

Chapter 1

INTRODUCTION

1.1 Background

In today's competitive business landscape, human resources (HR) are recognized as a vital factor in achieving organizational success. Organizations face ongoing challenges in developing high-quality, innovative, and creative human capital that can meet the demands of the current and future workforce. The pressure of increasing business competition drives organizations to incorporate human resource quality into their development strategies, as the quality of employee performance is closely linked to the achievement of organizational goals and sustainability (Dharma, 2020)

Employee performance, defined as the level of achievement in fulfilling organizational objectives and strategic plans, is influenced by various factors, including work motivation, job stress, and compensation. Compensation, particularly, plays a crucial role as it not only supports employees' livelihoods but also reflects their status and self-esteem within the organization. When employees perceive their compensation as inadequate, their motivation, job satisfaction, and performance may decline significantly, potentially leading to increased work stress.

This study, titled "The Influence of Compensation Towards Employee Performance Through Work Stress as an Intervening Variable" and conducted at the Telkom Witel Office in North Jakarta, aims to explore the impact of work

compensation on employee performance, with work stress as an intervening factor. This research seeks to provide insights into how compensation affects employee outcomes, especially in terms of job satisfaction and performance, and how work stress mediates this relationship.

Compensation is a form of reward provided by a company to its employees in the form of direct and indirect compensation. This compensation is given as a form of reciprocal reward for the use of the employee's labor or services provided to the company. An individual working within a company contributes their time and effort to the organization, and in return, the organization provides compensation, which can vary in form, both directly and indirectly (Rahma, 2021)

Providing appropriate compensation can certainly enhance employee productivity. The company expects that by providing compensation, it will receive a return in the form of optimal employee performance. The purpose of providing compensation is to motivate employees to perform to the best of their abilities. Compensation plays an essential role in improving employee performance to achieve the company's objectives.

Work stress is an issue experienced by an individual that can affect their psychological condition, emotions, and thoughts. Within an organizational setting, employees may encounter work stress, typically caused by internal or external environmental factors that can impact their psychological state while working (Handoko, 2014). When employees in a company experience work stress, it can lead to a decline in performance. Therefore, company leaders need to understand

employee conditions by reducing excessive workloads to help alleviate and eliminate work stress, which could have a negative impact on the company (Irawati, 2018).

The relationship between compensation and work stress can be analyzed through self-determination theory (SDT) and the job demands-resources (JD-R) model, both of which have been further developed in recent years. Self-determination theory (Deci & Ryan, 2017) emphasizes that fair compensation fulfills employees' basic psychological needs for autonomy, competence, and relatedness, which can enhance motivation and reduce work-related stress. Similarly, the JD-R model (Bakker & Demerouti, 2017) explains that compensation serves as a key job resource that helps employees cope with high job demands. When compensation is perceived as fair and adequate, it can alleviate stress by reducing financial concerns and increasing job satisfaction. Conversely, insufficient or inequitable compensation can lead to heightened work stress, decreased engagement, and lower performance.

Employee performance is the quality and quantity of work produced by employees within a company, achieved by an employee based on the execution of tasks that are aligned with their responsibilities in the job (Mangkunegara, 2015).

Telkom Witel (Telecommunication Region) North Jakarta is one of the regional offices of PT Telkom Indonesia responsible for telecommunication services and management in the North Jakarta area. This office supports Telkom's operations in providing telecommunication services, such as internet, telephone,

and other digital services, for both individual and business customers in the area. Telkom Witel North Jakarta also plays a role in infrastructure development and maintaining the quality of services tailored to customer needs in its region.

Table 1.1 Value Range Technical Competency Value Data

Index	Value Standart	Explanation
K1	≥ 95	Outstanding
K2	$\geq 80 - < 95$	Very Good
K3	$\geq 60 - < 80$	Meet Expectation
K4	$\geq 40 - < 60$	Need Improvement
K5	< 40	Need Development

Source: Data Processed 2024

The table presents a classification system for evaluating technical competency levels based on performance scores. It categorizes employees into five distinct levels according to their scores:

Employee performance is categorized into five levels based on their scores. The highest category, K1 (Outstanding), includes employees who score 95 or above, demonstrating exceptional skills and performance well beyond expectations. Following this, K2 (Very Good) consists of employees scoring between 80 and less than 95, representing individuals who perform above standard expectations and exhibit strong competency. K3 (Meet Expectation) includes those with scores from 60 to less than 80, indicating that they meet the basic performance standards and are considered competent. Meanwhile, K4 (Need Improvement) applies to employees scoring between 40 and less than 60, suggesting underperformance and a need for additional support or training. Lastly, K5 (Need Development) is

assigned to employees with scores below 40, highlighting significant performance gaps that require focused development efforts to enhance their skills. This grading system helps organizations assess employee competencies and identify areas where further development or recognition may be needed.

Table 1.2 Technical Competency Data 2021-2023

No	Row Labels	Count of NK 2021
1	K2	441
2	K3	16
Grand Total		457
No	Row Labels	Count of NK 2022
1	K2	389
2	K3	16
3	K4	2
Grand Total		407
No	Row Labels	Count of NK 2023
1	K1	5
2	K2	249
3	K3	130
4	K4	3
Grand Total		387

Source : HRD Employee of Telkom Witel Jakarta Utara

This Figure 1.2 refers to an evaluation system for technical competency levels of employees at Telkom Witel North Jakarta based on their performance scores. It categorizes employees into five levels (Outstanding, Very Good, Meet Expectation, Need Improvement, and Need Development) and analyzes the distribution of employees within these categories. The data suggests that most employees perform at a Very Good level, while a smaller number meet expectations. The purpose of this classification is to assess employee skills, identify performance gaps, and guide further development or training initiatives.

The data on technical competency classifications at Telkom Witel North Jakarta from 2021 to 2023 highlights significant trends in employee performance, which are relevant to the research on compensation, work stress, and employee performance. In 2021, the majority of employees (441) were classified as K2 (Very Good), while only a small portion (16) fell into K3 (Meet Expectation). However, in 2022, the number of K2 employees declined to 389, with K3 remaining stable (16 employees) and the introduction of K4 (Need Improvement) with 2 employees. By 2023, the decline in K2 employees continued (249 employees), while K3 increased significantly (130 employees), and K4 (3 employees) remained present. Notably, a new category, K1 (Outstanding), emerged with 5 employees, indicating a small but growing number of high performers.

