

ANALYSIS OF COMPENSATION AND WORK ENVIRONMENT ON PERFORMANCE WITH MOTIVATION AS INTERVENTION VARIABLES IN THE CHICKEN BUSINESS

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ABSTRACT

This study aims to analyze the influence of compensation and work environment on employee performance, with motivation acting as an intervening variable in the slaughter chicken business at Sei Sikambing Market, Medan. The study applies a quantitative method using an associative approach to examine relationships among variables. The research sample consisted of 100 employees working in slaughter chicken businesses at the research location. Data were analyzed using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with SmartPLS software. The findings indicate that compensation and work environment have a positive and significant effect on employee performance. In addition, both variables positively and significantly influence employee motivation. The results further reveal that work motivation has a positive and significant effect on employee performance and functions as an intervening variable in the relationship between compensation, work environment, and employee performance. The R-Square value of 0.522 demonstrates that compensation, work environment, and motivation simultaneously explain 52.2% of employee performance variation, while the remaining 47.8% is affected by factors outside the research model. Overall, this study confirms that fair compensation and a supportive work environment contribute to improving employee motivation and performance in slaughter chicken businesses at Sei Sikambing Market, Medan.

Keywords: Compensation, Work Environment, Motivation, Employee Performance.

INTRODUCTION

Employee performance is one of the important factors that determine the success of a business in achieving organizational goals. Performance reflects the level of success of individuals in carrying out tasks and responsibilities in accordance with the standards that have been set. In the context of operational and labor-intensive businesses, such as the slaughter chicken business, employee performance is an aspect that greatly determines service quality, work productivity, and business sustainability. Therefore, understanding the factors that affect employee performance is important to study. According to Noni Ardian (2019), employee performance describes the willingness of individuals and groups to carry out work to achieve organizational goals while still paying attention to applicable rules. Good performance is not only influenced by individual abilities, but also influenced by factors derived from the organizational environment. Among these factors, compensation and work environment are two aspects that are often associated with improving employee performance.

Compensation is a form of appreciation given by the organization to employees for the

contributions that have been made during the course of their work. According to Hasibuan (2018), compensation is all income received by employees, both in the form of money and other facilities, which are given directly or indirectly in return for services that have been provided to the organization. A fair and appropriate compensation system is believed to be able to increase job satisfaction, loyalty, and encourage employees to provide better performance. Rizki Amalia (2022) stated that compensation has an important role in creating a productive workforce, especially in the informal business sector which still depends on the work intensity of human resources. Providing appropriate compensation can be an encouragement for employees to work more optimally and increase attachment to the work done.

In addition to compensation, the work environment is also a factor that has an influence on employee performance. The work environment encompasses all conditions around the workplace that can affect employees' activities and comfort while carrying out their duties. According to Sedarmayanti (2019), the work environment consists of physical and non-physical aspects that can directly or indirectly affect work behavior and

productivity. A safe, comfortable, clean, and good working environment will support the creation of a conducive work atmosphere. Rahayu (2020) explained that the quality of human resources affects the improvement of organizational performance. Quality human resources are not only determined by technical ability, but are also influenced by supportive working conditions and the encouragement to continue to work optimally. Therefore, organizations need to pay attention to factors that can improve the quality and productivity of the workforce.

In practice, the relationship between compensation, work environment, and employee performance is also related to work motivation. Motivation is understood as the drive that causes a person to be willing to direct his or her abilities and energy to achieve a certain goal. According to Robbins and Judge (2019), motivation is a process that explains the intensity, direction, and perseverance of individuals in achieving a goal. High motivation can encourage employees to work more effectively, increase responsibility, and maintain consistency of performance. In the slaughter chicken business at Sei Sikambing Market in Medan, work activities take place dynamically and demand high physical involvement and work resilience. Employees face job demands related to speed, precision, and service to consumers. In these conditions, the compensation provided, the conditions of the work environment, and the level of motivation are factors that affect the implementation of daily work.

