

# The Effect of Leadership and Compensation on Employee Performance with Healthy Safety & Environment (HSE) as a Mediation Variable

Reyhand Alif Pratama, Kasmir  
Mercu Buana University

**Abstract:-** This study aims to analyze the factors that affect employee performance, including: Leadership, compensation and Healthy Safety and Environment (HSE). This study also wants to analyze the effect of leadership and compensation on Health Safety and Environment and analyze how Health Safety and Environment mediates the effect of leadership and compensation on employee performance. The population in this study is 50 permanent employees at PT Paragon Technology & Innovation. The sample used was 50 employees, the sampling used in this study was saturated sampling. The research method used is quantitative with SEM-PLS. Based on the analysis in this study, the results show that: 1) leadership has no significant negative effect on employee performance; 2) compensation has no significant effect on employee performance; 3) Health Safety and Environment (HSE) has a positive and significant effect on employee performance; 4) leadership has no significant effect on Health Safety and Environment (HSE); 5) compensation has a positive and significant effect on Health Safety and Environment (HSE); 6) Health Safety and Environment (HSE) does not mediate leadership on employee performance; 7) Occupational Health and Safety mediates the effect of compensation on employee performance.

**Keywords:-** Leadership; Compensation; Health Safety and Environment (HSE); Employee Performance.

## I. INTRODUCTION

Performance employee in a manner general is A embodiment work performed by normal employees used as base or reference evaluation to employee in the something organization . Good performance is something step For going to achievement objective organization because it , performance is also a means determinant in reach objective organization so that need endeavored For increase performance employee . Achievements in the organization can not be separated from the role of human resources. Human resources are needed by an organization, because human resources play an important role in the running of an organization. An employee needs to be treated well so that employees remain enthusiastic at work. Organizational leaders are required to treat employees well and view them as human beings who have certain values both materially and non-materially.

PT. Paragon Technology and Innovation is company move in the field manufacture cosmetic . this company put forward Work The same good team for finish problem and

face challenge work provided by the company . However , in practice in the field , cooperation team the No done as it should so that effect on performance employee . In carry out duties and functions employee the experience various barriers and obstacles in the field his job percentage performance employee based on production targets company for 3 years last . In 2019 with amount employees 37 people, however company can realize amount production of 19,963 while the target is given companies in 2019 as many as 20,000 . In 2020 with amount employees 42 people, however company can realize amount production of 20,478 while the target is given companies in 2020 as many as 22,000 . In 2021 with amount employees 48 people, however company can realize amount production amounted to 22,896 while the target was given companies in 2021 as many as 24,000 . results of employee performance at PT. Paragon Technology and Innovation has experienced a decline, where the resulting production target is not achieved which can result in the company becoming at a loss and experiencing a decrease in quantity in terms of the amount produced.

Factor predictable factor often become reason No achievement of targets on performance employee among them Motivation Work , Satisfaction Work , Safety and Health Work (K3), Leadership, Commitment Organization , and Compensation . For know factor which one has the most influence ? change performance employees , researchers has do pre -survey of 35 people in the department production weighing at PT. Paragon Technology and Innovation with results pre -survey . Study This furthermore will analyze influence leadership , and compensation for performance employee through K3 as a mediating variable at PT Paragon Technology & Innovation.

## II. LITERATURE REVIEW

### A. Leadership

(Hughes, Ginnet, & Curphy, 2018) Leadership is an effort to realize organizational goals by integrating the needs of its followers to continue to grow and develop according to organizational goals. (Hughes, Ginnet, & Curphy, 2018) suggests that there are five indicators that affect leadership, namely: (1) instructions; (2) consultation; (3) participation; (4) delegation; and (5) control. This is supported by previous research which states that increased leadership will improve employee performance (Agus Allatif, et., al 2022).

hypothesis 1 : Leadership has a positive effect on employee performance.

**B. Compensation**

According to (Hasibuan, 2019), that compensation is all income in the form of money, goods, directly received by employees as compensation for services provided to the company. According to ( Simamora , 2015) indicators compensation namely: (1) Salary/wages; (2) Incentive; (3) Allowances; and (4) Facilities. This is supported by previous research which states that increasing compensation will improve employee performance (Sevynica Rianda. et., al 2022).

hypothesis 2: Compensation has a positive effect on employee performance.