These trends suggest several key concerns. The steady decrease in K2 employees over the years could indicate challenges in maintaining motivation and job satisfaction, potentially linked to compensation policies or increasing work stress. The rise in K3 and K4 employees may signal an increasing number of employees struggling to meet expectations, possibly due to job-related stress, workload pressures, or limited career growth opportunities. On the other hand, the emergence of K1 employees in 2023 suggests that recent HR initiatives, such as revised compensation structures or new performance incentives, may have contributed to a select group achieving outstanding performance.

The fluctuation in these competency levels underscores the need to examine the relationship between compensation, work stress, and employee performance. A

well-structured compensation system could play a crucial role in retaining high performers while reducing stress-related declines in performance. Additionally, understanding these performance shifts can help Telkom Witel North Jakarta refine its HR strategies to enhance employee well-being, motivation, and overall productivity.

1.2 Research Problem

1.2.1 Scope of Problem

Considering the limitations of time and the researcher's knowledge, and to avoid errors in the most crucial topic, this study will focus solely on the influence of Compensation and Work Stress at the Telkom Witel Jakarta Utara.

The limitation mentioned in Section 1.2.1: Scope of Problem refers to:

1. **Time Constraints** – The research is limited by the available time for data collection, analysis, and reporting, restricting the scope of study variables. This refers to limitations in the duration available for conducting the research, including data collection, analysis, and reporting. Time constraints can impact the depth of the study, the number of variables examined, and the ability to gather extensive
2. **Researcher's Knowledge** – The study is constrained by the researcher's expertise and familiarity with broader aspects of the topic, leading to a focused analysis on specific variables.

3. Narrowed Focus – The study is restricted to examining only the influence of Compensation and Work Stress at Telkom Witel Jakarta Utara, rather than covering other potential factors affecting employee performance.

These limitations help maintain accuracy and feasibility within the given research scope.

Based on the above phenomenon, the research problem is formulated as follows:

1. Does Compensation influence Employee Performance at Telkom Witel Jakarta Utara?
2. Does Compensation influence Work Stress at Telkom Witel Jakarta Utara?
3. Does Work Stress influence Employee Performance at Telkom Witel Jakarta Utara?
4. Does Compensation influence Employee Performance with Work Stress as an intervening variable at Telkom Witel Jakarta Utara?

1.3 Objectives and Benefits of the Research

1.3.1 Objective of the Research

1. To analyze and determine the influence of Compensation on Employee Performance at Telkom Witel Jakarta Utara.
2. To analyze and determine the influence of Compensation on Work Stress at Telkom Witel Jakarta Utara.
3. To analyze and determine the influence of Work Stress on Employee Performance at Telkom Witel Jakarta Utara.

4. To analyze and determine the influence of Compensation on Employee Performance with Work Stress as an intervening variable at Telkom Witel Jakarta Utara.

1.3.2 Research Benefit

This research has several benefits, including academic development, practical implications, and social impact in problem-solving efforts.

1.3.2.1 Benefits for Academic Development (Scientific Knowledge)

This study contributes to the advancement of knowledge, particularly in the fields of human resource management (HRM) and organizational psychology. By examining the influence of compensation on employee performance through work stress as an intervening variable, this research provides a deeper understanding of how these factors interact in the workplace. The findings can serve as a reference for future studies and enrich the literature on motivation theory, job satisfaction, and employee well-being in an organizational context.

1.3.2.2 Practical Benefits

Practically, this research benefits companies and management practitioners in designing more effective compensation policies. By understanding how compensation affects work stress and employee performance, organizations can optimize reward and incentive systems to enhance productivity and employee well-being. Additionally, this study helps managers identify sources of work stress and implement strategic measures to mitigate its negative effects on employee performance.

1.3.2.3 Social Benefits in Problem-Solving

From a social perspective, this research contributes to creating a healthier and more productive work environment. By identifying factors influencing work stress and performance, it helps organizations build a more harmonious workplace culture that supports employee well-being. This not only improves individual performance but also enhances overall organizational effectiveness. Furthermore, the study can serve as a reference for policymakers in developing labor regulations that prioritize employee welfare.

Thus, this research has broad benefits in academic, practical, and social domains, supporting organizational effectiveness and employee well-being in the workplace.

1.4 Theoretical Framework

1.4.1 Compensation

Compensation is a type of income received by employees as remuneration, where compensation can be provided through direct or indirect forms. A fair and effective compensation system will support and significantly impact employee morale and productivity, thereby contributing to the achievement of the company's desired strategies and goals. (Hasibuan, 2017)

Compensation is a form of income provided by the company to employees as a reward for the work that has been completed. Providing compensation plays an

important role in reflecting the company's efforts to retain its human resources. (Handoko, 2014)

Compensation is a form of reward or remuneration, given directly and indirectly, provided fairly and appropriately to employees as a return for their contributions to achieving the company's goals. (Mangkuprawira, 2011)

The approach of compensation (X) in this study is examined through its types, dimensions, objectives, and indicators as identified in various HRM theories. The approach focuses on how compensation influences employee behavior, in an organizational setting.

Dimensions of Compensation

Compensation is a method used by companies to improve employee performance in order to achieve high-quality and high-quantity results that align with the desired goals. Each company has a different compensation system based on its specific objectives. Compensation can be divided into two categories, namely: (Kismono, 2011)

1. Direct Compensation

Direct compensation is compensation given directly to employees in the form of wages (payment for hours worked), salary (fixed monthly payment), and bonuses or incentives. Fixed monthly salaries are generally based on the value of the employee's role. Therefore, the higher the value of the position, the higher the salary received, regardless of the employee's performance. The value of a job can be determined through job evaluation.

In contrast, the amount of incentives or bonuses is linked to employee performance.

2. Indirect Compensation

Indirect compensation is compensation provided indirectly as a reward. Indirect compensation includes benefits such as promotions, educational scholarships, recreation programs, and vacations.

Objectives of Providing Compensation

The provision of compensation has the following objectives (Hasibuan, 2014) :

1. Cooperative Bond

A company that provides compensation to employees can establish a formal cooperative bond between the company and the employees. When a company provides compensation, employees are motivated to perform their tasks with enthusiasm.

2. Job Satisfaction

Providing compensation to employees creates a sense of satisfaction, as it fulfills their needs through the compensation provided.

3. Motivation

If the company sets specific goals for employees, the provision of compensation will boost employees' motivation to achieve those goals.

4. Employee Stability

Providing compensation will create stable performance among employees as they work toward the company's desired objectives.

