Journal of Sustainable Economic and Business (JOSEB)

Vol. 3 No. 3 July 2026: *584-598*
ISSN (Online): 3063-0207
https://journal.arepublisher.com/index.php/joseb

The Effect of Work Environment and Compensation Differences on Sustainable Employee Performance through Motivation

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ABSTRACT

Objectives: *This study examines the effect of work environment and compensation differences on sustainable employee performance, both directly and indirectly through motivation as an intervening variable, among employees who prepare State-Owned Property (BMN) Supervision and Control Reports at the Supreme Court of the Republic of Indonesia in the West Java region.*

Methodology: *This study used a quantitative approach with a survey method involving 159 respondents selected through census (saturated) sampling. Data were collected using a five-point Likert-scale questionnaire and analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with SmartPLS software.*

Finding: *The results show that work environment has no significant direct effect on sustainable employee performance, whereas compensation differences, motivation, and the indirect path from work environment through motivation each have a significant positive effect. Compensation differences were found to be the most dominant factor influencing both motivation and sustainable employee performance.*

Conclusion: *Motivation plays a key mediating role in linking work environment and compensation differences to sustainable employee performance. Organizations, particularly the Supreme Court of the Republic of Indonesia, are recommended to strengthen employee motivation programs alongside compensation management to optimize sustainable performance outcomes.*

Keywords: *Work Environment; Compensation Differences; Motivation; Sustainable Employee Performance; SEM-PLS.*

Article Doi: https://doi.org/10.70550/joseb.v3i3.696

How to Cite: Ahadi, D. F., & Kasmir, K. (2026). The Effect of Work Environment and Compensation Differences on Sustainable Employee Performance through Motivation. *Journal of Sustainable Economic and Business*, *3*(3), 584-598. https://doi.org/10.70550/joseb.v3i3.696

Submitted: 10-05-2026 Revised: 11-07-2026 Accepted: 17-07-2026

INTRODUCTION

Government institutions in Indonesia are required to deliver public information services that are professional, effective, efficient, transparent, and accountable. One area of this obligation is the management of State-Owned Property (Barang Milik Negara/BMN). The Supreme Court of the Republic of Indonesia (Mahkamah Agung RI), as a user of the State Budget, is responsible for submitting BMN Supervision and Control Reports (Laporan Wasdal) to the Ministry of Finance through the State Asset Management Information System (SIMAN).

This reporting chain runs from the Budget User Proxy at each court unit up to the Budget User and Property Manager at the national level, and the quality of employee performance in preparing this report is therefore central to the institution's public accountability.

Table 1. BMN Supervision and Control Periodic Monitoring Index, West Java Region (2022-2025)

Monitoring Result	2022	2023	2024	2025
On-time submission	47	45	50	49
Late submission	6	8	3	4
Conforming reports	105,669	106,284	104,133	106,017
Non-conforming reports	3,076	3,128	2,814	2,789

Source: Secretariat data, Supreme Court of the Republic of Indonesia (2026)

The monitoring data above show that, despite fluctuations, non-conforming reports and late submissions persist every year, indicating that employee performance in preparing the BMN Supervision and Control Report in the West Java region has not been fully optimal. A preliminary survey of 30 employees who prepare this report identified work environment (37%) and compensation differences (23%) as the two most dominant perceived factors affecting sustainable employee performance, well ahead of motivation (14%), career development (10%), organizational culture (7%), and training, leadership, and work discipline (3% each).

