



AN ANALYSIS OF THE EFFECTS OF COMPENSATION AND WORK ENGAGEMENT ON EMPLOYEE PERFORMANCE IN THE PRODUCTION DEPARTMENT AT PT PANELINDO FURNITECH MULTIGUNA, SERANG REGENCY

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Abstract

This study aims to examine the influence of K compensation and work engagement on employee performance, both partially and simultaneously, within the production department of PT Panelindo Furnitech Multiguna in Serang Regency, which has experienced a downward trend in production target achievement since March 2026, allegedly due to sub-optimal management of these two factors. This study employs a survey method using a quantitative approach. The study population and sample comprised all 77 employees in the production department, using a saturation sampling technique. Data were collected through observation, literature review, and a Likert-scale questionnaire, and subsequently analyzed using SPSS version 25 via classical assumption tests, multiple linear regression, the coefficient of determination test, the t-test, and the F-test. The results indicate that Compensation (X_1) has a positive and significant effect on Employee Performance (Y) ($t_{\text{calculated}} 8.842 > t_{\text{table}} 1.66543$; sig. < 0.001), whilst Job Commitment (X_2) showed a negative relationship with $t_{\text{calculated}} -2.531$ and sig. 0.013 . Taken together, Compensation and Job Commitment have a significant effect on Employee Performance ($F_{\text{calculated}} 40.623 > F_{\text{table}} 3.120$; sig. < 0.001), with a coefficient of determination (R^2) of 0.523 or 52.3% . It is concluded that compensation is the most dominant factor in improving Employee Performance in this study.

Keywords: Compensation, Job Commitment, Employee Performance

INTRODUCTION

An organization's success in achieving its objectives depends heavily on the management of its human resources, particularly within the production department, which is at the forefront of determining productivity and product quality in the manufacturing industry. Employee performance is the result of individual work behavior that reflects the extent to which a person fulfills their duties and responsibilities in accordance with organizational standards (Darsana & Wardana, 2023; Mathis & Jackson, 2017).

PT. Panelindo Furnitech Multiguna, a manufacturer of office furniture under the UNO Office brand in Serang Regency, recorded a downward trend in production target achievement from March to May 2026, falling from 98.46% to 96.13% . This phenomenon is thought to be linked to sub-optimal compensation management and low job engagement among production staff, as reflected in the data on lateness and absenteeism during the same period. Compensation is a human resource management tool designed to recognize employees' contributions and encourage them to perform to the best of their ability (Rusby, 2017; Hasibuan, 2010), whilst work engagement is a positive

psychological state characterized by enthusiasm, dedication and a sense of fulfillment in one's work (Schaufeli & Bakker, 2004).

The majority of the previous studies were carried out in developed countries with different work culture contexts; research on the furniture manufacturing sector in Indonesia, particularly in Serang Regency, remains limited; and research findings regarding the mechanisms through which work engagement influences employee performance still show inconsistencies across studies. Even though these two variables have been extensively studied, there is still a gap in research related to them.

As a result, the purpose of this study is to investigate the impact of compensation on employee performance, the impact of work engagement on employee performance, and the impact of both factors simultaneously on employee performance within the production department of PT—Panelindo Furnitech Multiguna in Serang Regency.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Employee performance is the quality and quantity of work achieved by an employee in carrying out tasks in accordance with their assigned responsibilities (Mangkunegara, 2018), which is measured through indicators of work output, job knowledge, initiative, attitude, as well as punctuality and attendance (Sutrisno in Harahap & Tirtayasa, 2020). Compensation refers to the total financial and non-financial rewards—salaries, allowances, bonuses, incentives, and workplace facilities—provided as recognition for employees' contributions (Hasibuan, 2010). Research by Zaeni et al. (2022) and Kim & Jang (2020) shows that adequate compensation encourages employees to work better and more responsibly, thereby improving overall performance.

H₁: Compensation influences employee performance.

Work engagement is a stable personal trait, representing a tendency to live and work with high enthusiasm, characterized by vigor, dedication, and absorption (Schaufeli & Bakker, 2004; Renaldy, 2021). Employees who are engaged in their work tend to perform better, are physically and psychologically healthier, and foster better interpersonal relationships and team performance (Bakker, 2011). Several studies, such as those by Chairuddin et al. (2015) and Breevaart et al. (2015), indicate that work engagement has a positive and significant effect on employee performance.