Indicators of Compensation

Compensation consists of indicators as follows: (Hasibuan 2014)

a. Direct Compensation

1. Salary

The provision of salary to employees as a mandatory consequence given by the company to employees in the form of money based on the effort and thoughts contributed by the employees to the company.

2. Wages

The provision of wages to employees as a form of direct remuneration received by employees based on their working hours, the performance produced, and the services provided by the employees.

3. Incentives

A direct reward given to employees for performance that exceeds the established standards.

b. Indirect Compensation

Indirect compensation refers to all non-direct financial payments received by an employee for continuing their work with the company. Indirect compensation includes pensions, holiday allowances, employee welfare such as social security and healthcare services, sports facilities, annual outings, company cars, club memberships, reserved parking, access to the company plane, and other similar benefits.

1.4.2 Work Stress

Work stress is a condition of being unable to cope with threats faced by a person's mental, physical, and spiritual well-being, which at certain times can affect the condition of an employee in achieving the goals set by the company. If an employee in a company experiences work stress, it will disrupt their ability to face the work environment within the company (Hariyono, 2009).

Work stress is a dynamic condition in which an individual employee within a company may be confronted with an opportunity. Work stress is the tension or pressure experienced by an employee in response to demands that exceed the employee's personal limits (Christy & Amalia, 2017).

Factors of Work Stress

The factors of work stress as follows (Hasibuan, 2014) :

1. **Task Demands:** Factors associated with a person's job, such as working conditions, workflow, and physical conditions.
2. **Role Demands:** Pressures placed on an individual as a function of the specific role they play within an organization.
3. **Interpersonal Demands:** Stress created by other employees.
4. **Organizational Structure:** An organization characterized by unclear restructuring, with a lack of clarity regarding positions, roles, authority, and responsibilities.
5. **Leadership:** The management style implemented within the organization. Certain parties may create an environment filled with tension, fear, and anxiety.

Aspects of Work Stress

Someone who experiences work stress based on Luthans (Setiyana, 2013) will exhibit symptoms covering three aspects, as follows:

1. **Physiological:** This refers to problems that occur with physical health, including the immune system and headaches.
2. **Psychological:** This is characterized by dissatisfaction with work relationships, tension, and anxiety experienced by an employee, which can lead to hostility in the work environment.
3. **Behavioral:** An employee experiencing work stress will show changes in productivity, such as absenteeism and ineffective performance.

Indicators of Work Stress

According to Saranani (2022:32), employee work stress indicators may be caused by:

1. **Work Target**

This refers to the goals or objectives that an employee is expected to achieve in their role. Meeting work targets often involves completing specific tasks within a certain timeframe, contributing to overall organizational goals.

2. **Work Load**

Workload is the amount of work assigned to an employee. A balanced workload allows employees to perform effectively, while an excessive workload can lead to stress and reduced performance.

3. **Work Difficulty**

This represents the level of complexity or challenge in the tasks an employee must handle. High difficulty may require advanced skills, problem-solving abilities, and resilience.

4. Work Facilities

These are the tools, equipment, and resources provided to employees to complete their work. Good facilities support efficiency and productivity, while inadequate resources can hinder performance.

5. Flexibility in Work

Flexibility refers to the freedom employees have in how they accomplish their tasks, such as setting their schedules or choosing methods. Flexibility can increase job satisfaction and allow employees to balance work with personal responsibilities.

6. Conscience Alignment

This is the alignment between an employee's personal values and the tasks they perform at work. When employees feel their work aligns with their moral or ethical values, they're often more motivated and satisfied.

7. Position Suitability

Position suitability refers to how well an employee's skills, experience, and interests match their role. When a role fits an employee's strengths, they are more likely to perform well and feel fulfilled.

8. Organizational Relationships

This covers the quality of interpersonal interactions within the organization, including relationships with colleagues, supervisors, and subordinates. Positive relationships contribute to a supportive work environment.

9. Leadership Guidance

Leadership guidance refers to the direction and support provided by supervisors or managers. Effective guidance can help employees feel clear about their roles and motivated to achieve their best.

10. Differences

This likely refers to differences of opinion or perspective within the workplace. Managing differences constructively can lead to diverse ideas and innovation, but unresolved conflicts can cause tension and hinder teamwork.

1.4.3 Performance

Performance is a form of work output based on the quality and quantity of an individual's or group's work within a company, carried out according to core duties or job functions that align with work norms, company operational standards, criteria, and benchmarks established and applicable in a company. (Torang, 2014)

Performance is a quality of behavior that aligns with the core tasks of a job. This indicates that an employee's performance in a company can be determined by their attitude and behavior toward their work and their orientation in carrying out that work. (Mangkuprawira & Hubeis, 2015)

Performance is the result of an individual's achievement in carrying out a core job task according to the instructions set by the company. (Marwansyah, 2019)

Performance is the result of an individual's achievement in carrying out a core job task according to the instructions set by the company (Wibowo, 2014).

Factors that Influence Performance

According to Robbins (2017), employee performance has six indicators:

1. Quality

The quality of work is measured by the employee's perception of the quality of work produced and the task completion in relation to the employee's skills and abilities.

2. Quantity

This refers to the amount produced, expressed in terms like the number of units or the number of activity cycles completed.

3. Responsibility

Work quantity refers to how long an employee works in a day. This can be observed through each employee's work speed.

4. Cooperation

Cooperation is the employee's willingness to participate with other employees or staff, both vertically and horizontally, within or outside the workplace, to improve work outcomes.

5. Initiative

Initiative is an employee's internal drive to complete tasks and solve work-related issues without waiting for instructions from a supervisor, demonstrating responsibility in their role. Initiative is measured using one

indicator: the ability to solve problems independently without waiting for instructions from a superior.

Indicators of Performance

Performance has several indicators, including the following (Mangkunegara, 2015):

1. Neatness

This refers to the tidiness and orderliness with which an employee completes tasks. Neatness shows attention to detail and helps ensure that work meets presentation and organizational standards.

2. Accuracy

Accuracy measures the precision of an employee's work. It indicates how well they follow guidelines, avoid errors, and produce reliable results.

3. Work Result

This focuses on the outcomes or achievements of an employee's efforts. It reflects their ability to complete tasks and deliver results that meet or exceed expectations.

4. Speed

Speed indicates how quickly an employee can complete tasks. It's important for meeting deadlines and maintaining productivity without sacrificing quality.