Based on the data of employee performance assessment in the slaughtered chicken business at the Sei Sikambing Market in Medan, it can be seen that the achievement of realization in the compensation variable reached 78% of the target of 85%, the work environment reached 75% of the target of 80%, motivation reached 82% of the target of 90%, and employee performance reached 80% of the target of 88%. The data shows that each variable has achievements that are still below the set target. The phenomenon that occurs in the field illustrates that there are still employees who consider that compensation is not fully in accordance with the workload carried out. In terms of the work environment, the condition of facilities and work comfort are still concerns in supporting operational activities. In the motivation aspect, some employees still need greater encouragement to maintain work morale, while in the performance aspect, conditions are still found that affect the quality and effectiveness of work.

LITERATURE REVIEW

Employee Performance

According to Mangkunegara (2017), performance is the result of work achieved by individuals, both in terms of quality and quantity, in carrying out tasks in accordance with the responsibilities that have been given. Meanwhile, Mesra B. (2019) emphasized that improving the quality of human resources (HR) is an important element for organizations in building competitive advantage. Superior human resources are the main driver in carrying out organizational strategies, so that improving employee competence and professionalism is an absolute necessity. Rizky (2022) stated that employee empowerment through career development, training, and the provision of work autonomy can strengthen employee engagement which has a positive impact on performance both at the individual and organizational levels. This shows that performance is not a stand-alone outcome, but a synergy between individual capabilities, organizational support, and an effective HR management system. Anwar (2023) also added that factors such as leadership, motivation, discipline, ability, and HR services have a significant influence on employee performance. Therefore, organizations need to manage these aspects strategically in order to achieve optimal work results.

In view. According to Ardha, N. A., Ario, F., & Daulay, M. T. (2025). Employee performance is the level of achievement of tasks, responsibilities, and job targets by individuals or groups in an organization that can be measured by the quality, quantity, timeliness, and work initiatives influenced by factors such as compensation, work environment, motivation, discipline, and training. Mangkunegara (2017), there are several main factors that affect employee performance, including:

1. Ability/Competence – includes intellectual potential, skills, and physical abilities that support the execution of tasks. Intellectual abilities include knowledge, analysis, and decision-making skills.
2. Motivation – the internal drive that moves individuals to achieve work targets. Performance will increase along with high work motivation.
3. Attitudes and Behaviors – including responsibility, discipline, and a positive attitude towards work.
4. Work Environment – includes the physical conditions, social relationships, and organizational culture that supports work comfort.
5. Leadership – a leadership style that is able

to motivate and set an example will improve the performance of subordinates.

6. Compensation and Rewards – a fair reward system will foster a sense of appreciation and boost morale.
7. Career Development Opportunities – opportunities for training and promotion drive employee loyalty and performance.
8. Work Discipline – the ability of individuals to comply with organizational rules and social norms in the workplace.

In addition, Mangkunegara (2017) prioritizes five main indicators of employee performance, namely:

1. Quality of work,
2. Quantity of work,
3. Timeliness of task completion,
4. Initiatives in the work, and
5. Cooperation with colleagues.

Compensation

According to Dessler (2015:360), compensation is any form of reward that employees receive in return for their contributions to the organization, either in the form of direct or indirect payments. Sedarmayanti (2019:263) adds that compensation includes everything that employees receive in return for their work. Meanwhile, Juniarti (2024:3) explained that compensation includes salaries, allowances, and bonuses provided by the company according to the employment agreement between employees and the organization.