**C. Health Safety & Environment (HSE)**

According to (Gunawan, Lestari, Subekti, & Somad, 2016), Healthy Safety & Environment (HSE) is a promotion, protection and improvement of the highest degree of health that includes physical, mental and social aspects for the welfare of all workers in all workplaces.

Sedarmayanti (2017) states that the Healthy Safety & Environment (HSE) indicators consist of 3 (three) indicators, namely: (1) Work Environment; (2) Human (Employees); and (3) Tools and Machinery. This is supported by previous research which states that improving Healthy Safety & Environment (HSE) will improve employee performance ( Vega Adi Maulana (2020) .

hypothesis 3: Healthy Safety & Environment (HSE) has a positive effect on employee performance.

Based on various study before , upgrade Healthy Safety & Environment (HSE) can be obtained affected by the increase leadership (Jeremy Hayono , et .,al 2021) ( Fatmawati 2019) and increasing compensation ( Ashari Lutfi Bisri , 2019) .

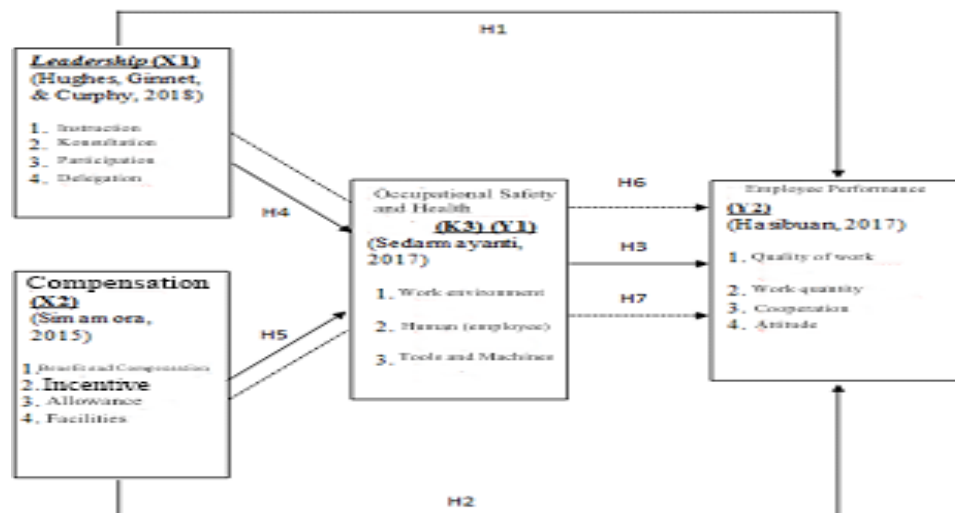
hypothesis 4: Leadership has a positive effect on Healthy Safety & Environment (HSE).

hypothesis 5: Compensation has a positive effect on Healthy Safety & Environment (HSE).

In addition, several studies show that Healthy Safety & Environment (HSE) mediates the influence of leadership on employee performance ( Kurniawati Z, Nur 2019 ) , Healthy Safety & Environment (HSE) mediates the effect of compensation on employee performance (Kurniawati Z, Nur 2019).

hypothesis 6: Healthy Safety & Environment (HSE) mediates leadership on employee performance.

hypothesis 7: Healthy Safety & Environment (HSE) mediates compensation for employee performance.



Picture 1: Framework

**III. RESEARCH METHODOLOGY**

Study This is explanatory research with approach designed quantitative. For know influence leadership (X1) and compensation (X2) against performance employees (Y2) occupational safety and health (Y1) as mediating variable . Population in study This is the weighing division in the production section of PT Paragon Technology & Innovation totaling 50 respondents.

Data collection was carried out through instrument measuring questionnaire \_ are below \_ indicator each variable . Obtained data Then processed and analyzed using SEM-PLS (Structural Equation Modeling-Partial Least

Square). Every hypothesis will tested and analyzed through application SmartPLS.

**IV. RESULTS AND DISCUSSION**

**A. Profiles of the Respondents**

Respondents in study This is 50 employee weighing division of PT Paragon Technology & Innovation . Respondents consists from 44% % male and 56 % girl , 6 % educated SLTA , 20 % educated DIII, and 74 % educated Level 1 . Based on distribution age , 5 4% aged 2 0 -30 years and 46 % aged 31-40 years . Based on years of service , 64 % with years of service from 1-5 years and 36% with years of service 6-10 year.