5. Capability

Capability refers to an employee's skills, knowledge, and overall competence in performing their duties. It is the foundation of their ability to handle tasks effectively

6. Decision-Making

Decision-making assesses an employee's ability to make informed and timely choices. It's essential for taking responsibility and addressing issues as they arise.

7. Teamwork

Teamwork refers to an employee's willingness and ability to work cooperatively with others. It includes communication, mutual support, and collaboration to achieve shared goals.

8. Cohesiveness

Cohesiveness is the unity within a team, characterized by strong bonds and solidarity among members. It reflects how well employees work together, creating a harmonious environment that enhances team effectiveness.

9. Problem Solve

employee's ability to identify, analyze, and resolve work-related challenges independently. It involves finding effective solutions to issues that arise in their tasks or projects without needing guidance or intervention from a supervisor.

1.4.4 Theoretical Approach

The Approach of Compensation (X)

Compensation is examined in this study through its types, dimensions, objectives, and indicators, as identified in various HRM theories. This approach focuses on how compensation influences employee behavior within an organizational setting.

- Types: Direct and Indirect Compensation
- Dimensions: Salary, Wages, Incentives, and Benefits
- Objectives: Motivation, Job Satisfaction, Employee Stability, and Cooperative Bond
- Indicators: Salary, Wages, Incentives (Direct), and Benefits (Indirect)

The Approach of Work Stress (Z)

Work stress is analyzed based on factors, aspects, and indicators that contribute to an employee's mental and physical condition. The study explores how work stress mediates the relationship between compensation and employee performance.

- Factors: Task Demands, Role Demands, Interpersonal Demands, Organizational Structure, Leadership
- Aspects: Physiological (health-related issues), Psychological (emotional effects), Behavioral (productivity impact)
- Indicators: Work Target, Workload, Work Difficulty, Work Facilities, Job Flexibility, Position Suitability, Organizational Relationships, Leadership Guidance, Conflict Resolution

The Approach of Employee Performance (Y)

Employee performance is examined through key performance factors and indicators that determine an individual's contribution to organizational success. The study investigates how compensation directly affects performance and how work stress serves as an intervening variable.

- Factors: Quality, Quantity, Responsibility, Cooperation, Initiative
- Indicators: Neatness, Accuracy, Work Result, Speed, Capability, Decision-Making, Teamwork, Problem-Solving, Cohesiveness

1.5 Previous Research

Table 1.3 Previous Research

No	Name	Title	Method	Result
1.	Wahyu Pratama (2022)	Pengaruh Kompensasi Terhadap Kepuasan Kerja Karyawan dengan Stres Kerja Sebagai Mediasi pada CV. Winahyu Mukti	Using SPSS, validity, reliability, multiple regression, F-tests, and t-tests analyzed the relationships and mediating effect of work stress.	Compensation has a significant impact on work stress and job satisfaction, where an increase in compensation reduces work stress and enhances employee job satisfaction. Work stress also mediates the effect of compensation on job satisfaction, meaning inadequate compensation may increase stress and

No	Name	Title	Method	Result
				lower job satisfaction.
2.	Renalda Tri Juanita, Endri Sentosa, Marnis (2024)	Pengaruh Kompensasi Terhadap Kinerja Pegawai Puskesmas Kecamatan Gambir Dengan Stres Kerja Sebagai Mediasi	This descriptive quantitative study uses multiple regression-PLS analysis with Smart PLS 3 software.	Compensation positively impacts both employee performance and Work stress at the Gambir District Health Center, while workload influences work stress but not performance. Work stress itself positively affects performance. Compensation affects performance directly, with no mediating effect from work stress or workload.
3.	Hady Suganda, Sutrisno, Noni Setyorini (2023)	Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan dengan Stress Kerja sebagai Variabel Intervening pada PT Ramen Hits Kekinian	This descriptive quantitative study uses multiple regression-PLS analysis with Smart PLS 3 software.	Compensation positively impacts both employee performance and work stress at the Gambir District Health Center, while workload influences work stress but not performance. Work stress itself positively affects performance. Compensation affects performance directly, with no mediating effect from work stress or workload.
4.	Asri Ayu Adisti, Ni Nyoman	Pengaruh Beban Kerja dan	This quantitative study uses a research design as	The study concludes that leadership style does not affect

No	Name	Title	Method	Result
	Sawitri, Dovina Navanti, Hapzi Ali, Muhammad Asif Khan (2024)	Kompensasi Terhadap Kinerja Karyawan Melalui Stress Kerja Sebagai Variabel Intervening Pada PT. Energi Entelmi Indonesia	a guide for strategy development. Primary data was collected directly through surveys and questionnaires distributed to 186 employees of Sarung Goyor SMEs in Pemalang.	employees' intent to leave, while compensation significantly influences it. Work environment and job stress have no impact on intent to leave, though both work environment and leadership style do influence it. Suggestions for Sarong Goyor SMEs in Pemalang include adjusting wages, conducting recruitment and retraining, and improving employee facilities. Future research should consider adding work-life balance and more complex models with moderation or mediation variables to study employee turnover intentions further.
5.	Dading Jatimoyo, M. Abdi Dzil Ikham Wijaya, SE.,MM (2019)	Pengaruh Kompensasi Terhadap Kepuasan Kerja dengan Stress Kerja Sebagai Variabel Mediasi pada	Instrument testing was conducted using validity and reliability tests with SPSS ver. 19.	The conclusions of this study are as follows: (1) Compensation has a significant direct effect on work stress and job satisfaction, (2) Workload has a

No	Name	Title	Method	Result
		Karyawan Dinas Kependudukan dan Pencatatan Sipil Kabupaten Blitar		significant direct effect on work stress and job satisfaction, (3) Work stress has a significant direct effect on job satisfaction, (4) Work stress as a mediating variable does not mediate the effect of compensation on job satisfaction, (5) Work stress as a mediating variable mediates the effect of workload on job satisfaction.
6.	Asmadin (2021)	Pengaruh Beban Kerja dan Lingkungan Kerja Terhadap Kinerja Karyawan dengan Stress Kerja Sebagai Variabel Intervening (Studi Kasus pada PT. Mount Scopus Indonesia)	The analysis steps involve determining the path diagram, calculating the structural model with SPSS, model trimming, and Sobel Test.	The study concludes that: (1) Workload and Work Environment have a positive and significant influence on Work Stress, both individually and simultaneously, (2) Workload has a significant negative effect on Employee Performance, while Work Environment has a significant positive effect on Performance, (3) Work Stress has a significant negative impact on Employee Performance, and (4) there is a significant indirect influence of

