The Influence Of Compensation and Work-Life Balance On Employee Performance at Suweger Indonesia In Surabaya City

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Abstract. This study examines the influence of work-life balance and compensation on employee performance, focusing on 50 part-time student employees at Suweger Indonesia in Surabaya. Respondents were selected through purposive sampling, targeting individuals balancing academic and work responsibilities. The analysis utilized the Partial Least Square (PLS) method and revealed that compensation significantly and positively influences employee performance, indicating that improved compensation boosts performance. Meanwhile, work-life balance shows a positive but statistically insignificant effect. These results highlight the dominant role of compensation in improving employee performance, complemented by the contribution of work-life balance.

Keywords Work-life balance, Compensation, Employee performance

1. INTRODUCTION

In the era of globalization, companies face significant challenges in maintaining their existence amidst an ever-evolving business environment. Human resources play a critical role in organizational success, as optimal employee performance supports the achievement of corporate objectives, enhances productivity, service quality, and competitiveness. Conversely, poor performance can pose competitive risks for the company. Therefore, factors influencing employee performance, such as compensation and work-life balance, have become crucial aspects of human resource management.

Compensation is one of the key strategies companies employ to enhance employee motivation and performance. It can be categorized into direct compensation, such as salaries, bonuses, and commissions, and indirect compensation, including health insurance, transportation allowances, and other facilities. Previous studies indicate that fair and adequate compensation positively impacts employee performance, increasing their responsibility and productivity (Febriana & Kustini, 2022; Praditya & Irbayuni, 2022).

Alongside compensation, work-life balance is another essential factor. It refers to employees' ability to effectively manage the demands of their job while meeting their personal needs in a harmonious and balanced way. Research by Kumari & Vasantha (2019) and Valery et al. (2023) highlights the positive effects of work-life balance on job satisfaction, employee engagement, and commitment, particularly in high-demand work environments.

This study focuses on PT Sinergitas Indonesia Muda, operating under the Suweger Indonesia brand, which operates in the food and beverage sector in Surabaya and Sidoarjo. Most employees at this company are part-time workers, primarily students, who face significant challenges in balancing work and academic demands. Although the company offers flexible work schedules, its compensation system, based on the number of shifts without a base salary, is often deemed inadequate. Complaints from employees about the imbalance between workload and compensation received have the potential to lower motivation and performance.

Moreover, customer complaints data reveals issues related to product quality and service, including product errors and inconsistencies in taste. The imbalance between employees' workloads and their personal lives is suspected to be one of the primary causes of this performance decline. These conditions highlight the need for greater attention to factors affecting employee performance at Suweger Indonesia.

This study aims to examine the impact of compensation and work-life balance on employee performance, with a specific focus on part-time employees at Suweger Indonesia. The findings are intended to offer valuable insights into how these factors influence employee productivity and job satisfaction, particularly within the food and beverage industry.

2. LITERATURE REVIEW

Compensation

Compensation is one of the key factors in human resource management activities. It can be defined as a form of reward provided by a company to employees for their performance. For employees, the amount of compensation is an essential factor that reflects their worthiness to work for the company as recognition of their performance and as a measure of their value compared to other employees. Compensation refers to income provided by a company in the form of money to employees over a specific period, such as months or years. It can also take the form of incentives or services provided by the company, as highlighted by Zahera Mega Utama (2020).

According to Hasibuan (2020) identifies key indicators of compensation, including salaries/wages, incentives, bonuses, and allowances. Salaries or wages represent monetary rewards for employees' contributions, while incentives are direct rewards for exceeding set standards. Bonuses serve as additional rewards for exceptional performance and dedication, and allowances are given for sacrifices beyond regular duties.

Work Life Balance

Work-life balance is the capacity of an individual to manage work obligations alongside external commitments, leading to overall personal satisfaction (Rifadha et al., as cited in Muliawati, 2020). It is a concept that balances career aspirations with happiness, leisure time, family, and spiritual development. This balance benefits industries by enhancing employee performance and creativity (Noviani, 2021). Moorhead and Griffin in Prasetyo (2019) describe work-life balance as the ability to manage work demands alongside personal and family needs. Wijaya Y (2020) emphasizes that work-life balance involves equal satisfaction and engagement in both work and personal roles without conflict between the two. According to Greenhaus (2003) in Marina & Rizal (2020), work-life balance consists of three aspects: time balance, which refers to allocating time equally between career and family; role balance, which ensures psychological engagement in both career and family without conflict; and satisfaction balance, which reflects equal satisfaction in both domains.