Meanwhile, Hasibuan (2017:119) defines compensation as all income received by employees, both in the form of money and goods, in return for services that have been provided to the company. Therefore, an effective compensation system is indispensable in human resource management, as it plays a crucial role in attracting and retaining a qualified workforce. Seri (2019) emphasized that providing proper compensation will increase employee work motivation and productivity. According to Muhammad Toyib Daulay (2024), compensation is the financial and non-financial rewards that employees receive in exchange for their contributions and performance to the organization, designed in a decent and fair way to improve employee motivation and performance. Factors that affect the compensation system according to Gary Dessler (2015) include:

1. Labor Demand and Supply: if skilled labor is scarce, then compensation will increase.
2. Market Conditions and Industry Competition: companies need to offer competitive compensation in order to attract and retain employees.
3. Corporate Financial Ability: the economic

condition of the organization determines the ability to provide compensation.

4. Job or Job Value: the responsibilities and risks of the job affect the level of compensation.
5. Employee Productivity and Performance: high performance is usually followed by greater rewards.
6. Internal Policies and Government Regulations: including minimum wage provisions and collective bargaining agreements.

Compensation indicators according to Dessler (2015) include:

1. Reasonable basic salary,
2. Benefits and incentives,
3. Fairness in the payment system,
4. Indirect compensation, and
5. Satisfaction with compensation.

Work Environment

Sedarmayanti (2018) states that the work environment consists of physical, non-physical, and psychological aspects. Elements such as air ventilation, lighting, social relationships, and psychological comfort have a major influence on performance. Rivai (2021) added that the work environment can be reviewed from three main dimensions: physical, social, and psychological, which include facilities, internal communication, and support from superiors. Abdi Setiawan (2018) defines the work atmosphere as all conditions around employees that can affect enthusiasm in carrying out their duties. Meanwhile, Ekawati (2022) emphasized that working conditions have an important role in determining employee effectiveness and efficiency. According to Daulay, M. T., Sanny, A., & Putri Khairiyah. (2024). Work environment is all physical and non-physical conditions in the workplace including facilities, social atmosphere, relationships between individuals and organizational policies that affect an individual's comfort, motivation, and performance in carrying out their duties. Factors that shape the work environment according to Sedarmayanti (2018) include:

1. Lighting – adequate light helps with precision and reduces work errors.
2. Air Circulation – fresh air improves concentration and morale.
3. Noise – a quiet environment supports focus and productivity.
4. Cleanliness – a clean workplace creates comfort and encourages good work outcomes.
5. Occupational Safety – safe working conditions make employees feel comfortable.

6. Colors and Layouts – a harmonious combination of colors and layouts creates a pleasant working atmosphere.

According to Sedamayanti (2018) there are 2 (two) Indicators of the Work Environment, 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. Feel Safe and Comfortable at Work
 8. Fairness and Openness in Communication
 9. Career Development Opportunities
 10. Reasonable Working Load Conditions

Motivation

Gunawan, Sucipto, and Suryadi (2020) explained that motivation is internal and external motivation that encourages a person to act in achieving certain goals. Hasibuan (2018) defines motivation as a driving force that makes a person willing to exert their abilities and skills to achieve organizational goals. Febrilian Lestario (2023) emphasized that motivation has a significant contribution to improving employee performance through the development of initiatives and responsibilities in carrying out tasks. Rahayu and Dahlia (2023) mentioned that high motivation will encourage work morale, thereby increasing productivity. Sutrisno (2016:110) added that motivation is the result of interaction between individuals in certain situations, which causes differences in motivation levels between individuals.

According to Anwar (2023), work motivation is the drive that comes from within and from a person's external environment to behave

and strive consistently in achieving predetermined work goals. Rahayu (2018) also emphasized that motivation and work discipline have an important role in determining employee achievement, as both reflect individual professionalism.