B. Measurements Model (Outer Model)

Table 1: Outer Model Results Summary

	leadership	Compensation	K3	Employee Performance
LEA1	0.849			
LEA2	0.863			
LEA3	0.873			
LEA4	0.924			
LEA5	0.846			
LEA6	0.832			
LEA7	0.850			
LEA8	0.807			
LEA9	0.804			
LEA10	0.812			
LEA12	0.853			
KP1		0.823		
KP2		0.819		
KP3		0.830		
KP4		0.856		
KP5		0.822		
KP6		0.817		
KP7		0.888		
KP8		0.850		
KKK1			0.786	
KKK2			0.789	
KKK3			0.746	
KKK4			0.855	
KKK5			0.798	
KKK6			0.898	
KKK7			0.853	
KKK8			0.785	
KIN1				0.802
KIN2				0.865
KIN3				0.877
KIN4				0.786
KIN5				0.853
KIN6				0.833
KIN7				0.815
KIN8				0.842
KIN9				0.828
KIN10				0.827
KIN11				0.899
KIN12				0.878

Table 2: Average Variances Extracted (AVE) Value Results

	Average Variances Extracted (AVE)
Leadership	0.718
Compensation	0.703
K3	0.710
Employee performance	0.664

Results in Table 3 above show that HTMT value has been fulfil criteria validity that is all value < 0.9 (Hair et al., 2019). That is , the variance is shared by each variable more tall for the measurement items If compared to by that divided by the item variable other . because that is , assessment validity discriminant with HTML fulfilled.

C. Validity Test

D. Convergent Validity

Table 1 shows connection between construct with all question items with outer loading value > 0, 7 0. With thus , all items have fulfil condition validity convergent For study explanation (Hair et al., 2019). Table 2 shows the value of

Average Variance Extracted (AVE)  $\geq 0.50$ , that is variation every variable in measurement items has fulfil validity good

convergence.

*E. Discriminant Validity*

Table 3: Heterotraits -Monotraits Ratio (HTMT)

	<b>K3</b>	<b>Employee performance</b>	<b>Compensation</b>	<b>leadership</b>
<b>K3</b>				
Employee performance	0.778			
Compensation	0.703	0.656		
Leadership	0.321	0.230	0.329	

Results in Table 3 above show that HTMT value has been fulfil criteria validity that is all value  $< 0.9$  (Hair et al., 2019). That is , the variance is shared by each variable more tall for the measurement items If compared to by that divided by the item variable other . because that is , assessment validity discriminant with HTML fulfilled.

At the cross-loading values shown in Table 1, values correlation whole construct with indicator more tall compared to with construct other . It means each measurement item correlated more strong with measured variable . because that , can concluded that construct latent

each valid variable because has fulfil validity discriminant with cross-loading method.

*F. Discriminant Validity*

Once done testing validity construct , next reliability test was carried out measured construct with two criteria namely Composite Reliability (CR) and Cronbach's Alpha (CA) of measuring indicators CR construct is used For displays good reliability . Something construct stated reliable If composite reliability value or Cronbach's Alpha  $> 0.7$ , although 0.6 is still can accepted (Hair et. al, 2013).

Table 4: Cronbach Alpha and Composite reliability

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Ket.</b>
Leadership	0.961	0.965	Reliable
Compensation	0.940	0.950	Reliable
K3	0.963	0.940	Reliable
Employee performance	0.927	0.967	Reliable

Based on table 4 , Cronbach's Alpha test results and composite reliability for all variable show value  $> 0.6$ . According to Hinton, et. al (2013) suggests four point covering reliability. Reliability very good ( $>0.90$ ), reliability high (0.70-0.90), reliability moderate (0.50-0.70) and reliability low ( reliability low )  $<0.50$ . So in research This

its reliability are in category very Good Because is above 0.9 .

*G. Discriminant Validity*

- *Structural Model (Inner models )*
- *Coefficient of Determination Testing (R-Square/ ) 2*

Table 5: R-Square

	<b>R Square</b>	<b>R Square adjusted</b>
<b>K3</b>	0.472	0.449
Employee performance	0.599	0.573

From the table above seen that R-Square value for the K3 variable is 0.472 which means that 47.2% of K3 contribution is influenced by leadership and compensation , meanwhile the rest 52.8 % explained by factors other . Based on results data processing , obtained R-Square value for variable performance employee of 0.599 which means 59.9% contribution satisfaction Work influenced by

leadership and compensation , meanwhile the rest of 40.1% explained . by factors other factors outside research .

