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The Effect of Compensation and Job Satisfaction on Employee Performance at the Residential and Land Housing Office of Cirebon Regency

Renaldi Rizki N[1], Muhamad Alwi[2]
[1,2] Universitas Swadaya Gunung Jati, Indonesia
E-mail: renaldi.122020511@ugj.ac.id[1],malwy1980@gmail.com [2]

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Abstract: *This study aims to analyze the influence of compensation and job satisfaction on employee performance at the Cirebon Regency Office of Housing, Settlements, and Land Affairs. Employee performance is a critical factor in supporting the effectiveness of public service delivery; therefore, effective human resource management is essential through a fair compensation system and the enhancement of employee job satisfaction. This study employs a quantitative approach using an associative method to determine the relationship and influence between the variables of compensation and job satisfaction on employee performance. The study population consists of all employees at the agency, totaling 75 individuals, with a sampling technique using saturation sampling, meaning the entire population was included as respondents. Research data were obtained through the distribution of a questionnaire using a Likert scale and supported by relevant secondary data. Data analysis was conducted using multiple linear regression techniques with the aid of statistical software. This study is expected to provide an empirical overview of the role of compensation and job satisfaction in improving employee performance in local government agencies, as well as serve as a basis for organizations in formulating more effective human resource management policies.*

INTRODUCTION

Human resources (HR) are a strategic factor in determining the success of organizations, both in the private and public sectors. In the context of government organizations, the role of human resources is increasingly crucial because it is directly related to the quality of public services. The management of human resource potential in the organization's operational system is necessary to achieve institutional goals effectively and efficiently (Sinaga & Suratman, 2025). Based on the Statistics of the State Civil Apparatus for the Second Semester of 2024, the number of state civil servants (ASN) in Indonesia reached 4,734,041 people, with around 78% of them serving in local governments. This composition shows that most public services are within the scope of local governments, so that the effectiveness of HR management is the main determinant in achieving organizational performance. In this context, compensation and job satisfaction factors are important variables that affect employee performance. Fair and workload-compliant compensation plays a role in maintaining employee motivation and loyalty, while job satisfaction is related to an individual's perception of the work environment, rewards, and self-development opportunities. Herzberg through the Two-Factor Theory explains that compensation is a hygiene factor that functions to prevent dissatisfaction, while job satisfaction as a motivating factor plays a role in encouraging performance improvement (Alshmemri, Shahwan-akl, & Maude, 2017).

Empirically, various studies support the relationship between compensation, job satisfaction, and employee performance (Sulistyono et al., 2025). found that compensation and work discipline have a significant effect on job satisfaction which has an impact on improving employee performance in the Indonesian bureaucracy. Other studies show that a fair and performance-based remuneration system has a direct impact on individual productivity and organizational achievement (Cho Poister, T. H., 2021). Research by Saputra et al., (2023) revealed that job satisfaction mediates the relationship between compensation and employee performance at higher education institutions in Indonesia. Meanwhile, (Adedeji et al., 2024) emphasized that performance-based compensation is able to increase the work effectiveness of local government apparatus.

However, most previous research has focused on the private sector, banking, or education, so empirical studies on regional apparatus organizations are still relatively limited. In addition, the characteristics of regional bureaucracy that tend to implement a compensation system based on working time, rather than performance-based, are a challenge in itself. The Ministry of PANRB report (2024) shows that around 60% of local governments still use seniority-based compensation systems, which has the potential to reduce individual performance boosts.

This condition is also reflected in the Cirebon Regency Housing, Settlement and Land Office (DPKPP). Based on the 2024 Government Agency Performance Report (LkJIP), a number of program and activity indicators have not reached the expected realization target. This indicates the need to strengthen the effectiveness of task implementation, both in terms of program planning and employee performance optimization. Based on this description, this study aims to analyze the effect of compensation and job satisfaction on employee performance at the Cirebon Regency DPKPP. Theoretically, this study expands the application of Herzberg's Two-Factor Theory in the context of local government in Indonesia. Practically, the results of the study are expected to provide data-based recommendations for regional policy makers in designing a fair, transparent, and performance-based compensation system to improve job satisfaction and the effectiveness of public services.