Gunawan, Sucipto, and Suryadi (2020) explain several aspects that form motivation, including:

1. Physical needs,
2. Security needs,
3. Social needs,
4. The need for awards, and
5. The need for self-actualization.

In addition, motivation is also influenced by discipline, creativity, confidence, a sense of responsibility, a supportive work environment, and employee well-being. Motivational indicators according to Gunawan, Sucipto, and Suryadi (2020) include:

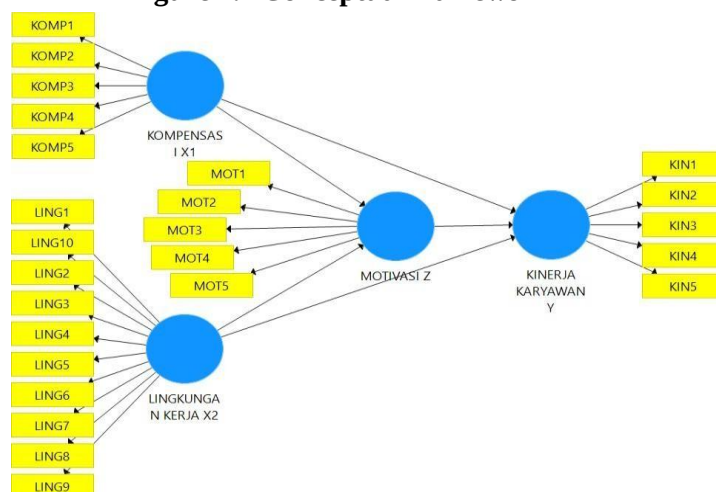
1. The need to achieve,
2. Expect awards,
3. Clarity of personal goals,
4. Commitment to duty, and
5. The Influence of the Social Environment.

RESEARCH FRAMEWORK

The conceptual framework in this study describes the relationship between the variables studied, namely compensation (X_1) and work environment (X_2) as independent **variables**, work motivation (Z) as intervention variables, and employee performance (Y) as dependent variables.

Theoretically, compensation and the work environment are thought to have a direct influence on employee motivation and performance. In addition, work motivation is also thought to mediate the relationship between compensation and the work environment and employee performance.

Figure 2.1 Conceptual framework



HYPOTHESIS

Image. Conceptual Framework of Sources; SmartPLS 2025

- **H5:** Work motivation has a positive
According to Manullang and Pakpahan (2017), a hypothesis is a provisional statement that is closely related to theory, and is compiled based on the results of literature review and previous research findings. Based on relevant theories and previous research, the hypotheses in this study are formulated as follows:
 - **H1:** Compensation has a positive and significant effect on employee performance in the chicken business at Sei Sisambbing Market, Medan.
 - **H2:** Compensation has a positive and significant effect on employee work motivation in the chicken business at Sei Sicaming Market, Medan.
 - **H3:** The work environment has a positive and significant effect on the performance of employees in the chicken business at Sei Sicaming Market, Medan.
 - **H4:** The work environment has a positive and significant effect on the work motivation of employees in the chicken business at Sei Sikbambang Market, Medan.
 - **H5:** Compensation has a positive and significant effect on employee performance in the chicken business at Sei Sisambbing Market, Medan.
 - **H6:** Compensation has a positive and significant effect on employee performance through work motivation as an intervention variable.
 - **H7:** The work environment has a positive and significant effect on employee performance through work motivation as an intervention variable.

RESEARCH METHODOLOGY

This study uses a quantitative approach with an associative research type, which aims to test the relationship between variables based on statistical hypothesis testing (Sugiyono, 2017). This approach was chosen because it is suitable for

analyzing the direct and indirect influences between variables in the research model. The data collection method was carried out through a survey, by distributing questionnaires to predetermined respondents. The questionnaire instrument contains statements that are measured using the Likert scale to determine the employee's response to the variables being studied.

Data analysis was carried out using Structural Equation Modeling (SEM) based on Partial Least Square (PLS) with the help of SmartPLS software. The use of SEM-PLS was chosen because this method is able to analyze complex relationships between variables, even though the data is not multivariately distributed. In addition, SEM-PLS is effectively used on relatively small sample numbers and models with few latent variables. According to Sugiyono (2017:81), samples are part of the number and characteristics possessed by the population. The sampling technique used in this study is saturated sampling (total sampling), where all members of the population are used as research samples. The number of residents in this study is all employees who work in the chicken business at Sei Sicaming Market, Medan City, which totals 100 people. Because the population is relatively small and can be reached as a whole, all members of the population are made as research respondents. Thus, the number of samples used is 100 employees.