Prior studies on the relationship between work environment, compensation, motivation, and employee performance report inconsistent findings. Some studies confirm a significant direct effect of work environment on performance (Mansoor et al., 2021), while others find that this relationship becomes significant only when mediated by motivation (Mahatani et al., 2025; Rizka et al., 2023), Recent studies in Indonesian public institutions confirm that organizational culture and discipline significantly shape performance outcomes (Lestari & Sary, 2026) while leadership and organizational support also enhance performance through organizational citizenship behavior (ScienceDirect, 2026). Likewise, compensation has been found to significantly predict performance in some settings but not in others, Evidence from Indonesian civil servants shows that fair and transparent remuneration systems strengthen motivation, loyalty, and performance (Krisnadi et al., 2026; Fanani et al., 2026), while procedural fairness in compensation indirectly improves performance through extrinsic motivation (Arianti et al., 2026),a discrepancy attributed to differences in how fairness of compensation is perceived across organizations. Most existing research is also concentrated in the private sector, with limited empirical attention to public sector organizations that operate under strict bureaucratic structures, rigid regulation, and a strong public-service orientation, Recent scholarship emphasizes that sustainable HRM in the public sector must balance resource viability and legitimacy (Johnson et al., 2026), while reforms in Indonesia highlight the integration of green HRM and integrity into civil service law (Agista & Hanantijo, 2025), all of which can shape the dynamics of sustainable employee performance differently from private firms (Kyambade, 2026; Hendri, 2025). Studies that explicitly integrate motivation as an intervening variable within a sustainable performance framework, particularly within a public institution such as the judiciary's administrative support function, remain scarce (Liang & Li, 2024; Peretz, 2024), This gap is reinforced by findings that compensation fairness and sustainable HRM practices are only beginning to be systematically examined in Indonesian public institutions (Mahardhika et al., 2025), leaving a gap regarding how, and through what mechanism, work environment and compensation ultimately shape long-term employee performance in this setting.

This inconsistency and contextual gap constitute the research problem addressed in this study. Building on the constructs of work environment, compensation differences, motivation, and sustainable employee performance, this study develops and tests a model in which motivation acts as an intervening variable linking work environment and compensation differences to sustainable employee performance among employees who prepare BMN Supervision and Control Reports at the Supreme Court of the Republic of Indonesia in the West Java region. Specifically, this study aims to examine and analyze: (1) the effect of work environment on sustainable employee performance; (2) the effect of compensation differences on sustainable employee performance; (3) the effect of work environment on motivation; (4) the effect of compensation differences on motivation; (5) the effect of work environment on sustainable employee performance through motivation; (6) the effect of compensation differences on sustainable employee performance through motivation; and (7) the effect of motivation on sustainable employee performance. The findings are expected to provide the Supreme Court of the Republic of Indonesia with an empirical basis for designing human resource policy, and to contribute theoretically to the limited body of sustainable human resource management research set in public sector, judiciary-support contexts.

LITERATURE REVIEW

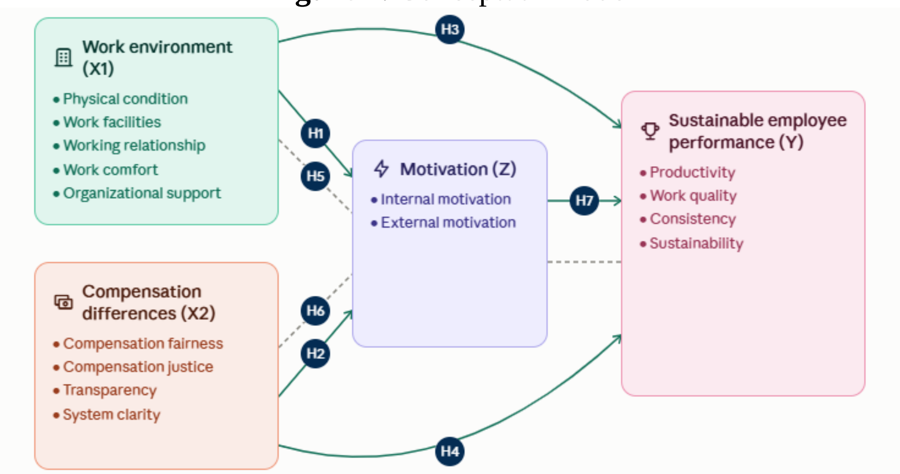
Sustainable employee performance refers to an employee's ability to maintain productivity, work quality, adaptability, and contribution to the organization consistently over the long term, while balancing organizational goals with employee well-being. This concept extends beyond conventional, short-term performance appraisal by emphasizing consistency and long-term viability of employee output. Within the Sustainable Human Resource Management (SHRM) perspective, sustainable performance is shaped not only by individual competence but also by supportive organizational systems, such as employee engagement, organizational culture, and well-being practices, that allow performance gains to be maintained over time rather than achieved at the expense of employee well-being (Aust et al., 2020; Kramar, 2014). Recent SHRM studies further emphasize that sustainable performance outcomes depend on how well organizations embed motivational and engagement-oriented practices into everyday management, rather than treating performance solely as an outcome of individual ability (Liang & Li, 2024; Peretz, 2024).