LITERATURE REVIEW

Compensation

Compensation is all income received by employees in the form of money and goods in return for services provided to the organization, either directly or indirectly (Hasibuan, 2013). Mondy (2008:4) in Sari, (2023) classifies compensation into two forms, namely direct compensation which includes salaries, wages, and bonuses, and indirect compensation in the form of allowances and facilities. Compensation has a strategic role in improving employee performance. Imbalances in compensation can reduce performance and loyalty, while fair and decent compensation can increase motivation and morale Apriyadi et al., (2023) in (Nurmansyah & Kore, 2026).

Theoretically, the relationship between compensation and performance is described through Equity Theory by (Adams, 1965). This theory states that employees assess the fairness of compensation by comparing the ratio between inputs and outcomes to that of colleagues. Inputs include loyalty and commitment to work, education level, job responsibilities, and effort and work intensity. Meanwhile, outcomes include salaries or wages, bonuses and incentives, benefits, and promotional opportunities (Adams, 1965). The perception of fairness will increase motivation, satisfaction, and performance, while injustice can decrease productivity.

Job Satisfaction

Job satisfaction is an individual's positive attitude towards his or her work that arises from the evaluation of various aspects of work Robbins & Judge in (Garaika, 2020). Greenberg and Baron (2003) in Anandita et al., (2022), state that job satisfaction reflects a person's positive or negative attitude towards his or her job. Job satisfaction also contributes to increased organizational commitment, as satisfied individuals tend to be more committed than dissatisfied individuals Zeinabadi & Salehi, (2011) in (Kurniawan & Hidayanti, 2021).

Theoretically, job satisfaction is explained through the Two-Factor Theory by Herzberg (1959) in Alshmemri et al., (2017), which divides the determinants of satisfaction into motivating factors and hygiene factors. Motivating factors include achievements, recognition, responsibility, and career development, while hygiene factors include salary, working conditions, job security, and relationships between individuals.

Empirically, job satisfaction has been proven to affect employee performance. Satisfied employees tend to be more enthusiastic, engaged, and work optimally so as to support the achievement of organizational goals (Ibnu & Sukono, 2025).

Employee Performance

Employee performance is the level of individual success in carrying out tasks and responsibilities in accordance with their position and function in the organization (Mangkunegara, 2017). Performance is not only related to the final result of work, but also the process of completing tasks in work activities. Shields (2007) in Navila, (2025) states that performance is influenced by managerial support, work environment, resources, competence, and motivation, so that performance is the result of an interaction between individual potential and a supportive work environment.

According to Mangkunegara, (2017), performance can be measured through four main indicators, namely work quality, work quantity, task implementation, and responsibility. The quality of the work reflects the accuracy and conformity of the results to the organization's standards. The quantity of work shows the number and productivity of work completed in a given period. The implementation of tasks is related to the ability to carry out work according to work procedures and discipline. Meanwhile, responsibility reflects awareness, commitment, and willingness to account for the results of work.

RESEARCH METHOD

The type of research used in this study is associative quantitative. This study uses saturated sampling by making all employees as a sample. The residents in this study are employees of the Cirebon Regency Housing, Settlements, and Land Office with 75 respondents. The research data was collected using a questionnaire on a likert scale of 1-5 because this scale is able to measure the attitudes, opinions, and perceptions of a person or group towards a social phenomenon (Sugiyono, 2020).This study aims to determine the extent of the influence of independent variables, namely Compensation (X_1), Job Satisfaction (X_2), on the dependent variable of Employee Performance (Y). By using the spss software version 25. The frame of

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thought is described as follows:

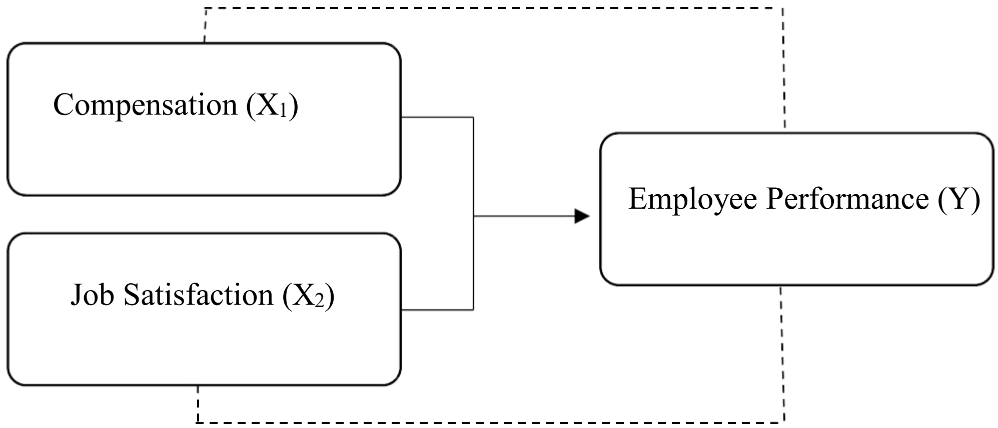

Figure 1. Frame of Mind

RESULTS AND DISCUSSION

Validity Test

Table 1. Research Variable Validity Test Results

Compensation

No	R calculated	R table	Description
1	0.471	0.228	Valid
2	0.466	0.228	Valid
3	0.475	0.228	Valid
4	0.601	0.228	Valid
5	0.491	0.228	Valid
6	0.656	0.228	Valid
7	0.533	0.228	Valid
8	0.622	0.228	Valid

Job Satisfaction

No	R calculated	R table	Description
1	0.449	0.228	Valid
2	0.527	0.228	Valid
3	0.412	0.228	Valid
4	0.706	0.228	Valid
5	0.547	0.228	Valid
6	0.452	0.228	Valid
7	0.515	0.228	Valid
8	0.613	0.228	Valid

Employee Performance

No	R calculated	R table	Description
1	0.554	0.228	Valid
2	0.459	0.228	Valid
3	0.666	0.228	Valid
4	0.616	0.228	Valid

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5	0.453	0.228	Valid
6	0.551	0.228	Valid
7	0.462	0.228	Valid
8	0.530	0.228	Valid

Source : SPSS Version 25

Based on the results of the validity test on all research variables, it was obtained that each statement item had a greater calculated r-value compared to the r-value of the table of 0.228. The results show that all items in the variables Compensation (X1), Job Satisfaction (X2), and Employee Performance (Y) are declared valid. Thus, the questionnaire instrument used in this study has met the validity criteria, so it is suitable for use as a measuring tool because it is able to represent the construct being studied in accordance with the theoretical basis that has been set.

Reliability Test

Table 2. Reliability Test of Research Variable

Variable	*Cronbach Alpha*	Rehabilitation standards	Description
Compensation (X_1)	0,648	> 0,60	Reliabel
Job Satisfaction (X_2)	0,636	> 0,60	Reliabel
Employee Performance (Y)	0,633	> 0,60	Reliabel

Source : SPSS Version 25

The results of the research instrument reliability test showed that the Compensation variable (X1) had a Cronbach's Alpha value of 0.648, the Job Satisfaction variable (X2) 0.636, and the Employee Performance variable (Y) 0.633. The reliability coefficient values for each of these variables are above the minimum criteria set, which is 0.60. This indicates that all the statement items in the questionnaire have an adequate level of consistency, so the research instrument can be considered reliable and suitable to be used in the data collection process.

Normality Test

Table 3. Normality Test Result One-Sample Kolmogrov-Smirnov Test

No	Variable	Asmp.sig.(2-tailed)	Decesion Criteria	Description
1.	Compensation (X_1)	0,200	> 0,05	Normal
2.	Job Satisfaction (X_2)			Normal
3.	Employee Performance (Y)			Normal

Source : SPSS Version 25

The results of the normality test using the Kolmogorov–Smirnov method showed a significance value of 0.200. This value is greater than the established significance level of 0.05. Therefore, it can be concluded that the residual data in the regression model are normally distributed. With the fulfillment of this normality assumption, the regression model is considered suitable for further analysis.