➤ *Predictive Relevance (Q-Square)*

Predictive relevance (Q2) for structural models measure how much Good mark observation generated . Predictive Relevance (Q2) for measuring structural models how much Good mark observation generated by the model as well as the estimation the parameters.

Table 6: Predictive elevation (Q-Square)

	<b>SSO</b>	<b>SSE</b>	<b>Q<sup>2</sup> (=1-SSE/SSO)</b>
leadership	550,000	550,000	
Compensation	400,000	400,000	
Safety and Health Work (K3)	400,000	279,893	0.300
Performance Employee	600,000	358,062	0.403

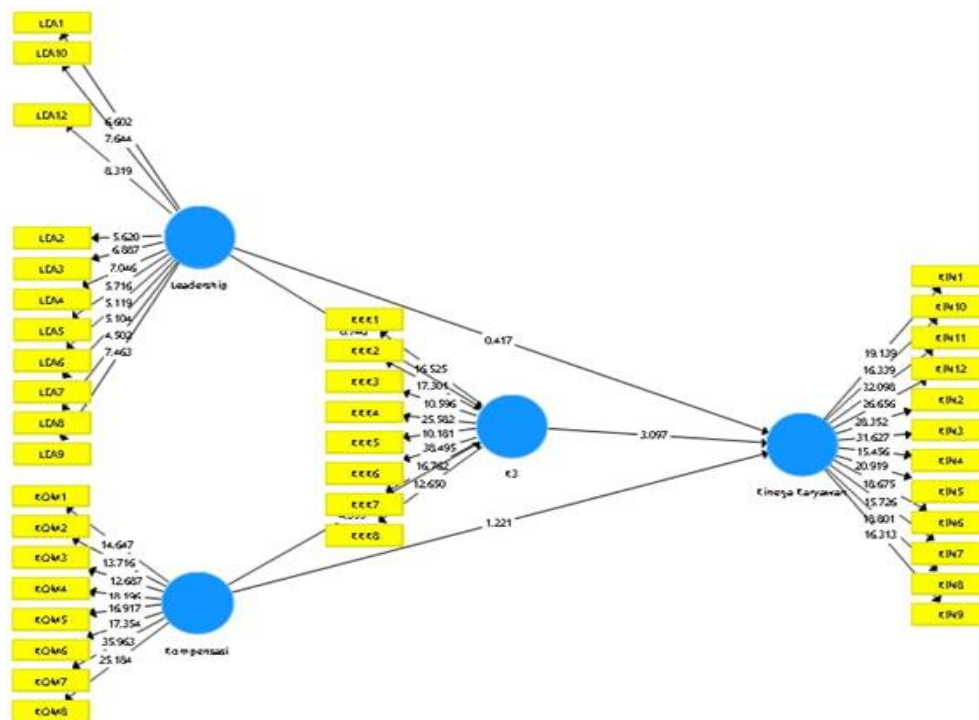
Based on predictive relevance calculation (Q2) in Table 6 which shows mark variable Safety and Health Work (K3) (Y1) of 0.300 and value variable Performance Employees (Y2) of 0.403. Second value variable the more big from 0 to can concluded that the model has mark relevant predictors.

Hypothesis testing

Testing hypothesis use full model analysis of structural equation modeling (SEM) with smartPLS . In the full structural equation modeling model besides confirm theory , also explained There is or nope connection between variable latent . hypothesis said accepted if statistical T value more big from T table and for reject or accept hypothesis use mark probability , if the P-value < 0.05

Table 7: Hypothesis testing

H hypothesis	Original sample	Q Statistics	V Values	Information
leadership -> Employee performance	-0.004	0.417	0.677	No influential significant
Compensation -> Employee performance	0.248	1,221	0.223	No influential significant
K3 -> Employee performance	0.598	3,097	0.002	Influential positive and no significant
Leadership ip -> K3	0.100	0.748	0.455	No significant effect
Compensation -> K3	0.648	4,399	0.000	Influential positive and no significant
leadership -> K3 -> Employee performance	0.060	0.746	0.456	No influential significant
Compensation -> K3 -> Employee performance	0.387	2,539	0.011	Influential positive and no significant



Picture 2: Bootstrapping results

H. Discussion

H1 The Effect of Leadership (X1) on Performance Employee (Y2) . I know mark coefficient path -0.004, t-statistic value 0.417 <1.98) and P- Values = 0.677 > α = 0.05. It means Leadership variable (X1) does not influential positive and significant to variable Performance Employee (Y2). With thereby hypothesis (H1) in study this is stated that “Leadership (X1) has an effect positive and significant to Performance Employee (Y2)” was rejected . this \_ in line with results research conducted by Agus \_ Allatif , et ., al (2022) stated leadership No influential significant to performance .