No	Name	Title	Method	Result
				Workload on Performance through Work Stress, but no significant indirect effect of Work Environment on Performance through Work Stress.
7.	Vika Dhelia Pristiawati Rahmat Agus Santoso (2022)	The Effect of Compensation on Employee Performance Through Work Dicipline as an Intervening Variable at Panahmas Dwitama	This descriptive quantitative study uses multiple regression-PLS analysis with Smart PLS 3 software.	The study concludes that compensation negatively and insignificantly affects employee performance at Panahmas Dwitama Distrindo Ltd. Jember, but positively affects work discipline, which in turn positively and significantly impacts employee performance. Work discipline mediates the effect of compensation on performance, enhancing the positive influence of compensation on employee outcomes.
8.	Andryane, Rahmayuni, Mukaffi, Zaim (2019)	Pengaruh Kompensasi Terhadap Kinerja Karyawan Melalui	This causal.	The study concludes that (a) compensation directly improves employee performance at PT Telekomunikasi

No	Name	Title	Method	Result
		Disiplin Kerja Sebagai Variabel Intervening (Studi Kasus Pada Karyawan PT Telekomunikasi Indonesia, Tbk Witel Kediri)		Indonesia, Tbk Witel Kediri, and (b) compensation also indirectly enhances performance through work discipline as an intervening variable.
9.	Salisa Nur Maulina, Indi Djastuti (2024)	Pengaruh Kepuasan Kompensasi terhadap Kinerja Karyawan dengan Disiplin Kerja sebagai Variabel Mediasi (Studi pada Karyawan PT Pura Unit Engineering)	This descriptive quantitative study uses multiple regression-PLS analysis with Smart PLS 3 software.	This study shows that compensation satisfaction has a significant positive effect on employee performance and work discipline, with work discipline acting as a mediator, influencing employee performance by 73.5%. These results align with social exchange theory, indicating that satisfactory compensation enhances work discipline and employee performance.
10.	Langda Aditya Wijaya (2021)	Pengaruh Disiplin Kerja dan Kompensasi Terhadap Kinerja Karyawan Melalui	This descriptive quantitative study uses multiple regression-PLS analysis with Smart PLS 3 software.	Based on the previous analysis, it is concluded that work discipline significantly affects employee performance, meaning that

No	Name	Title	Method	Result
		Motivasi Sebagai Variabel Intervening		increasing work discipline will improve performance. Similarly, compensation significantly affects employee performance, and both work discipline and compensation positively influence motivation, which in turn significantly impacts employee performance; motivation also mediates the relationship between work discipline, compensation, and performance.

Source: Data Processed, 2025

1.6 Hypotheses

For the research on the influence of Compensation and Work Stress on the background and problem formulation described, the following hypotheses can be proposed Environment on Employee Performance at the Witel Telkom Jakarta Utara Office:

1. H1: It is a Positive effect of compensation on employee performance at Telkom Witel North Jakarta.
2. H2: It is a Positive effect of compensation on work stress at Telkom Witel North Jakarta.

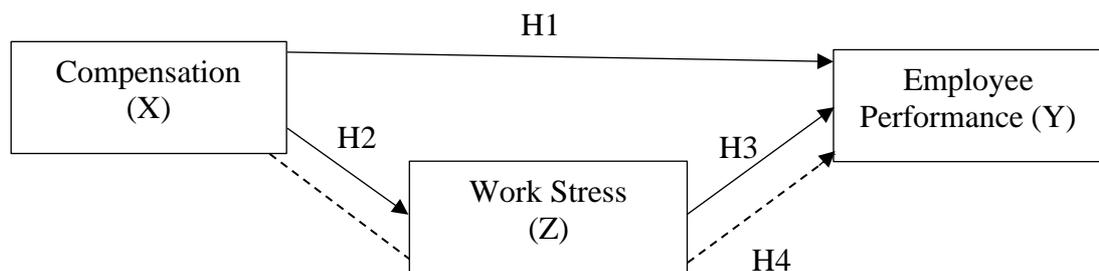
3. H3: It is a Positive effect of work motivation on employee performance at Telkom Witel North Jakarta.
4. H4: It is a Positive effect of compensation on employee performance with work stress as an intervening variable at Telkom Witel North Jakarta.

1.7 Research Model

The research model based on Variables:

1. Independent Variable :
Compensation (X)
2. Dependent Variable :
Employee Performance (Y)
3. Intervening Variable :
Work Stress (Z)

Proposed Model :



1.8 Definition of Concept

1.8.1 Definition of Concept

The operationalization of variables in this study aims to facilitate the development of measurement tools needed based on the proposed research concepts

and the operational definitions of each research variable. The variables examined in this study include four variables divided into four types of variables in the Research.

1.8.2 Research Variable

The variables in this study consist of three variables: independent (exogenous) variables, dependent (endogenous) variables, and intervening (mediating) variables. A variable is an attribute, characteristic, or value of a person, object, or activity that has specific variations and is determined by the researcher to be studied and concluded upon (Sugiyono, 2012:60). In this study, there are three research variables.

Table 1.4 Operationalization Variable Table

Variable	Dimension	Indicator	Scale
Compensation (X) (Hasibuan, 2014)	Direct Compensation	a. Salary and Wages b. Incentives	Likert
	Indirect Compensation	a. Insurance b. Promotion c. Bonus d. Office Facilities	
Work Stress (Z) (Saranani, 2022)	Task Demand	a. Work Target b. Work Load	Likert
	Role Demands	a. Work Difficulty b. Work Facilities	
	Interpersonal Demands	a. Flexibility in Work b. Conscience Alignment	
	Organizational Structure	a. Position Suitability b. Organizational Relationships	

	Leadership	a. Leadership Guidance b. Differences	
Employee Performance (Y) (Mangkunegara, 2015)	Quality	a. Accuracy b. Work Result	Likert
	Quantity	a. Speed b. Capability	
	Responsibility	a. Decision Making	
	Cooperation	a. Teamwork b. Cohesiveness	
	Initiative	a. Problem Solve	

Source: Data Processed, 2025

1.9 Research Method

1.9.1 Type and Research Design

This study is a type of quantitative research, which is a research method based on positivism philosophy, used to investigate a specific population or sample. The sampling technique is generally done randomly, data collection uses research instruments, and data analysis is quantitative or statistical, with the aim of testing established hypotheses (Sugiyono, 2015). The researcher seeks to find both the direct and indirect effects of compensation on employee performance through work stress as an intervening variable. The research data provides procedures for obtaining the information needed to address or resolve the research problem. The research design includes the study's population and sample, research instruments, and data analysis.