Multicollinearity Test

Table 4. Multicollinearity Test Results

No	Variable	Tolerance	VIF	Description
1.	Compensation (X_1)	0.946	1.057	No multicollinearity detected
2.	Job Satisfaction (X_2)	0.946	1.057	No multicollinearity detected

Source : SPSS Version 25

The results of the multicollinearity test show that the Compensation and Job Satisfaction variables have a tolerance value of 0.946 and a Variance Inflation Factor (VIF) value of 1.057. A tolerance value greater than 0.10 and a VIF value less than 10 indicate that there are no symptoms of multicollinearity in the regression model. This indicates that the independent variables do not have a high correlation with each other. Thus, the regression model in this study meets the multicollinearity assumption and is feasible to be used for further analysis.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Variable	Sig	Description
Compensation (X_1)	0.247	No heteroskedasticity detected
Job Satisfaction (X_2)	0.270	No heteroskedasticity detected

Source : SPSS Version 25

Heteroscedasticity test in this study was conducted using the Glejser method. The test results showed that the Compensation variable had a significance value of 0.247 and Job Satisfaction of 0.270. Both of these values are greater than the significance level of 0.05, so it can be concluded that the regression model does not experience symptoms of heteroscedasticity.

Multiple Linear Regression Test

Table 6. Multiple Linear Regression Test Results

	Model	Unstandardized Coefficients		Unstandardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	34.968	3.409		10.259	0,000
	Compensation	.184	.086	.237	2.139	0,036
	Job Satisfaction	-.328	.101	-.361	-3.248	0,002

a. Dependent Variabel : Employee Performance

Source : SPSS Version 25

Based on the results of the multiple linear regression test, the regression equation obtained is as follows: $Y = 34.968 + 0.184(X_1) – 0.328(X_2) + e$

This equation shows that compensation (X_1) has a positive coefficient direction toward employee performance (Y) of 0.184. This means that if compensation increases, employee performance tends to increase. Meanwhile, job satisfaction (X_2) has a negative coefficient of -0.328, indicating that job satisfaction has an inverse relationship with employee performance. In other words, in this research model, an increase in job satisfaction is followed by a decrease in employee performance, assuming other variables remain constant.

Hypothesis Test

Table 7. Partial t-Test Results

	Model	Unstandardized Coefficients		Unstandardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	34.968	3.409		10.259	0,000
	Compensation	.184	.086	.237	2.139	0,036
	Job Satisfaction	-.328	.101	-.361	-3.248	0,002

Source : SPSS Version 25

The t-test results show that Compensation (X_1) has a positive and significant effect on Employee Performance with a t-count of 2.139 ($p = 0.036$), while Job Satisfaction (X_2) has a significant but negative effect with a t-count of -3.248 ($p = 0.002$). The significance values of both variables are below 0.05, indicating that the effects of both on performance are statistically acceptable. The positive direction of Compensation shows that an increase in compensation tends to improve employee performance, whereas the negative direction of Job Satisfaction indicates internal dynamics that affect the relationship between satisfaction and performance. These findings are in line with work motivation theory and underscore the need for further analysis of organizational factors that influence performance.

Table 8. Simultaneous F-Test Results

Model	Sum of squares	Df	Mean square	F	Sig.
1 Regression	88.938	2	44.469	6.396	0.003
Residual	500.609	72	6.953		
Total	589.547	74			

Source : SPSS Version 25

The F-test results show that the calculated F value is 6.396 with a significance of 0.003 (< 0.05), indicating that Compensation (X_1) and Job Satisfaction (X_2) simultaneously have a significant effect on Employee Performance (Y). This suggests that both independent variables provide a meaningful collective contribution in determining variations in employee performance. These findings emphasize the importance of the role of Compensation and Job Satisfaction as drivers of performance within the organization.

Test of Determination Coefficient

Table 9. Results of the Determination Coefficient Test

Model	*R*	R Square	Adjusted R Square	Std.ErroroftheEstimate
1	0.388	0.151	0.127	2.637

Source : SPSS Version 25

The analysis results show an R value of 0.388, indicating a moderate correlation between Compensation and Job Satisfaction with Employee Performance. An R^2 value of 0.151 means that approximately 15.1% of performance variation can be explained by the two independent variables, while the rest is influenced by other factors outside the model. The Adjusted R^2 value of 0.127 confirms that the contribution of the two variables remains significant after being adjusted for sample size and the number of variables.