H2 Influence Compensation (X2) Against Performance Employee (Y2) . I know mark coefficient path 0.248, t-statistic value 1.221 <1.98) and P-Values = 0.223 > α = 0.05 . It means variable Compensation No influential positive and significant to variable Performance Employees . With thereby hypothesis (H2) in study this is stated that “ Compensation influential positive and significant to Performance Employee (Y2)” was rejected. this \_ in line with results research conducted by Sevynica \_ Rianda . et .,al (2022) which states Compensation No influential to Performance Employees .



H3 Influence Safety and Health Work (K3) (Y1) against Performance Employee (Y2). I know mark coefficient path 0.598, t- statistic value 3.097 > 1.98) and P-Values = 0.002 <  $\alpha$  = 0.05. It means variable Influence Safety and Health Work (K3) has an effect positive and significant to variable Performance Employees. With thereby hypothesis (H3) in study this is stated that "Safety and Health Work (K3) has an effect positive and significant to Performance Employee" accepted. This is in line with results research conducted by Vega Adi Maulana (2020) which states safety and health work (K3) effect to Performance Employees.

H 4 The Effect of Leadership (X1) on Safety and Health Work (K3) (Y1). I know mark coefficient path 0.100, t- statistic value 0.748 < 1.98) and P-Values = 0.455 >  $\alpha$  = 0.05. It means variable Leadership influence is not influential positive and no significant to variable Safety and Health Work (K3). With thereby hypothesis (H4) in study this is stated that "Leadership is not influential positive and significant to Safety and Health Work (K3)" was rejected. This is not in line with the results of research conducted by Jeremy Hayono, et.al (2021) which states that leadership has an effect on OSH.

H 5 Influence Compensation (X2) against Safety and Health Work (K3). (Y2). I know mark coefficient path 0.648, t- statistic value 4.399 > 1.98) and P- Values = 0.000 <  $\alpha$  = 0.05. It means variable Influence Compensation No influential positive and no significant to variable Safety and Health Work (K3). With thereby hypothesis (H5) in study this is stated that "Compensation influential positive and significant to Safety and Health Work (K3)." accepted. This is in line with Fatmawati's research (2019) which states that compensation has an effect on K3.

H 6 There is The influence of Leadership (X1) on Performance Employee (Y2) mediated by Safety and Health Work (K3). (Y1). I know mark coefficient path 0.060, t- statistic value 0.746 < 1.98) and P-Values = 0.456 >  $\alpha$  = 0.05. It means Leadership variable (X1) has an effect positive and significant to variable Performance Employee (Y2) mediated by Safety and Health Work (K3) (Y1). With thereby hypothesis (H6) in study this is stated that "Leadership (X1) has an effect positive and significant to variable Performance Employee (Y2) mediated by Safety and Health Work (K3) (Y1)" was rejected. This is in line with Kurniawati Z's research, Nur (2019) which states that OSH can mediate work discipline on employee performance.

H 7 Yes Influence Compensation (X2) against Performance Employee (Y2) mediated by Safety and Health Work (K3) (Y1). I know mark coefficient path 0.387, t- statistic value 2.539 > 1.98) and P- Values = 0.011 <  $\alpha$  = 0.05. It means variable Compensation (X2) takes effect positive and significant to variable Performance Employee (Y2) mediated by Safety and Health Work (K3) (Y1). With thereby hypothesis (H7) in study this is stated that "Compensation (X2) has an effect positive and significant to variable Performance Employee (Y2) mediated by Safety and Health Work (K3) (Y1)" accepted. This is in line with

study Kurniawati Z, Nur (2019) which states that K3 can mediate discipline Work to performance employee.

