively and efficiently.

Sedarmayanti, (2018) that aspects that can affect the formation of The working environment is as follows:

1. Lighting / Light, lighting is enough light that enters the workspace of each company employee. The existing lighting must be in accordance with needs, not too bright but also not too dark, with a good lighting system it is hoped that employees will carry out their duties more carefully, so that employee errors in work can be minimized.
2. Air exchange, air temperature or air temperature that is too hot for employees will be the cause of a decrease in the work motivation of employees so that it will cause errors in carrying out the production process.
3. Noise, employees need an atmosphere that can support concentration at work. Noisy atmospheres that come from indoors and outdoors can interfere with employees' concentration at work.
4. Cleanliness, cleanliness around the environment can affect the level of concentration and comfort of employees. A clean environment, without scattered garbage and not causing odors, can affect concentration in completing a job.
5. Occupational Safety, occupational safety is an important aspect that is paid attention to by companies. Safe working conditions will make employees calm at work, thereby increasing employee productivity.
6. Colors, a pleasant work environment for employees through harmonious coloring around the environment or walls of the employee's workspace and supported by adequate facilities and infrastructure in the workplace will have a positive impact on employees, so that employee work motivation can increase in doing work.

According to Sedarmayanti (2018) there are 2 (two) Work Environment Indicators, namely;

a. Physical Environment

1. Ventilation and Air Circulation
2. Lighting and Layout
3. Noise Level
4. Cleanliness and Tidiness of the Workspace
5. Work Equipment Ergonomics
- b. Psychological & Non-physical Environment
6. Relationships with Superiors and Co-Workers
7. Feeling Safe and Comfortable at Work
8. Fairness and Openness in Communication
9. Career Development Opportunities
10. Reasonable Workload Conditions

Conceptual framework

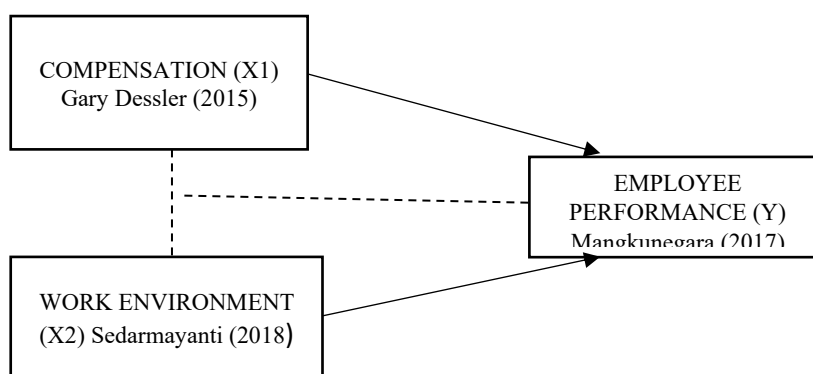


Figure 1. Conceptual Framework of Sources; Processed by Researchers 2025

Research Methodology

3.1 Types and Approaches to Research

This study uses a type of quantitative research with an explanatory research approach. Quantitative research was chosen because the focus of the research was to test the relationships between variables based on numerical data obtained through the distribution of questionnaires. The explanatory approach is used to explain the cause-and-effect relationship between independent variables (compensation, work environment) and bound variables (employee performance) and intervening variables (motivation). The survey method was applied to obtain primary data directly from respondents, while data analysis was carried out using Structural Equation Modeling (SEM) based on Partial Least Square (PLS) with the help of SmartPLS software. The selection of SEM-PLS is based on its ability to analyze complex models and does not require the assumption of a multivariate normal data distribution.

3.2 Population and Sample

Sugiyono (2012: 116) Samples are part of the number and characteristics possessed by the population. In this study, the author used saturated sampling. The population in this study is all chicken slaughter employees who are active in the Sei Sicaming Market, Medan City, which is 100 people. Because the population is relatively small and still reachable as a whole, this study uses a total sampling technique. Total sampling is a sampling technique in which all members of the population are used as research samples. Thus, the number of samples in this study is 100 traders, according to the number of existing populations.