Pouluse and Sudarsan in Pratiwi (2020) identify factors influencing work-life balance, including individual factors such as personality traits, life satisfaction, emotional well-being, and emotional intelligence; organizational factors like work arrangements and organizational support; environmental factors such as childcare arrangements, family support, and social interactions; and other factors like age, family type, parental status, job type, income, employee level, and gender. McDonald and Bradley (2005) in Pambudi (2020) outline three key indicators of work-life balance: time balance, which refers to the time allocated for work and non-work activities; satisfaction balance, which reflects individual satisfaction in work and life outside work; and involvement balance, which measures psychological engagement and commitment in both work and personal life.

Employee Performance

Employee performance is a crucial factor in determining the success of an organization in achieving its goals, as it reflects the outcomes of employees' efforts in fulfilling their duties and responsibilities effectively (Utami & Ferina Rizqiya, 2021). According to Mangkunegara in Raytasyah (2024), employee performance refers to the quality and quantity of work achieved by an employee in carrying out their responsibilities. Various factors influence employee performance, including skills and abilities, where proficiency in tasks makes work easier and enhances performance; knowledge, as employees with expertise in their fields deliver higher output; work design, which simplifies task execution; and personality, where a responsible and diligent character positively impacts performance. Additionally, motivation, leadership,

commitment to organizational rules, leadership style, and a conducive work environment also play significant roles in improving performance (Kasmir in Tri Maryati, 2021). Mangkunegara in Akbar (2023) identifies indicators for measuring employee performance, including work quality, which reflects how well tasks are performed; work quantity, which evaluates the time spent and speed of task completion; task execution, which assesses accuracy; and responsibility, which emphasizes employees' awareness of their obligations and compliance with company standards.

Hypothesis

A hypothesis is a provisional conclusion to the research problem that will be tested for its validity. It serves as an assumption that must be verified based on data to provide answers to the core issues of a study. Based on the background, problem statement, theoretical framework, previous research, and conceptual framework presented, the hypotheses that can be formulated are as follows:

1. It is hypothesized that compensation has a positive and significant impact on employee performance at Suweger Indonesia in Surabaya.

2. It is hypothesized that work-life balance has a positive and significant impact on employee performance at Suweger Indonesia in Surabaya.

Figure 1. Research Conceptual Framework
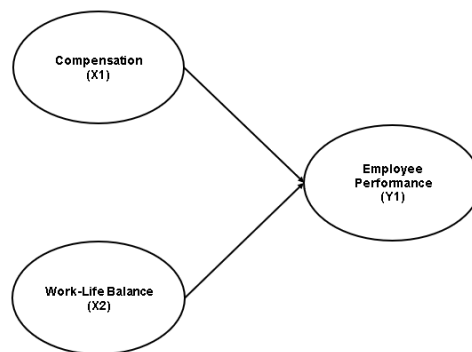
3. METHODS

This study adopts a quantitative approach utilizing both primary and secondary data. Primary data is collected directly from respondents through questionnaires designed to measure research variables. These questionnaires are distributed to employees at Suweger Indonesia in Surabaya. Secondary data, on the other hand, is sourced from third-party materials relevant to the research, such as company history, organizational structure, literature, articles, and online resources.

The data collection method uses purposive sampling, where respondents are chosen based on predetermined criteria aligned with the research objectives. The criteria for respondents include being employees at the Suweger branch in Surabaya, being active university students, and having a minimum tenure of over 3 months. A total of 50 employees who are also active university students meeting these criteria were selected as the study sample to provide the necessary data for analysis.

4. RESULTS AND DISCUSSION

This study involved 50 respondents who are active university students working at Suweger Indonesia's Surabaya branch.

Table 1. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
X1 COMPENSATION	0.663
X2 *WORK LIFE BALANCE*	0.720
Y EMPLOYEE PERFORMANCE	0.692

Source: Elementary data processed, 2024

The AVE model is used to measure the variance of indicators within their respective latent variables. For a latent variable to meet good validity criteria, the AVE value must exceed 0.5. The reflective indicator variables' AVE values for each variable are shown in the table. The results indicate that the AVE values for compensation (X1), work-life balance (X2), and employee performance (Y) are all greater than 0.5. Thus, all variables in this study are considered to have good validity.

Table 2. Composite Reliability

	Composite Reliability
X1 COMPENSATION	0.886
X2 *WORK LIFE BALANCE*	0.884
Y EMPLOYEE PERFORMANCE	0.899

Source: Elementary data processed, 2024

Variable reliability is measured using composite reliability, which evaluates the consistency of indicators in measuring their respective latent variables. A variable is considered reliable if the composite reliability value exceeds 0.70. In this study, the composite reliability values for the variables are as follows: compensation (X1) at 0.886, work-life balance (X2) at 0.884, and employee performance (Y) at 0.899. These values indicate that all variables in this study demonstrate strong reliability, as they meet the required threshold for consistency in measurement.