Work environment encompasses the physical and non-physical conditions surrounding employees that affect their comfort, motivation, and task execution, including physical working conditions, work facilities, working relationships with colleagues and supervisors, safety and comfort, and organizational support (Sedarmayanti, 2017). From an organizational behavior perspective, a conducive work environment is theorized to enhance concentration, reduce fatigue and stress, and thereby increase productivity and effectiveness (Robbins & Judge, 2018). Empirical findings on its direct link to performance nonetheless remain mixed: several recent studies report that this relationship is contextual and often operates indirectly through psychological states such as motivation rather than affecting performance on its own (Mahatani et al., 2025; Rizka et al., 2023), suggesting that work environment may function more as a precondition than as a direct driver of performance.

Compensation differences reflect employees' perception of the fairness and adequacy of the rewards they receive relative to their workload, responsibility, and prevailing organizational policy, encompassing the adequacy of compensation relative to workload and responsibility, distributive and procedural fairness, transparency of the compensation system, and clarity of the basis on which compensation is determined (Milkovich & Newman, 2008). Equity theory posits that employees compare their inputs and outcomes against relevant referents; when compensation is perceived as fair, transparent, and consistent, employee morale, commitment, and performance tend to improve, whereas perceived unfairness can suppress effort and engagement (Armstrong, 2014). Motivation, in turn, is the internal or external drive that shapes an employee's willingness to exert effort, persist, and adapt in pursuit of organizational goals. It is commonly explained through needs- and context-based perspectives, in which supportive organizational conditions, including work environment and compensation, function as antecedents that stimulate and sustain motivation, which in turn drives behavior and performance (George & Jones, 2012).

Building on this theoretical foundation and consistent with recent empirical findings (Mahatani et al., 2025; Khan et al., 2025; Kyambade, 2026), seven hypotheses are developed as follows. First, a conducive work environment is theorized to directly support optimal task execution, so work environment is hypothesized to positively affect sustainable employee performance (H1). Second, consistent with equity theory, fair and adequate compensation is expected to directly strengthen employees' willingness to sustain high performance, so compensation differences are hypothesized to positively affect sustainable employee performance (H2). Third, following Maslow's needs perspective, a comfortable work environment is expected to fulfil employees' basic and social needs and thereby foster motivation, so work environment is hypothesized to positively affect motivation (H3). Fourth, under expectancy-based reasoning, compensation perceived as fair and commensurate with effort is expected to strengthen employees' motivation to perform, so compensation differences are hypothesized to positively affect motivation (H4). Fifth, because motivation is theorized as the psychological mechanism that channels external conditions into performance (Robbins & Judge, 2018), work environment is hypothesized to positively affect sustainable employee performance through motivation as an intervening variable (H5). Sixth, for the same theoretical reason, compensation differences are hypothesized to positively affect sustainable employee performance through motivation as an intervening variable (H6). Seventh, and consistent with the SHRM perspective that motivation underpins long-term productivity (Liang & Li, 2024; Peretz, 2024), motivation is hypothesized to positively affect sustainable employee performance directly (H7). See, conseptual diagram below:

Figure 1. Conceptual Model



E-ISSN: 3063-0207

These seven hypotheses form the theoretical framework of this study, in which work environment (X1) and compensation differences (X2) act as exogenous variables, motivation (Z) acts as an intervening variable, and sustainable employee performance (Y) acts as the endogenous variable. The framework therefore tests both the direct paths from X1 and X2 to Y, the paths from X1 and X2 to Z, the direct path from Z to Y, and the indirect paths from X1 and X2 to Y through Z.