DISCUSSION

The Influence of Compensation on Employee Performance

The results of this study indicate that compensation has a positive and significant effect on employee performance at the Office of Housing, Settlement Areas, and Land Affairs of Cirebon Regency with a significance value of 0.036 (<0.05). This means that an increase in compensation, whether in the form of financial incentives, allowances, or non-financial rewards, encourages employees to work more optimally in completing their tasks and responsibilities. Employees who perceive compensation as fair tend to show higher motivation, improve discipline, and adjust their work strategies to achieve the established performance targets. The perception of fairness in the provision of compensation, according to Adams' Equity Theory (1965), functions not only as an employee maintainer but also as an internal driver that enhances performance quality. Thus, transparency and fairness in compensation become important factors that affect employee productivity in the local government organization environment.

The results of this study are also in line with research conducted by Ilyas, (2022) and Oktari et al., (2023), which state that compensation has a positive and significant effect on employee performance. In the context of local government organizations, compensation that is transparent, fair, and considers workload has been proven to be able to increase employee productivity.

The Influence of Job Satisfaction on Employee Performance

The research results indicate that the job satisfaction variable has a significant effect on employee performance at the Housing, Settlement Area, and Land Office of Cirebon Regency, with a t-value of -3.248 and significance of 0.002 (<0.05). The negative t-value shows a variation in the effect of job satisfaction on performance, where different levels of satisfaction among employees influence the quality and quantity of their performance. These findings align with Herzberg's Two-Factor Theory (1959) as cited in Alshmemri et al.,(2017), which states that motivator factors such as achievement, recognition, responsibility, and opportunities for self-development can encourage employees to enhance their performance. Moreover, this study is consistent with the research by Ibnu & Sukono, (2025), which found that job satisfaction is positively associated with employee performance in the service sector, suggesting that employees who feel satisfied with their work tend to perform at higher levels.

The Influence of Compensation and Job Satisfaction on Employee Performance

The results of the simultaneous test (F test) show that compensation and job satisfaction together have a significant effect on employee performance at the Cirebon Regency Office of Housing, Settlement Areas, and Land Affairs, with a significance value of 0.003 (<0.05). This finding confirms that financial and psychological factors complement each other in improving performance, where fair compensation creates a sense of justice and job security, while job satisfaction provides motivation that strengthens employee commitment. Although the R^2 value shows that the contribution of both variables to performance is still limited, statistically, both are significant and indicate that performance improvement requires an integrated approach between the compensation system and efforts to enhance job satisfaction. These results are in line with the research by Parawangsa, (2022), which found that the combination of compensation and job satisfaction plays an important role in driving employee performance and achieving public organizational goals.

CONCLUSION

Based on the research findings, it can be concluded that compensation and job satisfaction play a role in influencing employee performance at the Cirebon Regency Housing, Settlement, and Land Agency. Compensation that is provided fairly and commensurate with employees' contributions can boost work motivation, thereby encouraging employees to perform their duties more effectively. The provision of salaries, allowances, and incentives that employees consider fair can foster a sense of fairness and boost work enthusiasm in achieving organizational goals.

Furthermore, job satisfaction is also a key factor influencing employee performance. Employees who are satisfied with their work whether regarding the work environment, relationships with colleagues, or recognition for their performance tend to demonstrate higher commitment in carrying out their duties. A high level of job satisfaction can foster a positive work attitude and increase employees' sense of responsibility toward the tasks they undertake. Therefore, organizations need to pay attention to working conditions and the factors that can enhance employee job satisfaction.

Simultaneously, compensation and job satisfaction contribute to employee performance. This indicates that improved performance is influenced not only by financial factors but also by psychological factors related to job satisfaction. Thus, effective human resource management must strike a balance between a fair compensation system and efforts to enhance employee job satisfaction so that organizational performance can improve sustainably.

However, this study has several limitations. The research was conducted in only one local government agency with a limited number of respondents, so the results cannot necessarily be generalized to other organizations with different characteristics. Additionally, the variables used in this study were limited to compensation and job satisfaction, while there are other factors that could potentially influence employee performance.

Given these limitations, future research is recommended to expand the scope of the study to include various institutions or organizations in order to obtain more comprehensive results. In addition, future researchers may also include other relevant variables in human resource management studies, such as leadership, work motivation, organizational culture, or the work environment, thereby providing a deeper understanding of the factors that influence employee performance.

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