## V. CONCLUSION

Study This conclude as following : leadership influential positive and significant to performance employees, compensation influential positive and significant to performance employee, K3 influential positive and significant to performance employees, leadership influential positive and significant to K3, compensation influential positive and significant to K3, K3 does not mediate the influence of leadership on performance employees, K3 managed to mediate the effect of compensation to performance employee.

Study This own a number of limitations. Study This only analyze leadership, and compensation and K3 as influencing variables performance. In relation with matter such, research more carry on can done at the company other or scope more population broad. Study further is also necessary consider For use other influencing variables performance, like culture organization, engagement work, support perceived organization, psychological capital, justice procedural and variable other.

## REFERENCES

- [1.] Andika, F., & Priatna, H. (2019). Factors Associated with Occupational Safety and Health Awareness in the Maimun Saleh Sabang Airport Environment. Jakarta.
- [2.] Anggrenani, KW (2020). The Role of Leadership in Occupational Safety and Health (K3) (Study at CV Maju Jaya General Construction). Journals.
- [3.] Aprilia, R., & Prihatini, A. (2016). The Influence of Leadership and Occupational Safety and Health on the Performance of Engineering Section Employees of PT. PLN (Persero) UPJ-Semarang. Journals.
- [4.] Arikunto. (2019). Research procedure. Jakarta: Rineka copyright.
- [5.] Byars, L., & Rue, L. (2018). Human Resource Management. McGraw-Hill.
- [6.] Farah, N., & Suryono, B. (2017). Effect of Financial Performance and Company Size on Stock Returns. Journal of Accounting Science and Research. Jakarta: ISSN: 2460-0585.
- [7.] Fatmawati, D., & Widyatmojo, P. (2018). Communication moderate influences motivation and leadership, motivation, discipline work towards performance. Journals.
- [8.] Ghozali. (2014). Multivariate analysis application with the SPSS program. Semarang: UNDIP Publishing Agency.
- [9.] Hasibuan, M. (2017). "Human Resource Management", nineteenth printing revised edition. Jakarta: PT. Earth Script, Jakarta.
- [10.] Hasibuan, M. (2018). Human Resource Management. Revised Edition. Jakarta: PT. Script Earth.
- [11.] Hasibuan, M. (2019). Management: Basics, Understanding, and Problems. Jakarta: Earth Script.

- [12.] Hughes, R., Ginnet, R., & Curphy, G. (2018). Leadership: Enhancing the Lessons of Experience 9th Edition. English: McGraw Hill.
- [13.] Kasmir. (2019). Human Resource Management (Theory and Practice). Depok: Rajawali Press.
- [14.] Kuncoro, M. (2013). Research Methods for Business and Economics 4th Edition. Jakarta: Erlangga.
- [15.] Levine, KJ, Carmody, M., & Silk, KJ (2020). Journals. The influence of organizational culture, climate and commitment on speaking up about medical errors .
- [16.] Pratiwi, P., & Fatah, A. (2021). The Influence of Occupational Safety and Work Environment on Employee Performance in the Food Restaurant Kitchen Section. Journals .
- [17.] Riinawati. (2019). Introduction to the theory of communication and organizational management. Yogyakarta: PT Pustaka Baru Press.
- [18.] Rivai, V. (2015). Human Resource Management from Theory to Practice. Jakarta: Rajawali Press.
- [19.] Sekaran, U., & Bougie, R. (2017). Research Methods for Business: A Skills-Building Approach, 6th Edition, Book 1, Second Printing. South Jakarta: Salemba Empat.
- [20.] Siddiqi, T., & Tangem, S. (2018). Impact of Work Environment, Compensation and Motivation on The Performance of Employees In The Insurance Companies of Bangladesh. South East Asia Journal of Contemporary Business. Siddiqi, T., & Tangem, S. (2018). Impact of Work Environment, Compensation and Motivation on The Performance of Employees In TEconomics and Law .
- [21.] Sugiyono. (2017). Quantitative Research Methods, Qualitative, and R&D. Bandung: Alfabeta, CV.
- [22.] Sujarweni, W. (2015). Business and Economic Research Methodology. Yogyakarta: New Press Library.
- [23.] Wirjana. (2016). Leadership Fundamentals and Development III Edition. Yogyakarta: ANDI.
- [24.] Yusuf, A. (2015). Textbook of Mental Health Nursing. Jakarta: Salemba.