METHOD

This study employed a quantitative approach aimed at explaining the causal relationships between independent, intervening, and dependent variables through hypothesis testing. The population comprised all 159 employees responsible for preparing BMN Supervision and Control Reports in the West Java region. Given the relatively limited and fully accessible population, a census (saturated) sampling technique was used, in which all 159 members of the population were used as respondents. This approach minimizes sampling bias and increases the accuracy of the data obtained.

Primary data were collected through a structured questionnaire developed from indicators of each research variable, measured on a five-point Likert scale. Work environment (X1) was measured through physical conditions, work facilities, working relationships, comfort and safety, and organizational support; compensation differences (X2) through compensation adequacy, distributive and procedural fairness, transparency, and clarity of the compensation system; motivation (Z) through internal and external motivation; and sustainable employee performance (Y) through productivity, work quality, consistency, and sustainability. Prior to the main survey, the instrument was pilot-tested on 30 respondents outside the research sample; item validity was assessed by comparing the corrected item-total correlation (r-count) against the r-table value (0.361 at a 5% significance level), and reliability was assessed using Cronbach's Alpha (cut-off value of 0.70). All items were found valid and reliable.

Data were analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with SmartPLS software. SEM-PLS was selected because it can test complex relationships involving both direct and indirect (mediated) effects, performs well with a relatively small sample size, and does not require the data to meet a strict multivariate normality assumption. The analysis followed two main stages: (1) outer model (measurement model) evaluation, comprising indicator reliability (outer loading $\geq$ 0.708), internal consistency reliability (Composite Reliability and Cronbach's Alpha $\geq$ 0.70), convergent validity (Average Variance Extracted/AVE $\geq$ 0.50), and discriminant validity (Heterotrait-Monotrait Ratio/HTMT $<$ 0.90 and the Fornell-Larcker criterion); and (2) inner model (structural model) evaluation, comprising the coefficient of determination (R^2), the Standardized Root Mean Square Residual (SRMR $<$ 0.10) for overall model fit, and the Variance Inflation Factor (VIF $<$ 5.00) to detect collinearity among predictor constructs.

Hypothesis testing was conducted through a bootstrapping procedure (5,000 subsamples) in SmartPLS. A hypothesis was accepted if the t-statistic exceeded 1.96 and the p-value was below 0.05. Because motivation was positioned as an intervening variable, both the direct and indirect effects of work environment and compensation differences on sustainable employee performance were examined; the type of mediation was determined using the Variance Accounted For (VAF) criterion, where a VAF above 80% indicates full mediation and a VAF between 20% and 80% indicates partial mediation.

RESULTS AND DISCUSSION

Results

This research involved 159 respondents. Result analysis on Table 1 shot that 94 (59.1%) respondents were male and 65 (40.9%) were female. Most respondents were aged 36-45 years (41.5%), followed by 46-55 years (37.7%) and 25-35 years (20.8%). In terms of education, 66.7% held a bachelor's degree (D4/S1), 21.4% held a master's degree, and 11.9% held a diploma. Regarding tenure, 38.4% had worked for more than 18 years, indicating a highly experienced workforce, while the remainder were distributed across shorter tenure brackets. Respondents were also evenly distributed across the analyst, coordinator, and supervisor roles within SIMAN (53 respondents each, 33.3%), indicating a balanced representation across levels of responsibility and reducing the risk of bias toward any single role.

