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The Role of Compensation Moderation on the Effect of work Environment on Employee Loyalty at PT. Prima Karya Manunggal

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Article Info	**ABSTRACT**
Article history: Received February 7, 2023 Revised March 15, 2023 Accepted April 06, 2023 *Keywords:* Work Environment; Compensation; Loyalty	Employee loyalty is a picture of healthy and competent organizational management. Loyalty becomes an essential aspect in improving organizational performance and achieving goals. This study explains the influence of the work environment, which is divided into two points, namely the physical and non-physical work environment, on employee loyalty by making the compensation variable a moderating variable. The number of respondents in this study was 135 people. Data analysis used SmartPLS software by looking at moderated regression analysis (MRA) in answering the hypotheses that were built. The results of the study show that the physical and non-physical work environment has a significant influence on employee loyalty. At the same time, the compensation variable cannot moderate the relationship between the impacts of the physical work environment on loyalty. Still, on the contrary, compensation can negotiate the influence of the non-physical work environment on loyalty. Employee.

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1. INTRODUCTION

Human resources are the most valuable and vital assets or assets owned by an organization because the success of an organization is primarily determined by humans (1). Employees are the most critical asset for the organization, and the organization must have leaders who can lead and motivate employees to achieve organizational goals (2). One of the efforts that the company can make is to empower each employee as optimally as possible and retain employees so that they can realize each vision and mission that is the company's goal. Human resource management aims to improve the productive contribution of people or the workforce to an organization or company in a strategic, ethical, and socially responsible manner. (3) . It can be understood that all organizational activities to achieve its mission and goals depend on the people who manage the organization. Therefore, these resources must be managed efficiently and effectively to achieve the organization's mission and goals.

F actors that will make an employee loyal include work environment, compensation, motivation given by superiors to their subordinates, a safe and comfortable workplace, providing opportunities for employees to develop careers, good communication, providing training and education to employees,

participation in work, implementation of occupational health and safety as well as good relations between superiors and subordinates or one employee relationship with another employee (4).

Hasibuan (2017) explains that compensation is all income in the form of money, direct or indirect goods received by employees as a reward for services provided to the company. Establishing an effective compensation system is integral to human resource management because it helps attract and retain talented jobs. In addition, the company's compensation system impacts strategic performance (5). According to Fauzi, and Akhmad (2020), Compensation is the number of packages organizations offer to workers in return for using their workforce (6). According to Mangkunegara (2015), compensation is something that can be considered as something comparable. In employment, monetary gifts are reasonable compensation given to employees as a reward for their service (7).

According to Sudaryo (2018), the definition of work environment is all the tools and materials encountered, the surrounding environment where a person works, work methods, and work arrangements both as individuals and as a group (8).

Sedarmayanti stated that (2017) the work environment is a place where there are several groups consisting of several supporting facilities to achieve company goals by the company's vision and mission. The work environment is an important thing that can support the work of every employee because, in the work environment, there are several facilities provided to help carry out work and other conveniences. This also encourages the birth of a sense of comfort for employees, which is expected to increase loyalty to the company. The work environment becomes a facility that can directly impact the work of every employee (9).

On the side On the other hand, loyalty is an expectation that is, of course, desired by the organization that is present for every employee it has. Hasibuan stated (2017) that loyalty or allegiance to the company where one works are often used as a condition for promotion. This is because, with high loyalty, one can expect greater responsibility (5). Loyalty is essential in determining a company's profitability (10). Employee loyalty is an attitude of loyalty or obedience of employees to the company by having an attitude of commitment or willingness to the company where they work so that the company can survive and have better productivity (11). PT. Prima Karya Manunggal Pangkep Regency is one of the private companies that have a focus on cement distribution. However, in line with the rapid economic growth, PKM has also developed and currently has 6 (six) business sectors, namely: 1) Cement trading, 2) Transportation services, 3) Contractors and developers, 4) Mining services, 5) Batching plans / Ready mix concrete, 6) Construction services. The broader and more varied scope of work areas makes the authors interested in seeing the role of the work environment in influencing employee loyalty, as well as how the part of compensation plays a role in moderating the work environment variables.

2.   LITERATURE REVIEW

Physical Work Environment

Aruan and Fakhri (2015) state that the work environment includes existing facilities and infrastructure in the company which are directly adjacent to the activities carried out by employees and can influence the implementation of the work. (12) . Astuti & Wati (2019) explained in their journal that there are two categories of physical work environment, namely: 1) The work environment is directly related to or can be felt directly by the five senses, for example, office equipment, office facilities, and others. 2) Intermediary environment that can affect employee conditions such as temperature, humidity, air circulation, lighting, noise, mechanism vibration, unpleasant odors, etc. (13).

Non-Physical Work Environment

The non-physical work environment is an interrelated condition, both interactions between leaders and interactions between all employees (14). Siagian (2014) argues that there are three indicators in a non-physical work environment: co-worker relationships, relationships with superiors, and collaboration between employees (15).