RESULTS AND DISCUSSION

The research was conducted using a direct survey that was distributed to the target respondents. Data filtering is carried out to detect problematic respondents, according to Hair (2019) respondent data detection needs to be done to avoid response bias, for example respondents who fill in the origin or respondents who fill in with certain patterns. From the distribution of questionnaires, there were 100 respondents who filled out the questionnaire completely and met the criteria. Respondent profile data can be seen in the following table:

Table 1.2 Characteristics of Respondents

Characteristics		Number of /Person
Gender	Men	100
	Women	0
Education	High School	90
	D3	6
	S1	4
Term of office	1 – 5 Years	45
	6 – 15 Years	45
	16 – 20 Years	10
Age	< 25 Years	25
	25-35 Years	50
	36-45 Years	15
	> 45 Years	10
Sample		100

Source: Data Processed by Researchers 2025

Based on the results of data collection, it is known that all workers in the chicken slaughter business at Sei Sicaming Market, Medan, are men (100%), which shows that this sector is completely dominated by male workers. In terms of education, the majority of respondents are high school graduates (SMA) at 90%, while 6% have a Diploma (D3) and 4% are Bachelor of Science (S1). This shows that most of the workforce has a secondary education background that is considered adequate to work in this field.

Judging from work experience, as many as 45% of respondents have a working period between 1-5 years, and another 45% have 6-15 years of work experience. Meanwhile, only 10% of respondents have worked for more than 15 years. This data shows that most employees have a long enough work experience, so they are expected to have mastered the skills in their jobs. In terms of age, the composition of respondents showed

that the age group of 25-35 years was the most dominant, namely 50%, followed by respondents aged under 25 years (25%), 36-45 years (15%), and over 45 years old (10%). These findings show that the workforce in the Sei Sikambing Market slaughter chicken business is dominated by young workers with a high level of education and sufficient work experience to support daily operational activities.

Test Measurement Model

Data analysis was carried out using PLS SEM through the SMART PLS Version 3.0 software. The testing process is carried out in stages, including internal consistency, reliability, discriminant validity, and convergent validity. The results of the internal consistency reliability test were carried out using Cronbach Alpha. From the data analysis carried out, the results were obtained as in the following table:

Table 1.3 Reliable Construction Testing and Validity

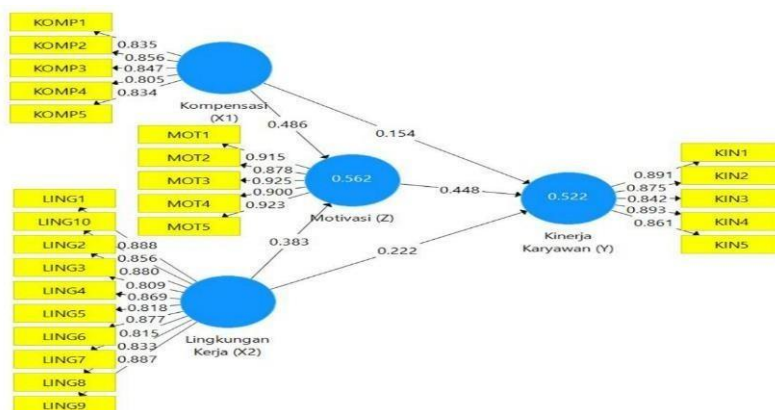
	Alpha Cronbach	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance (Y)	0,922	0,941	0,761
Compensation (X1)	0,892	0,920	0,698
Work Environment (X2)	0,959	0,964	0,729
Motivation (Z)	0,947	0,959	0,825