Table 1. Respondent's Profil

No	Characteristic	Category, n (%)
1	Role in SIMAN	Analyst: 53 (33.3%); Coordinator: 53 (33.3%); Supervisor: 53 (33.3%)
2	Gender	Male: 94 (59.1%); Female: 65 (40.9%)
3	Respondent Age	25 - 35 Years: 33 (20.8%); 36 - 45 Years: 66 (41.5%); 46 - 55 Years: 60 (37.7%)
4	Last Education	Diploma (D1/D2/D3): 19 (11.9%); Bachelor's (D4/S1): 106 (66.7%); Master's (S2): 34 (21.4%)
5	Length of Service	< 2 Years: 10 (6.3%); 2 - 7 Years: 41 (25.8%); 8 - 13 Years: 12 (7.5%); 13 - 18 Years: 13 (8.2%); 14 - 18 Years: 22 (13.8%); > 18 Years: 61 (38.4%)

All respondents completed a questionnaire covering the Work Environment, Compensation Differences, Motivation, and Sustainable Employee Performance variables, which was first tested for validity and reliability using a try-out sample of 30 respondents. The validity test was carried out by comparing the calculated r value (Corrected Item-Total Correlation) of each item against the r table value of 0.361, while the reliability test used the Cronbach's Alpha criterion, with an instrument considered reliable if its Cronbach's Alpha exceeds 0.70. The results show that all items across the four variables produced r values above 0.361 and Cronbach's Alpha values above 0.70, so the entire instrument is declared valid and reliable, as presented in Table 2.

Based on the mean of each variable, Sustainable Employee Performance (Y) obtained the highest mean at 4.912 ± 0.178, followed by Motivation (Z) at 4.905 ± 0.238 and Work Environment (X1) at 4.854 ± 0.213, while Compensation Differences (X2) recorded the lowest mean among the four variables at 4.638 ± 0.358. All variables fall into the high category, indicating that respondents generally perceive each construct positively. Nevertheless, at the indicator level several items still show comparatively lower means, such as B4 (4.006) on the Compensation Fairness dimension of Compensation Differences and A3 (4.698) on the Physical Condition dimension of Work Environment, which represent priority areas for improvement despite the overall positive perception.

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Table 2. Validity, Reliability Test Results, and Descriptive Statistics

No	Variable	Range of r	CA	Dimension	Mean ± SD	3 Lowest-Mean Indicators
1	Work Environment (X1)	0.387 - 0.778	0.907	Physical Condition; Work Facilities; Working Relationship; Work Comfort; Organizational Support	4.854 ± 0.213	A3 (4.698); A1 (4.755); A2 (4.774)
2	Compensation Differences (X2)	0.704 - 0.951	0.979	Compensation Fairness; Compensation Justice; Transparency; System Clarity	4.638 ± 0.358	B4 (4.006); B1 (4.579); B3 (4.579)
3	Motivation (Z)	0.476 - 0.926	0.923	Internal Motivation; External Motivation	4.905 ± 0.238	Z8 (4.849); Z9 (4.849); Z10 (4.849)
4	Sustainable Employee Performance (Y)	0.444 - 0.883	0.930	Productivity; Work Quality; Consistency; Sustainability	4.912 ± 0.178	Y10 (4.767); Y9 (4.836); Y2 (4.855)

The data were collected from the same respondents using the same self-administered questionnaire for the independent, mediating, and dependent variables. This condition raises the possibility of common method bias (CMB), so a test was carried out to confirm that the observed relationships are not merely an artifact of the measurement method. The test was performed using the full collinearity VIF approach, in which a model is considered free of common method bias if every VIF value along the structural paths is below the threshold of 3.3 (Kock, 2015). As shown in Table 3, all five paths produced VIF values ranging from 1.001 to 1.471, well below the 3.3 cut-off, confirming that the data used in this study are free from common method bias and that the subsequent structural model results can be interpreted with confidence.