Loyalty

Employee loyalty is satisfied employees will become loyal when they see their organization as offering opportunities to learn and grow while providing clear career paths they can pursue (16).

Compensation

Hidayat and Effendi (2020) argue that employees get compensation as a dedication or their contribution to the company, and the organization achieves goals and obtains and maintains and maintains current employees. (17).

The hypothesis in this study is:
H1: it is suspected that the physical work environment has a positive and significant effect on employee

loyalty

H2: it is supposed that the non-physical work environment has a positive and significant impact on employee loyalty

H3: it is suspected that compensation can moderate the effect of the physical work environment on employee loyalty.

H4: it is suspected that compensation can moderate the influence of the non-physical work environment on employee loyalty.

3.   RESEARCH METHODS

This research is a type of quantitative research. The approach used in this study is a quantitative approach that is associative. Associative research asks about the cause and effect between two or more variables. The data analysis technique used in this study is quantitative data analysis and uses the Moderated Regression Analysis (MRA) model with the help of SmartPLS version 3.2.9. The consideration of researchers in using PLS is because PLS can be used to confirm theories (theoretical testing) and recommend relationships for which there is no theoretical basis (exploratory). PLS can analyze as well as constructs that are formed with reflection indicators and formative indicators. The path analysis model for all latent variables (variables whose quantity cannot be known directly) in PLS consists of 3 (three) sets of relationships, namely: Inner model, Outer model, and Weight relation (18).

4.   RESULTS AND DISCUSSION

Outer model PLS test results

The results of the PLS test in this study used an external model evaluation with a reflective model for each indicator and an inner model evaluation using a significance level of 5%. In this study, the results of the SEM PLS test with the help of software SmartPLS version 3.2.9 in the full model can be presented in Figure 1. Along with the R2 value of each variable complete with the loading value of each factor. The following is a full image of the structural equation path model.
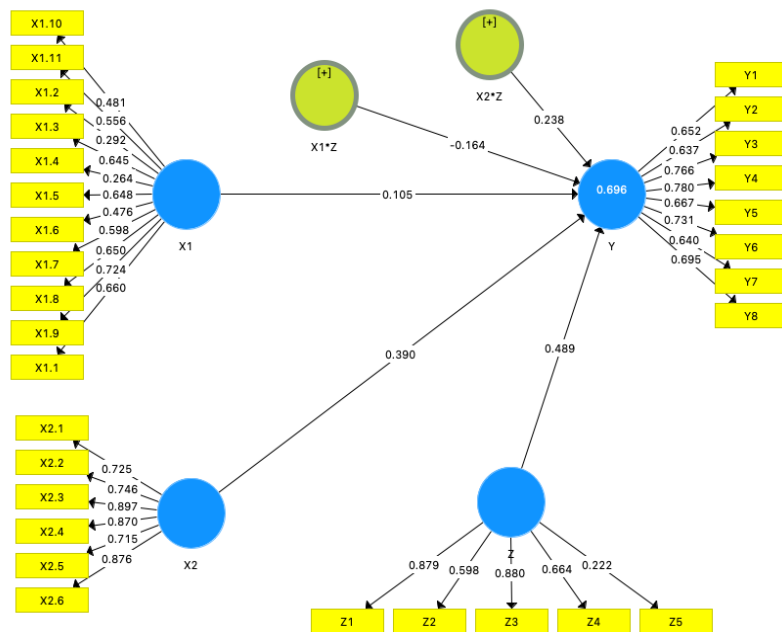

Figure 1. Full Structural Equation Path Model

The results of the analysis of the model test in the early stages show that several indicators have a loading factor value below 0.70, so further research is needed to accept the model in this study. Some hands that have a value below 0.70 are in the physical work environment variable (X1), the loyalty variable (Z), and the moderating variable, namely Compensation (Z). Based on the value shown for each indicator in the variable, it is necessary to test the next model.
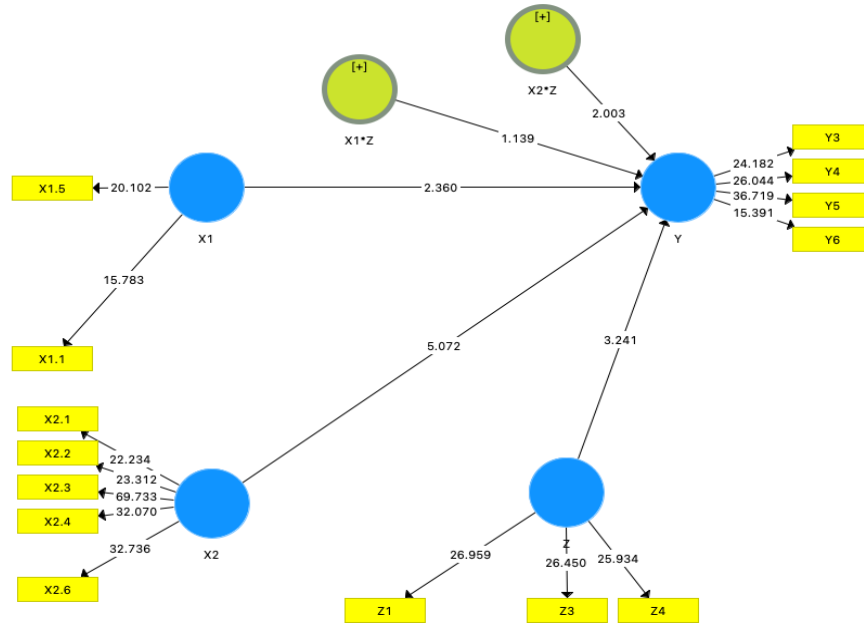
Figure 2. Full Structural Equation Path Model (after elimination)