Source: SmartPLS Processed

The test results in the table above show a reliability value above 0.70. Hair et al. (2017) stated that an alpha cronbach score above 0.70 is in the very good category. Thus, overall, it can be concluded that all variables pass the internal consistency reliability test. The results of the convergent validity test in the table above show an outer loading value above 0.70 and an AVE value above 0.50. So it can be concluded that each

variable and its indicators have excellent convergent validity. The convergent validity test was performed by looking at the indicator value (outer loading) and the AVE value (the extracted mean variance). Hair et al. (2017) stated that the standard of an excellent outer loading value if it has a score above 0.70 and a standard AVE value above 0.50 has excellent criteria. The results of the convergent validity test can be seen in the

following figure:



Source: Primary Data Processed, SmartPLS 2025

Discriminant validity testing using the highest cross-loading correlation value. The test results can be seen in the following table.

Table 1.4 Discriminatory Validity Testing

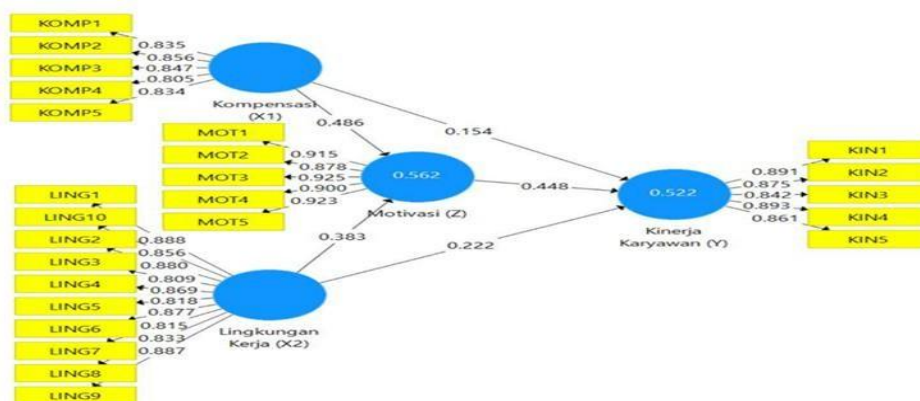
	Employee Performa nce (Y)	Compensat ion (X1)	Work Environm ent (X2)	Motivati on (Z)
Employee Performa nce (Y)	0,873			
Compensat ion (X1)	0,561	0,836		
Work Environme nt (X2)	0,573	0,481	0,854	
Motivation (Z)	0,688	0,671	0,617	0,908

Source: SmartPLS Processed

Structural Model Evaluation

The next step after the evaluation of the measurement model is the evaluation of the structural model to test the hypotheses that have

been previously proposed. This analysis was carried out by examining the direct and indirect influences between the hypothesized variables. The following are the results of the PLS-SEM analysis.



Source: Primary Data Processed, SmartPLS 2025

The results of the complete hypothesis test can be seen in the following table.

Table 1.5 Hypothesis Test Results

Hypothesis	Original Sample	Standard Deviation	Statistics T	P value
Compensation (X1) -> Employee Performance (Y)	0,372	0,065	5,763	0,000
Compensation (X1) -> Motivation (Z)	0,486	0,075	6,477	0,000
Work Environment (X2) -> Employee Performance (Y)	0,394	0,065	6,068	0,000
Work Environment (X2) -> Motivation (Z)	0,383	0,083	4,598	0,000
Motivation (Z) -> Employee Performance (Y)	0,448	0,084	5,300	0,000
Compensation (X1) -> Motivation (Z) -> Employee Performance (Y)	0,218	0,056	3,872	0,000
Work Environment (X2) -> Motivation (Z) -> Employee Performance (Y)	0,171	0,049	3,524	0,000

Source: SmartPLS 2025 Processed

Hypothesis 1: Compensation (X1) has a positive and significant influence on Employee Performance (Y) with a path coefficient value of 0.372, a *T-Statistical value* of 5.763, and a *P-Value* of 0.000.