Table 3. Common Method Bias

No	Path	VIF	Conclusion
1	Work Environment -> Sustainable Employee Performance	1.211	No indication of CMB
2	Work Environment -> Motivation	1.001	No indication of CMB
3	Compensation Differences -> Sustainable Employee Performance	1.249	No indication of CMB
4	Compensation Differences -> Motivation	1.001	No indication of CMB
5	Motivation -> Sustainable Employee Performance	1.471	No indication of CMB

After all of the validity, reliability, and common method bias tests confirmed that the data are appropriate for further analysis, SEM PLS will be used to examine the structural model. The analysis begins with the outer model, which evaluates the loading factor, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach's Alpha of each construct to confirm that the indicators validly and reliably measure their respective latent variables. It is then followed by the inner model, which examines the path coefficients, R-Square, and significance of the relationships between Work Environment, Compensation Differences, Motivation, and Sustainable Employee Performance. The results of both the outer model and inner model testing, along with the goodness of fit and hypothesis testing, are presented in the following sections.

Table 4. Outer Model Test Results

No	Construct	Indicator Code	Range of Loading Factor	AVE	CR	CA
1	Work Environment (X1)	X1.1 - X1.12	0.747 - 0.850	0.635	0.954	0.948
2	Compensation Differences (X2)	X2.1 - X2.12	0.789 - 0.839	0.661	0.959	0.953
3	Sustainable Employee Performance (Y)	Y.1 - Y.16	0.710 - 0.833	0.605	0.961	0.956
4	Motivation (Z)	Z.1 - Z.12	0.752 - 0.857	0.643	0.956	0.950

Source: SmartPLS 4 output (2026). Cut-off value: Loading Factor > 0.708; AVE > 0.50; CR and CA in the range of 0.70 - 0.90.

The outer model evaluation, seet Table 4, shows that all indicators across the four constructs have loading factors above the cut-off value of 0.708, ranging from 0.710 to 0.850, indicating that each indicator validly reflects its respective latent variable. The Average Variance Extracted (AVE) for all constructs also exceeds the minimum threshold of 0.50, ranging from 0.605 to 0.661, confirming adequate convergent validity. In terms of reliability, both Composite Reliability (CR) and Cronbach's Alpha (CA) for all four constructs are above 0.90, ranging from 0.948 to 0.961, which indicates that the instrument used to measure Work Environment, Compensation Differences, Sustainable Employee Performance, and Motivation is highly reliable and consistent.

Since the outer model requirements have all been met, the analysis can proceed to the inner model. However, before examining the path coefficients and significance of the relationships between variables, it is necessary to first confirm the goodness of fit of the model to ensure that the structural model as a whole is adequately supported by the data.

Table 5. Goodness of Fit Model

GOF Parameter	Value Obtained	Cut-off Value	Conclusion
R-Square (R2)	Motivation: 0.320 Sustainable Employee Performance: 0.430	0.75/0.50/0.25 (strong/moderate/weak)	Moderate - Weak
SRMR	0.052	< 0.10	Model Fit

Source: SmartPLS 4 output (2026).

