

ABSTRACT

The Effect of Work Environment and Occupational Health and Safety on Employee Performance Mediated by Job Satisfaction in Research, Development, and Manufacturing Company (Case Study PT. Z)

Intense competition in Indonesia forces private companies in the defence industry to be more competitive. PT. Z is one of the largest private defence product manufacturer in Indonesia. To retain competitiveness, PT. Z must provide defence product with the best quality and deliver it on-time. The quality and on-time delivery of products fulfilment rely on the performance of employee at PT. Z. Over the last few years, employee performance at PT. Z constantly decreased. The decrease of employee performance causes delay on product fulfilment and resulted in fines given to PT. Z.

The decrease of employee performance can be caused by several factors including work environment, occupational health and safety (OHS), and job satisfaction. This research will examine the effect of work environment, OHS and job satisfaction on employee performance and the mediation role of job satisfaction in work environment's and K3's effect on employee performance. The analysis was carried out using the Partial Least Square Structural Equation Modelling (PLS-SEM) with 120 samples taken from production and engineering division at PT. Z.

The result shows that there are positive and significant effect of work environment on employee performance, work environment on job satisfaction, OHS on job satisfaction, and job satisfaction on employee performance. It means that when work environment and job satisfaction improved, there will be an increase in employee performance and when work environment and OHS improved, there will be an increase in job satisfaction. On the other hand, OHS does not have a direct effect on employee performance but job satisfaction can mediate the effect of OHS on employee performance. It means that the effect of OHS on job satisfaction will affect employee performance. Job satisfaction cannot mediate the effect of work environment on employee performance. The most influential variable that affect employee performance is job satisfaction with satisfaction of salary and incentive as the main indicator. To increase employee performance, PT. Z is suggested to adjust proper employee salary and incentive to increase employee's performance.

Keywords: Performance; OHS, Environment; Satisfaction; PLS-SEM