→ H1 accepted. This means that the better the compensation provided, the higher the employee's performance.

Hypothesis 2: Compensation (X1) has a positive and significant effect on Motivation (Z) with a path coefficient value of 0.486, a *T-*

Statistical value of 6.477, and a *P-value* of 0.000.

→ H2 accepted. This means that increasing compensation can increase employee work motivation.

Hypothesis 3: Work Environment (X2) has a positive and significant influence on Employee Performance (Y) with a path coefficient value of 0.394, a *T-Statistics value* of 6.068, and a *P value* of 0.000.

→ H3 accepted. This means that the better the work environment, the higher the employee's

performance.

Hypothesis 4: Work Environment (X2) has a positive and significant influence on Motivation (Z) with a path coefficient value of 0.383, a *T-Statistics value* of 4.598, and a *P-Value* of 0.000.

→ H4 accepted. This means that a comfortable work environment can increase employee work motivation.

Hypothesis 5: Motivation (Z) has a positive and significant influence on Employee Performance (Y) with a path coefficient value of 0.448, a *T-Statistic value* of 5.300, and a *P-Value* of 0.000.

→ H5 accepted. This means that the higher the employee's work motivation, the higher their performance.

Hypothesis 6: Compensation (X1) has a positive and significant effect on Employee Performance (Y) through Motivation (Z) as an intervention variable, with a path coefficient value of 0.218, a *T-Statistic value* of 3.872, and a *P-Value* of 0.000.

→ H6 accepted. This means that work motivation is able to mediate the relationship between compensation and employee performance.

Hypothesis 7: Work Environment (X2) has a positive and significant influence on Employee Performance (Y) through Motivation (Z) as an intervention variable, with a path coefficient value of 0.171, a *T-Statistical value* of 3.524, and a *P-Value* of 0.000.

→ H7 accepted. This means that work motivation also plays a mediator in the relationship between the work environment and employee performance.

DISCUSSION

The results of the study showed that compensation had a positive and significant influence on employee performance with a coefficient value of 0.372 and a *P-Value* of 0.000. These findings show that the better the compensation system that employees receive, the higher the level of performance produced. Theoretically, this result is in line with the opinion of Hasibuan (2018) who states that compensation is all forms of reward given to employees for contributions that have been given to the organization. Fair and appropriate compensation will encourage increased employee morale, loyalty, and productivity. The findings of this study also support the research of Rizki Amalia (2022) who found that compensation has a positive influence on increasing labor productivity, especially in the business sector that depends on operational activities. Based on field observations at the slaughtered chicken business of Sei

Sikambing Market in Medan, there are still conditions where some employees work long hours on crowded market days, but have not received additional incentives or rewards for the workload. These conditions suggest that the provision of more appropriate compensation can be an important factor in improving the quality of performance.

In addition to affecting performance, this study also shows that compensation has a positive and significant effect on work motivation with a coefficient value of 0.486 and a *P-Value* of 0.000. These results show that compensation not only serves as an economic reward, but also serves as a source of psychological encouragement for employees to work better. Theoretically, Robbins and Judge (2019) explain that motivation is a process that determines a person's intensity, direction, and perseverance in achieving goals. When compensation is perceived as fair, employees will feel more valued, resulting in an incentive to increase work contributions. The results of this study are in line with previous research that showed that a good compensation system is able to increase work motivation and employee involvement in organizational activities. Based on the field conditions, some employees said that even though they had worked for a long time and showed high discipline, they had not felt an adequate form of appreciation. This situation shows that compensation is not only viewed in a nominal sense, but also as a form of recognition of employee contributions.