The PLS output presents the factor loading values for each indicator (illustrated by the arrows connecting variables and their indicators) and the path coefficient values (represented by the arrows linking exogenous and endogenous variables). Furthermore, the R-Square value (R^2) is displayed within the circle of the endogenous variable (Employee Performance), indicating the proportion of variance explained by the model.

Figure 2. Outer Loading
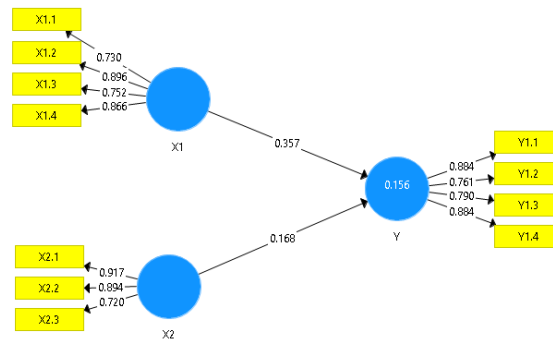
Source: Output Smart PLS

The structural model was evaluated using the R-Square value, which assesses the model's goodness-of-fit. The R-Square value reflects the extent to which the independent (exogenous) variables account for the variance in the dependent (endogenous) variable.

Table 3. R Square

	R Square
Y	0.156

Source: Elementary data processed, 2024

In this study, the R-Square value is 0.156, indicating that the model explains 15.60% of the variance in Employee Performance, as influenced by the independent variables Compensation (X1) and Work-Life Balance (X2). The remaining 84.40% is attributed to other variables not included in this study.

Table 4. Path Coefficients

	Path Coefficient (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1 -> Y	0.357	0.381	0.17	2.097	**0.037**
X2 -> Y	0.168	0.167	0.179	0.942	**0.347**

Source: Processed, Output Smart PLS

Hypothesis testing assesses the influence of independent variables on the dependent variable. The results are summarized in the table below:

1. Compensation (X1) has a significant positive effect on Employee Performance (Y), as indicated by a path coefficient of 0.357, a T-Statistic of 2.097 (greater than 1.96), and a P-Value of 0.038 (less than 0.05). As a result, the hypothesis is confirmed.

2. Work-Life Balance (X2) has a positive but insignificant effect on Employee Performance (Y), with a path coefficient of 0.168, a T-Statistic of 0.942 (less than 1.96), and a P-Value of 0.347 (greater than 0.05). Therefore, the hypothesis is rejected.

The Influence of Compensation on Employee Performance

The study findings demonstrate that compensation positively and significantly affects employee performance at Suweger Indonesia.

The highest factor loading compared to other indicators is found in the incentive indicator, meaning that the more appropriate the nominal value of the incentive provided, the better the employee's performance. However, in practice, Suweger employees feel that the incentive amounts are not aligned with their work achievements. Incentives are calculated based on the sales volume achieved during a single shift, where higher sales result in higher incentives provided by the company in specific multiples. However, to receive these incentives, employees must meet sales targets set by the company, which are considered quite high compared to the average sales performance per shift. These high sales targets also mean an increased workload for employees, yet the incentive amounts do not adequately reflect the sales results. This mismatch leads to reduced motivation and a decline in employee performance.

The Influence of Work-Life Balance on Employee Performance

The study results reveal that work-life balance has a positive but insignificant effect on employee performance at Suweger Indonesia.

The highest factor loading compared to other indicators is found in the time balance indicator, meaning that the better employees can balance their time between work and studies, the better their performance becomes. However, based on field observations, many employees, particularly those who are students, struggle to balance these two responsibilities. Although employees have requested schedule adjustments from store managers, operational needs of the company remain the top priority, requiring employees to work according to the pre-determined schedules. Consequently, many employees face difficulties managing their time between work and studies, leading to a decline in their performance.

5. CONCLUSION AND LIMITATION

Conclusion

The testing results using Partial Least Squares (PLS) analysis to assess the effects of compensation and work-life balance on employee performance at Suweger Indonesia lead to several conclusions. Compensation contributes significantly to employee performance, indicating that better compensation leads to improved employee performance at Suweger Indonesia. Similarly, work-life balance contributes to employee performance, but its impact is not particularly strong. This indicates that work-life balance has the capacity to improve the performance of Suweger Indonesia employees, although it has not yet become a primary factor.

Limitation

Based on the researcher's direct experience during this study, several limitations were encountered that future researchers should consider to enhance their studies. This research, like any other, has its shortcomings that require continuous improvement in subsequent studies. One notable limitation is related to data collection. The information provided by respondents through the questionnaire does not always accurately reflect their true opinions. This discrepancy can arise due to differences in respondents' perspectives, assumptions, and understanding of the questions, as well as other factors, such as honesty when completing the questionnaire.

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