1.9.2 Population and Respondents

1.9.2.1 Population

According to Sugiyono (2012), the population is a generalization area consisting of objects/subjects that have specific qualities and characteristics defined by the researcher to be studied and then drawn conclusions. The population in this study includes employees working at Telkom Witel North Jakarta, totaling 135 employees.

1.9.2.2 Respondents

A sample can be defined as a part of the population selected through certain methods that also have specific, clear, and complete characteristics, which are considered to represent the population (Sugiyono, 2017). The sampling method used in this study is non-probability sampling with a purposive sampling technique.

According to Sugiyono (2017), non-probability sampling is a sampling technique that does not provide equal opportunities for every element or member of the population to be selected as a sample.

Meanwhile, purposive sampling is based on specific characteristics that are deemed to have a strong correlation with the known characteristics of the population. In other words, the selected sample units are chosen according to certain criteria applied based on the research objectives or research problems.

In this study, the sample consists of respondents who meet specific criteria. The criteria for selecting research samples are as follows:

1. Able to provide a reliable representation of the entire studied population.
2. Located near the researcher to facilitate information gathering.

The reason for selecting samples based on these criteria is to avoid bias caused by extreme differences.

1.9.3 Sampling Technique

To determine the sample size for this study, Slovin's formula is used. Slovin's formula is a method for calculating the minimum sample size for a finite population survey, where the primary goal of the survey is to estimate the population proportion. The Slovin formula used to determine the sample size is (Sugiyono, 2017):

$$n = \frac{N}{1+N(e)^2}$$

Explanation of the proportionate random sampling formula is as follows:

- **n** = Total Sample
- **N** = Total Population
- **E** = The constant (% standard error rate that can be tolerated for sampling, in this case, using an error rate of 5%)

Here is the technique for drawing samples using proportionate random sampling:

Table 1.5 Sample Size of Telkom Witel Jakarta Utara

Office	Population	Proportion	Sample
Witel Telkom Jakarta Utara	135	$135 / 1 + 135$ $(0,05)^2$	100.93

Total	101
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Source: Primary Data Processed, 2025

At the stage of questionnaire distribution, it was done randomly. The simple random sampling method was used with the help of a Random Number Table due to the large population size. Based on the sampling technique with proportionate random sampling, the sample size in this study is 101 samples. But the author fix it to 113 samples

1.9.4 Data Types and Sources

1.9.4.1 Data Types

This study uses quantitative data, which refers to numerical information collected systematically and analyzed using statistical methods. According to Sugiyono (2017), quantitative research is based on positivist philosophy, used to examine specific populations or samples, utilizing structured research instruments, and analyzed through statistical techniques to test predefined hypotheses. In this research, quantitative data is used to measure the effect of compensation on employee performance through work stress as an intervening variable. The data consists of employees' assessments regarding compensation, work stress levels, and performance at PT Telkom Witel Jakarta Utara.

1.9.4.2 Sources

This study relies on primary and secondary data sources:

- Primary data is collected directly from employees of PT Telkom Witel Jakarta Utara through surveys and structured questionnaires designed to measure compensation, work stress, and employee performance.

- Secondary data is obtained from books, journals, previous research, company records, and other relevant literature that support the analysis and theoretical framework of this study.

1.9.5 Operational Variables in the Research

1.9.5.1 Research Variable

The variables in this study consist of three variables: independent (exogenous) variables, dependent (endogenous) variables, and intervening (mediating) variables. A variable is an attribute, characteristic, or value of a person, object, or activity that has specific variations and is determined by the researcher to be studied and concluded upon (Sugiyono, 2012). In this study, there are three research variables, namely:

1. Dependent Variable

The dependent variable is often referred to as the output variable, criterion, consequence, or tied variable. This is the variable that is influenced or caused by the independent variable. In this study, the dependent variable is employee performance.

2. Independent Variable

The independent variable is often called the stimulus, predictor, antecedent, or free variable. This variable affects or causes a change in the dependent variable. In this study, the independent variable is compensation.

3. Intervening Variable

The intervening (mediating) variable is a variable that theoretically affects the relationship between the independent and dependent variables, making

it an indirect relationship that cannot be directly observed or measured. This variable serves as a bridge between the independent and dependent variables, meaning the independent variable does not directly influence the change or emergence of the dependent variable. The mediating variable used in this study is work stress.

1.9.6 Measurement Scale

Likert Scale is used to measure attitudes, opinions, and perceptions of individuals or groups of people about social phenomena (Sugiyono, 2010). Variables measured using a Likert scale will be broken down into indicators. Then, each item in the instrument will have gradation and an index used, which is 5. The gradation values are presented in table below:

Table 1.6 Likert Index Scale

Grade	Value	Description
1	Strongly Agree	Strongly Positive
2	Agree	Positive
3	Neutral	No Opinion
4	Disagree	Negative
5	Strongly Disagree	Strongly Negative

Source: (Sugiyono, 2010)

Descriptive statistical analysis is a method used to analyze data by describing or summarizing the collected data as it is, without aiming to make any generalizations. The scale used in this research is a Likert scale from 1 to 5.

According to Ferdinand (2014: 231), the calculation of the index is done using the following formula for determining the index value:

$$\text{Index Value} = \frac{(\%F1 \times 1) + (\%F2 \times 2) + (\%F3 \times 3) + (\%F4 \times 4) + (\%F5 \times 5)}{5}$$

Description:

- **F1:** Frequency of respondents who answered 1 (Strongly Agree)
- **F2:** Frequency of respondents who answered 2 (Agree)
- **F3:** Frequency of respondents who answered 3 (Neutral)
- **F4:** Frequency of respondents who answered 4 (Disagree)
- **F5:** Frequency of respondents who answered 5 (Strongly Disagree)

This method is used to determine the interpretation criteria for the index values obtained from the questionnaire responses. The range of values used for interpretation is divided into three categories based on the ratings provided by the respondents, which fall on a scale of 1 to 5 (with a total range of values between 20 to 100).