The results of the next study showed that the work environment had a positive and significant effect on employee performance with a coefficient value of 0.394 and a *P-Value* of 0.000. These findings show that a safe, comfortable, and supportive work environment can increase the effectiveness of work execution. Theoretically, Sedarmayanti (2019) explained that the work environment is all conditions around the workplace that can affect employees in carrying out their duties. A good work environment will create comfort, improve concentration, and reduce work fatigue levels. The results of this study support the research of Rahayu (2020) who stated that the quality of the work environment contributes to increasing productivity and the quality of human resources. Based on field observations on the slaughter chicken business at the Sei Sikambing Market in Medan, it was found that the conditions of the workplace were sometimes wet, slippery, and had poor air ventilation. This condition has the potential to interfere with comfort and work concentration, affecting employee performance

achievements.

This study also shows that the work environment has a positive and significant influence on work motivation with a coefficient value of 0.383 and a P-Value of 0.000. These results show that a conducive work environment can increase employee enthusiasm and enthusiasm at work. In theory, a supportive work environment is not only related to the physical aspects but also to the social relationships and organizational support that employees receive. Previous research has also shown that a comfortable work atmosphere can increase motivation and job satisfaction. Based on the results of field observations, good relationships between employees and the availability of adequate work facilities are factors that can increase comfort and maintain employee work motivation.

Furthermore, the results of the study show that work motivation has a positive and significant influence on employee performance with a coefficient value of 0.448 and a P-Value of 0.000. These findings reinforce the theory of Robbins and Judge (2019) which states that motivation is the main factor that determines the direction and intensity of a person's work behavior. Highly motivated employees tend to work more disciplined, have initiative, and strive to achieve predetermined targets. These findings are also in line with previous studies that show that motivation plays an important role in increasing work effectiveness and organizational productivity. Based on conditions in the field, employees who feel they receive attention, rewards, and comfortable working conditions show higher morale than employees who feel less supported.

The results of this study also prove that work motivation plays a role as an intervention variable in the relationship between compensation and the work environment on employee performance. The value of the indirect influence coefficient of compensation through motivation was 0.218 and the influence of the work environment through motivation was 0.171, with significant results. These findings suggest that compensation and a good work environment can increase motivation, which further encourages improved employee performance. Theoretically, this shows that external factors of the organization do not always affect performance directly, but also work through psychological processes that are formed in employees. Based on field observations, employees who feel valued through a better compensation system and work in more comfortable conditions show a higher level of

enthusiasm and responsibility in getting work done. Thus, improving employee performance in the slaughtered chicken business at Sei Sikambing Market in Medan can be achieved through compensation management, improving the work environment, and strengthening work motivation on a sustainable basis.

CONCLUSION

The results of the study show that compensation and work environment have a positive and significant influence on employee performance in the chicken business in Sei Sikambing Market, Medan. These findings show that the better the compensation system implemented and the more conducive the work environment created, the higher the level of performance produced by employees. Compensation that is provided fairly, transparently, and in accordance with the burden and responsibilities of the job has been proven to increase employee morale, loyalty, responsibility, and productivity. In addition to having a direct effect on performance, compensation also has a positive effect on work motivation, which shows that the provision of rewards not only serves as a fulfillment of economic needs, but also as a form of appreciation for the contributions made by employees. Meanwhile, a safe, clean, comfortable work environment, and supported by harmonious social relationships between employees and business owners is able to create a work atmosphere that supports increasing work effectiveness and quality.

This study also proves that work motivation has a positive and significant influence on employee performance and acts as an intervention variable in the relationship between compensation and the work environment on employee performance. This means that increasing compensation and improving the work environment can encourage increased work motivation which further has an impact on improving performance. These findings confirm that the success of human resource management is not only determined by material aspects, but also influenced by psychological factors that are able to encourage employees to work more optimally. Thus, the management of the chicken business at Sei Sikambing Market needs to pay attention to the balance between providing proper compensation, creating a conducive work environment, and strengthening work motivation in order to create employees who are productive, have high commitment, and are able to support sustainability and the achievement of business goals optimally.

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