H₂: Job commitment influences employee performance.

Compensation and job commitment are interrelated in driving employee performance: fair compensation can increase job commitment (Nawardi & Berliyanti, 2023), which in turn drives improved performance (Chairuddin et al., 2015; Breevaart et al., 2015).

H₃: Compensation and job commitment simultaneously influence employee performance.

METHOD

This study employs a survey method using a quantitative approach to examine the relationships between variables within a population. The study examines three variables: Compensation (X_1) and Job Commitment (X_2) as independent variables, and Employee Performance (Y) as the dependent variable. The research population comprised all 77 employees in the production department of PT. Panelindo Furnitech Multiguna, and using a saturation sampling technique, the entire population was included as the research sample ($n = 77$).

Data were collected through observation, literature review, and a Likert-scale questionnaire (1–5) designed based on the indicators for each variable: Employee Performance (work output, job knowledge, initiative, attitude, punctuality and attendance), Compensation (labour supply and demand, ability to pay, trade unions, productivity, government policy, cost of living, job position, education and work experience, national economic conditions, and the type and nature of work), and Work Engagement (cognitive, emotional, behavioural, physical, social). Data analysis was carried out using SPSS version 25 through classical assumption tests (normality, heteroscedasticity, multicollinearity, autocorrelation), multiple linear regression analysis, the coefficient of determination test (R^2), the t-test (partial), and the F-test (simultaneous), with a significance level of $\alpha = 5\%$.

RESULTS AND DISCUSSION

Descriptive Statistics

The results of the descriptive analysis of the 77 respondents are presented in table 1.

Table 1 Descriptive Analysis Of The 77 Respondents

	N	Minimum	Maximum	Mean	Standard Deviation
Compensation	77	53.67	101.86	80.4675	9.20156
Employment Status	77	11.86	50.11	31.7013	7.72707
Employee Performance	77	24.71	49.86	42.5325	3.98303
Valid N (listwise)	77				

Source: processed SPSS output (2026)

The standard deviation of each variable is smaller than its mean, indicating a relatively homogeneous distribution of data for all three variables.

Test of Classical Assumptions

The Kolmogorov–Smirnov normality test yielded a p-value of 0.200 (> 0.05), indicating that the residuals are normally distributed. The heteroscedasticity test, conducted via a scatterplot, showed

that the data points are scattered randomly without forming any specific pattern; therefore, the regression model does not suffer from heteroscedasticity. The multicollinearity test yielded a VIF value of 1.008 for both independent variables (< 10), indicating that multicollinearity is not present. The Durbin-Watson autocorrelation test yielded a value of 1.815, falling between du (1.6835) and $4-du$ (2.3165), indicating that the regression model does not suffer from autocorrelation. Thus, the regression model has met all the BLUE (*Best Linear Unbiased Estimator*) criteria.

Table 2. Multiple Linear Regression Analysis

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Standard Error	Beta		
1	(Constant)	21,049	3,009		6,996	<,001
	XX1	,308	,035	,712	8,842	<,001
	XX2	-0.105	,042	-0.204	-2.531	,013
a. Dependent Variable: YY						

Source: Processed SPSS Output (2026)

Hypothesis Testing

The t-test shows that Compensation (X_1) yields a calculated t-value of 8.842 $>$ the table t-value of 1.66543, with a significance level of < 0.001 ; therefore, H_0 is rejected, and H_1 is accepted — Compensation has a positive and significant effect on Employee Performance. In line with Alfarani et al. (2023) and Rolando et al. (2024), compensation is one of the most crucial forms of motivation in driving employee performance.

Job Commitment (X_2) yielded a t-value of -2.531 with a significance level of 0.013, and a negative regression coefficient (-0.105), meaning the direction of the effect is contrary to theoretical expectations: an increase in Job Commitment in this study was actually followed by a decrease in Employee Performance. This finding differs from the majority of previous studies, such as those by Ngamel, Sabandar, & Toding (2025), Diana & Frianto (2021), Umihastanti & Frianto (2022), Noviardy et al. (2020), and Suchayowati et al. (2020), which found that employee engagement has a positive and significant effect on employee performance. This difference in direction indicates the possibility of other factors not yet measured in the model, such as excessive workload or work-related fatigue accompanying high levels of employee engagement in this study.