The steps are as follows:

1. The respondent's ratings range from 1 to 5, which, when converted to a scale from 20 to 100, results in a range of 80 (i.e., $100 - 20 = 80$).
2. This interval range is then divided into three categories, each with a range of **26.67**. Thus, the interval divisions are as follows:

Table 1.7 Interval Value Criteria

No	Grade	Criteria
1.	20 – 46,67	Low
2.	46,68 – 73,34	Mid
3.	73,35 – 100	High

Source: (Ferdinand, 2014)

1.9.7 Data Collection Method

The data collection method in this study is based on primary data. Primary data refers to data obtained from the original source, such as from observations,

interviews, or questionnaires. The data required for this research will be collected using the following methods:

1. **Survey**

A survey is a data collection technique conducted by providing written statements to respondents that are tailored to the conditions in the workplace and used when the number of respondents is relatively large and spread over a broad area (Sugiyono, 2015). Surveys can be applied using questionnaires. According to Sugiyono (2015), a questionnaire is a data collection technique conducted by giving a set of written questions or statements to respondents to be answered.

2. **Questionnaire**

A questionnaire is an efficient data collection technique when the researcher is sure about the variables to be measured and knows what can be expected from the respondents. Additionally, questionnaires are suitable when the number of respondents is sufficiently large and spread over a wide area. Therefore, the questionnaire in this study is closed-ended and will be logically designed to relate to the research problem, with each question providing answers that are meaningful in testing the hypotheses.

Instrument Testing

Research instruments are tools used to measure specific phenomena, whether natural or social, that are observed for all phenomena referred to as research variables. The research instrument used in this study is a questionnaire or survey (Sugiyono, 2010: 148). Data regarding compensation, work stress and

employee performance can be revealed in this research using instruments based on a Likert scale.

A good research instrument must meet two essential criteria: validity and reliability (Sugiyono, 2015).

- **Validity** refers to the extent to which the instrument measures what it is intended to measure. A valid instrument accurately captures the variable it is designed to assess.
- **Reliability** refers to the consistency and stability of the results produced by the instrument. A reliable instrument produces the same results when used under similar conditions.

In this study, the validity and reliability of the instrument (questionnaire) will be tested to ensure that the data collected is both accurate and consistent, allowing for valid conclusions to be drawn from the research.

A valid instrument must have both internal and external validity. An instrument has internal validity or rationality when the criteria within the instrument, from a theoretical perspective, adequately reflect what is being measured. On the other hand, an instrument has external validity when the criteria in the instrument are based on existing empirical facts (Sugiyono, 2016: 123).

Meanwhile, a reliable instrument is one that, when used multiple times to measure the same object, will produce the same data consistently. The development of an instrument must begin with the research variables that have been defined for study. From these variables, indicators are determined and then further elaborated in the form of questions or statements.

This study requires validity and reliability testing to assess the feasibility of the research questionnaire or survey instrument. These tests ensure that the instrument accurately measures what it intends to measure (validity) and that it provides consistent results (reliability) when applied to the same object multiple times.

Instrument Validity

The validity of a questionnaire indicates how well the questionnaire can measure what it is intended to measure and whether it aligns with the actual conditions. The research findings must be valid or legitimate in order to be scientifically accountable for their accuracy (Solimun & Nurjannah, 2017). There are several types of instrument validity, including content validity, criterion validity, unidimensional validity, convergent validity, and discriminant validity. This research employs convergent validity and discriminant validity. Below is an explanation of these two types of validity:

1. Convergent Validity

Convergent validity is measured using factor loadings for reflective indicator models or component loadings for formative indicator models. If the factor loading is equal to or greater than 0.70, or if the factor loading and component weight of an indicator are significant, then the corresponding indicator is considered to meet convergent validity. Additionally, the Average Variance Extracted (AVE) value is considered; if the AVE value is greater than 0.5, it can be said to have satisfied convergent validity.

Table 1.8 Convergent Validity Test Parameters in PLS Measurement**Model**

Parameter	Rule of Thumbs
Loading Factor	More than 0,7
Average Variance Extracted (AVE)	More than 0,5

Source: (Abdillah & Jogiyanto, 2015)

2. Discrimination Validity

Discriminant validity indicates that the measuring indicators within a construct will have a high correlation with other indicators in the same construct, and a low correlation, or no correlation, with indicators in other constructs (Abdillah & Jogiyanto, 2015). Discriminant validity is measured by comparing the loading values with the crossloading factor. If the loading value of an indicator is higher than the crossloading value of another indicator, then the indicator is considered to meet discriminant validity. Discriminant validity of a questionnaire can be assessed by comparing the square root of the AVE (Average Variance Extracted) with the correlation coefficient. If the square root of AVE is greater than the correlation coefficient with other variables, then the questionnaire is considered to have discriminant validity. Alternatively, discriminant validity can also be measured by examining cross-loading; if it is greater than 0.70, the corresponding indicator is considered to meet discriminant validity (Abdillah & Jogiyanto, 2015: 195).

Table 1.9 Discriminant Validity Test Parameters in PLS**Measurement Model**

Parameter	Rule of Thumb
Square Root of AVE and Correlation of Latent Variables	Square Root of AVE > Correlation of Latent Variables
Cross Loading	More than 0,7 in one variable

Source: (Abdillah & Jogiyanto, 2015: 196)

Realibility Intrument

Reliability is a measure that indicates the extent to which a questionnaire is able to consistently measure a variable (Solimun et al., 2017). The concept of reliability aligns with construct validity or quantitative validity. A valid construct is guaranteed to be reliable, but a reliable construct is not necessarily valid (Abdillah & Jogiyanto, 2015). To analyze the reliability of a questionnaire, there are two methods: composite reliability and Cronbach's alpha. The rule of thumb for composite reliability and Cronbach's alpha is that they should be greater than 0.70, although a value of 0.60 is still acceptable (Hair et al., 2010).

1.9.8 Analysis Technique

In this research, hypothesis testing is performed using analysis techniques through Structural Equation Modeling (SEM) with the alternative Partial Least Square (PLS) method, utilizing SmartPLS 3.0 software. Structural Equation Modeling (SEM) is used as a representation of the system under study to explain the behavior of the system, closely approximating the real conditions of the research object (Solimun et al., 2017). SEM is a multivariate analysis technique that can analyze relationships between variables more complexly. SEM is considered a reliable, illustrative, and robust statistical technique for research (Abdillah & Hartono, 2015). PLS is a variance-based structural equation analysis (SEM) that

can simultaneously perform measurement model testing and structural model testing (Abdillah & Jogiyanto, 2015). The measurement model is used for validity and reliability testing, while the structural model is used for causal testing (hypothesis testing with prediction models).