Table 2. Employees slaughtering chickens at Sei Sikambing market Medan

Yes	Task Section	Number of Employees	Job Description
1	Live Chicken Recipient	10 people	Receive chicken from the supplier, check the condition and quantity
2	Chicken Slaughterer	15 people	Responsible for slaughtering chickens according to halal and hygienic procedures
3	Soak & Feather Extractor	20 people	Put the chicken in hot water, then the feather extraction process
4	Stomach Cleanser & Wash	15 people	Clean the inside of the chicken and wash it thoroughly
5	Chicken Cutter & Dresser	15 people	Cutting the chicken (whole or parted), arranging it for sale
6	Packaging & Labeling	5 people	Packing the cut chicken into plastic/carton, labeling the price and date
7	Transporters & Distribution to Stalls	10 people	Bringing chickens to traders' stalls in the market
8	Cleaning & Waste Worker	10 people	Maintain the cleanliness of the work area and manage the waste from the cut

Source: Data Processed by Researchers 2025

3.3 Discussion Results

The results of the study show that compensation and work environment have a positive and significant effect on employee performance in the chicken slaughter business at Sei Sikambing Market Medan. These findings support various theories and previous research that

state that external factors of the organization such as compensation and the work environment play an important role in increasing employee productivity.

3.4 The Effect of Compensation on Employee Performance

The compensation that employees receive in the form of base salary, incentives, benefits, and awards has a significant contribution to performance improvement. Respondents stated that the compensation received was not fully adequate, reflected in the achievement of realization of 78% of the target of 85%. Nonetheless, there is a positive relationship: the better the compensation system provided, the higher the employee's performance. These findings are in line with the theory from Gary Dessler (2015), who states that fair and competitive compensation can improve employee motivation and performance. In the context of the chicken business, a compensation system that has not taken into account the additional workload on busy days causes some employees to feel undervalued, which ultimately impacts morale. The practical implication is that business owners need to design a fairer and more flexible compensation system, including the provision of overtime incentives, meal allowances, and work safety benefits. With decent compensation, attendance rates can be reduced, loyalty increased, and work productivity is more optimal.

3.5 The Influence of Work Environment on Employee Performance

The work environment has also been proven to have a positive and significant influence on employee performance, with the achievement of realization of 75% of the target of 80%. This indicates that although the working conditions are quite supportive, there are still physical and non-physical aspects that need to be improved. Respondents complained about several factors such as slippery floor conditions, poor ventilation, and strong odors that interfered with work comfort. This finding strengthens the theory from Sedarmayanti (2018), which states that a clean, safe, comfortable, and good air circulation work environment will increase employee concentration and productivity. In this study, suboptimal work environment conditions are one of the reasons why employees have not achieved maximum performance.

Business owners can make simple but impactful improvements, such as improving the waste disposal system, arranging workspaces, and improving the cleanliness of the cutting area. In addition, creating a harmonious working atmosphere between employees is also an important factor in improving performance.

3.6 Simultaneous Relationship between Compensation, Work Environment, and Performance

The SEM-PLS analysis shows that compensation and the work environment simultaneously contribute significantly to improving employee performance. This shows that the two variables complement each other: compensation provides a motivational boost, while the work environment creates conditions conducive to productivity. This result is in accordance with the findings from Rizki Amalia (2022) who stated that a combination of a good compensation system and a supportive work environment can create a productive workforce in the informal sector. In the context of a labor-intensive and high-intensity chicken business, the synergy between these two factors is the key to operational success.

Conclusion

1. Compensation has a positive and significant effect on employee performance. The better the compensation given, the higher the performance produced by employees in the slaughtered chicken business at Sei Sikambing Medan Market.
2. The work environment has a positive and significant effect on employee performance. A clean, safe, comfortable, and supportive work environment has been proven to increase employee morale and productivity.

3. Compensation and the work environment simultaneously have a significant effect on employee performance. This shows that employee performance improvement can be achieved optimally if both factors are improved and managed in a balanced manner.

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