Table 3. Regression Model Feasibility Test Results

Model	Calculated F-value	Sig.	R-squared
Regression	40.623	< 0.001	0.523

The F-test yielded $F_{\text{calculated}} = 40.623 > F_{\text{table}} = 3.120$ with a significance level of < 0.001 , so H_0 is rejected Compensation and Job Commitment simultaneously have a significant effect on Employee

Performance. The coefficient of determination (R^2) of 0.523 indicates that 52.3 percent of the variation in Employee Performance is explained by these two variables, whilst the remaining 47.7 percent is influenced by other variables outside the model, such as work motivation, leadership style, organizational culture, and job satisfaction (Firdaus et al., 2024).

Discussion

The Effect of Compensation (X_1) on Employee Performance (Y)

The first hypothesis posits that there is a significant effect of compensation on employee performance in the production department of PT Panelindo Furnitech Multiguna, Serang Regency. The test results show a t-value of $8.842 > t_{table} \ 1.66543$ with a significance level of $< 0.001 (< 0.05)$; therefore, H_0 is rejected, and H_1 is accepted — Compensation has a positive and significant effect on Employee Performance. This finding is consistent with Alfarani et al. (2023) and Rolando et al. (2024), who state that compensation is one of the most crucial forms of motivation as it can simultaneously influence performance and boost employees' work morale.

The Effect of Job Commitment (X_2) on Employee Performance (Y)

The second hypothesis posits that there is a significant effect of Job Commitment on Employee Performance within the production department of PT Panelindo Furnitech Multiguna in Serang Regency. The test results show a t-value of -2.531 with a significance level of $0.013 (< 0.05)$ and a negative regression coefficient (-0.105). Since $|t_{calculated}| > t_{(table)} (1.66543)$ and the significance level is < 0.05 , H_0 is rejected; however, the direction of the effect is contrary to theoretical expectations, namely that work engagement has a negative and significant effect on employee performance in this study.

This finding of a negative direction differs from the majority of previous studies. Ngamel, Sabandar, and Toding (2025), in their study of the Central Papua Provincial Department of Environment, Forestry, and Land Affairs, found that employee engagement had a positive and significant effect on staff performance. Similar results were reported by Diana and Frianto (2021), Umihastranti and Frianto (2022), Noviardy et al. (2020), and Sucahyowati et al. (2020). This divergence in findings suggests the possibility of other factors not yet measured in the model, such as excessive workload or work-related fatigue, which may accompany high levels of employee engagement in this study.

The Simultaneous Effect of Compensation and Work Engagement on Employee Performance

The third hypothesis posits that there is a significant simultaneous effect of Compensation and Work Engagement on Employee Performance in the production department of PT Panelindo Furnitech Multiguna, Serang Regency. The results of the F-test show that $F_{\text{calculated}}$ is $40.623 > F_{\text{table}}$ 3.120 with a significance level of < 0.001 ; therefore, H_0 is rejected — compensation and work engagement simultaneously have a significant effect on employee performance.

The coefficient of determination (R^2) of 0.523 indicates that the contribution of compensation and job commitment to employee performance is 52.3 percent, whilst the remaining 47.7 percent is influenced by other variables outside the model, such as work motivation, leadership style, organizational culture, and job satisfaction (Firdaus et al., 2024). This is consistent with recent human resource management research, which consistently identifies compensation and job engagement as determinants of employee performance. However, the direction and magnitude of each variable's contribution may vary depending on the organizational context.

CONCLUSIONS

In the production department of PT. Panelindo Furnitech Multiguna, Serang Regency, compensation has a positive and significant effect on employee performance; the higher the quality of compensation provided, the higher the employee performance achieved as a result. In contrast to the majority of previous research, this study demonstrates that job engagement has a negative influence on employee performance. This finding calls for additional research into the possibility of excessive workloads or a mismatch between job demands and the resources available to employees.

The performance of employees is significantly impacted by both compensation and job engagement, which together account for 52.3% of the variance in employee performance.

It is recommended that businesses continue to evaluate and adjust their compensation systems regularly to ensure they are perceived as fair by employees. Additionally, it is recommended that companies review their existing employee engagement programs to ensure that they do not result in excessive workloads. Given that the combined contribution of the two variables in this study accounts for only 52.3% of the variation in Employee Performance, it is recommended that future research include additional variables such as work motivation, leadership style, organizational culture, or job satisfaction. This is because the current study only accounts for 52.3% of the variation in Employee Performance combined.

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