The test results show that all indicators of the latent variable construct in the model are stated as a whole to meet the required criteria, which is greater than 0.70. Furthermore, a construct of reliability and validity testing was carried out, which can then be used as a reference in evaluating the Goodness of Fit model of the PLS to assess the outer and inner models.

Convergent Validity Test

In this study, when viewed from the output results, the convergent validity test showed that the loading factor values for each construct of research variables, such as physical work environment, non-physical work environment, compensation, and employee loyalty, were declared valid. This is by the criteria that the construct of the variable is declared valid if the loading factor value is above 0.70. More details can be seen in Table 1.

Table 1. Convergent Validity Test Results (after elimination)

Indicator	X1	X1*Z	X2	X2*Z	Y	Z
X1 * Z		0.968				
X1.5	0.856					
X2*Z				0.837		
X2.1			0.780			
X2.2			0.797			
X2.3			0.909			
X2.4			0.861			
X2.6			0.832			
Y3					0.846	
Y4					0.841	
Y5					0.870	
Y6					0.738	
Z1						0.845
Z3						0.843
Z4						0.818
X1.1	0.854					

Composite Reliability Test

The composite reliability test for all variables is declared reliable if the loading value is above 0.7. The combined reliability value of each variable can be seen in Table 2.

Table 2. Composite Reliability Test Results

Variable	Composite reliability	Information
sical work environment (X1)	0.845	Reliable
-physical work environment (X2)	0.921	Reliable
ployee Loyalty (Y)	0.895	Reliable
npensation (Z)	0.874	Reliable

Data source: data processed in 2022

Based on the results of the composite reliability test, it can be seen that the reliability value of each variable is more significant than 0.70, or it can be concluded that all variables are declared reliable with a value greater than 0.70.

Hypothesis testing

The significance of the estimated parameters provides beneficial information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight. Table 3. Provides estimation output for structural model testing.

Table 3. Total Effect Test Results

	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Physical work environment X1 -> Employee loyalty Y	0.145	0.139	0.061	2,360	**0.019**
Moderating Effect1 X1*Z-> Employee Loyalty	-0.092	-0.082	0.080	1.139	**0.255**
Non-physical work environment X2 -> Y	0.494	0.490	0.097	5,072	**0.000**
Moderating Effect2 X2*Z -> Y	0.185	0.161	0.092	2,003	**0.046**

Data source: data processed in 2022

From the results of hypothesis testing with the PLS program, statistical testing of each hypothesized relationship is done using a simulation. In this case, the bootstrapping method was carried out on the sample. Testing with bootstrapping is also intended to minimize the problem of abnormal research data. The results of testing with bootstrapping from the PLS analysis are as follows:

Testing Hypothesis 1 (The effect of the work environment on employee loyalty). The results of testing the first hypothesis show that the t value is 2.360, more significant than the t table, which is 1.633, and a considerable value is 0.019 or less than 0.05, which means that the physical work environment has a significant effect on employee loyalty.

Testing hypothesis 2 (The effect of non-physical work environment on employee loyalty). The results of testing the second hypothesis show that the t value is 5.072 or greater than the t table value, which is 1.633, and a significant discount is 0.00 or less than 0.05, which means that the non-physical work environment has a considerable influence on employee loyalty.

Testing hypothesis 3 (Compensation can moderate (weaken) the physical work environment on employee loyalty). The hypothesis test results showed that the t value is 1.139 or less than the t table, which is 1.633, and a significant discount is 0.255 or greater than 0.05, which means that compensation cannot moderate the physical work environment on employee loyalty.

Testing hypothesis 4 (Compensation can moderate (weaken) the non-physical work environment on employee loyalty). The hypothesis test results showed that the t value of 2.003 is greater than the t table value of 1.633 and a significant value of 0.046 or less than 0.05, which means that compensation can moderate the relationship between the non-physical work environments on employee loyalty.

5.   CONCLUSION

This research has resulted in various points that can be seen as a form of theory in discussing employee loyalty in an organization, that loyalty can be influenced by the work environment and moderated by compensation variables. Although this study shows that if the work environment is divided into physical and non-physical, compensation cannot negotiate or strengthen the relationship between the physical work environment and employee loyalty.

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