The hypothesis testing process in this study is conducted by observing the significance value of the hypothesis, which can be compared using the T-table and T-statistics values. If the T-statistics value is higher than the T-table value, the hypothesis is supported. For a 90% confidence level (alpha 10%), the T-table value for the hypothesis is > 1.96 .

Acceptance or rejection of hypotheses is based on the following criteria:

1. If the original value has a positive (+) statistical result, the hypothesis is accepted. It can be concluded that the independent variable statistically has a positive effect on the dependent variable.
2. If the original value has a negative (-) statistical result, the hypothesis is rejected. It can be concluded that the independent variable statistically does not affect the dependent variable.
3. If the T-statistics value > 1.96 or the p-value < 0.05 , the hypothesis has a significant effect, so it can be concluded that the independent variable statistically has a significant effect on the dependent variable.
4. If the T-statistics value < 1.96 or the p-value > 0.05 , the hypothesis has no significant effect, so it can be concluded that the independent variable does not statistically have a significant effect on the dependent variable.

The probability value of the t-test for direct relationships can be found in the Path Coefficients table in the SmartPLS 3.0 program under the p-values column. The probability value of the t-test for indirect relationships can also be found in the Path Coefficients table under the p-values column.

In hypothesis testing using SmartPLS, the following steps can be taken:

1. **Design the Structural Model (Inner Model)**

The structural model, also known as inner relation, substantive theory, or structural model, illustrates the relationship between latent variables based on sub-theories (Ghozali, 2014).

2. **Design the Measurement Model (Outer Model)**

The outer model, also called outer relation or measurement model, defines how each indicator block relates to the latent variable.

3. **Design the Path Diagram**

Create a path diagram that visually represents the relationships between variables.

4. **Convert the Path Diagram into System of Equations**

Convert the path diagram into a system of equations to enable analysis.

5. **Model Evaluation**

The evaluation of the model is divided into two parts: the outer model and the inner model.

- a. **Outer Model**

The outer model is divided into reflective and formative. The reflective outer model is evaluated using convergent and discriminant validity, along

with the indicators. Composite reliability and Cronbach Alpha are used to measure the instrument's reliability.

b. **Inner Model**

The inner model is evaluated using several criteria, including:

1. **Goodness of Fit (GoF)**

Goodness of Fit (GoF) measures how well the model fits the research data. The GoF index tests the goodness of fit between the observed frequencies and the expected theoretical frequencies. The GoF index has criteria: 0.1 (small), 0.25 (moderate), and 0.36 (large) (Hair, 2013: 606).

The overall measurement can be calculated using the following formula:

$$\text{Gooness of Fit} = \sqrt{\text{AVE} \times \overline{R^2}}$$

Explanation:

- AVE: Average Variance Extracted
- R²: R Square Value

2. **f² for effect size**

If the obtained value of f² is greater than zero, this indicates that the model has a sufficient effect size on the latent variable. However, if the value of f² is below zero, it indicates that the model does not have a sufficient effect size. The categories or parameters of f² are 0.02, 0.15, and 0.35 (small, medium, and large) (Chin, 2010).

In addition to being calculated within the SmartPLS system, f^2 can also be calculated using the following formula:

$$F^2 = \frac{R^2 \text{ included} - R^2 \text{ excluded}}{1 - R^2 \text{ included}}$$

- F^2 :Effect size
- R^2 included :The variable in question is included.
- R^2 excluded : he variable in question is excluded.

3. Relevance of Prediction (q^2)

If the obtained value of f^2 is greater than zero, this indicates that the model has a sufficient effect size on the latent variable. However, if the value of f^2 is below zero, it indicates that the model does not have a sufficient effect size. The categories or parameters of f^2 are 0.02, 0.15, and 0.35 (small, medium, and large) (Chin, 2010).

In addition to being calculated within the SmartPLS system, f^2 can also be calculated using the following formula:

$$Q^2 = 1 - (1 - R^2_1) \times (1 - R^2_2)$$

Q^2 = Predictive Relevance

R^2_1 = The relevant variable is included

R^2_2 = The relevant variable is excluded

4. R² for Endogenous Latent Variables

The R-squared value is used to measure the extent of variation in the dependent variable explained by the independent variables. Therefore, the higher the R-squared value in a model, the better the predictive model of the proposed research model (Abdillah, W., & Hartono, 2014). The rule of thumb for interpreting R-squared values in structural models are 0.67, 0.33, and 0.19, which can be interpreted as good, moderate, and weak levels of determination, respectively (Chin, 1998).

5. Path Coefficient Estimation

This refers to the estimated value for the path relationships in the structural model obtained through the bootstrapping procedure with the original sample values.

6. T-statistics and P-Value as Significance Values

The t-value thresholds are 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.58 (significance level = 1%).

Based on hypothesis testing using SmartPLS 3.0, the rule of thumb for evaluating structural models applies to both outer and inner models.

Table 1.10 Rule of Thumb for Evaluating Reflective Indicator Measurement

Model			
No	Criteria	Parameter	Rule of Thumb

1.	Covergent Validity	Loading Factor	a. >0.70 for Confirmatory Research
			b. >0.60 for Exploratory Research
			c. >0.50 for early-stage research
		Average Variance Extracted (AVE)	a. >0,50 for Corfirmatory and Exploratory Research
2.	Discriminant Validity	.Cross loading	a. >0,70 for every variable
		Square root of AVE and correlation between latent constructs	a. Square root of AVE > correlation between latent constructs
3.	Realibility	Cronbach Alpha's	a. >0,70 for Confirmatory Research
			b. >0,60 for Exploratory Research
		Composite Reability	a. >0,70 for Confirmatory Research
			b. 0,60 – 0,70 for Exploratory Research

Source: (Ghozali & Latan, 2015)

Table 1.11 Summary of Rule of Thumb for Structural Model Evaluation

No	Criteria	Rule of Thumb
1.	R - Square	0.75, 0.50, 0.25 indicate a strong, moderate, and weak model, respectively.
2.	Effect Size f^2	0.02, 0.15, 0.35 (small, medium, and large)
3.	Q^2 Predictive Relevance	$Q^2 > 0$ indicates that the model has predictive relevance, while $Q^2 < 0$ indicates that the model lacks predictive relevance.
4.	q^2 predictive relevance	0.02, 0.15, 0.35 (small, medium, and large).
5.	Significance	1. t-value 1.65 (significance level = 10%)

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2. t-value 1.96 (significance level = 5%)
 3. t-value 2.58 (significance level = 1%)
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Source: (Ghozali dan Latan, 2015)