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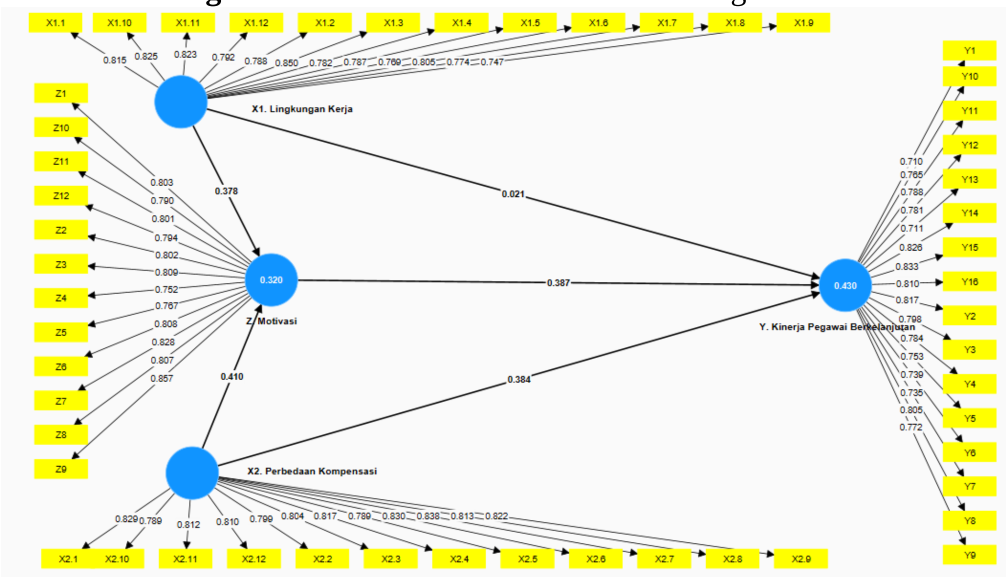
The goodness of fit test results show that the R-Square value for Motivation is 0.320, which falls into the weak category, while the R-Square for Sustainable Employee Performance is 0.430, which falls into the moderate category, based on the cut-off values of 0.75, 0.50, and 0.25 for strong, moderate, and weak, respectively. This indicates that Work Environment and Compensation Differences together explain 32.0% of the variance in Motivation, while Work Environment, Compensation Differences, and Motivation together explain 43.0% of the variance in Sustainable Employee Performance, with the remainder explained by other variables outside the model. Meanwhile, the SRMR value of 0.052 is below the cut-off value of 0.10, indicating that the model has a good overall fit and is therefore appropriate for proceeding to inner model and hypothesis testing.

Figure 2. SEM PLS Model Estimation – algorithm



The inner model testing results, see Table 6, show that four of the five direct paths are statistically significant at the 0.05 level, with Compensation Differences → Sustainable Employee Performance (β = 0.384, p = 0.000), Work Environment → Motivation (β = 0.378, p = 0.000), Compensation Differences → Motivation (β = 0.410, p = 0.000), and Motivation → Sustainable Employee Performance (β = 0.387, p = 0.000) all confirmed as significant. However, the path from Work Environment → Sustainable Employee Performance stands out as the only non-significant relationship, with a very small path coefficient of 0.021 and a p-value of 0.732, far above the 0.05 threshold. This finding indicates that Work Environment does not have a direct significant effect on Sustainable Employee Performance, suggesting that its influence on employee performance may instead operate indirectly through Motivation rather than through a direct pathway.

Table 6. Inner Model Test Results (Direct Effect)

No	Path	Path Coef.	P Value	Conclusion
	Direct Effect			
1	Work Environment -> Sustainable Employee Performance	0.021	0.732	Not Significant

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No	Path	Path Coef.	P Value	Conclusion
2	Compensation Differences -> Sustainable Employee Performance	0.384	0.000	Significant
3	Work Environment -> Motivation	0.378	0.000	Significant
4	Compensation Differences -> Motivation	0.410	0.000	Significant
5	Motivation -> Sustainable Employee Performance	0.387	0.000	Significant
	Indirect Effect			
1	Work Environment -> Motivation -> Sustainable Employee Performance	0.146	0.000	Significant
2	Compensation Differences -> Motivation -> Sustainable Employee Performance	0.159	0.000	Significant

Source: SmartPLS 4 output (2026), bootstrapping procedure with 5000 sub-samples. Note: the source document only reports path coefficients and P Values; T Statistics values were not available in the uploaded bootstrapping report.

The direct effect testing shows that Motivation has a significant effect on Sustainable Employee Performance, while Work Environment and Compensation Differences both have significant effects on Motivation, indicating the presence of a potential mediating effect of Motivation on the relationship between the two exogenous variables and Sustainable Employee Performance. This indication is then confirmed by the indirect effect testing in Table 7, which shows that both the Work Environment → Motivation → Sustainable Employee Performance path (β = 0.146, p = 0.000) and the Compensation Differences → Motivation → Sustainable Employee Performance path (β = 0.159, p = 0.000) are statistically significant, thereby confirming that Motivation acts as a significant mediating variable in this study.

Figure 3. SEM PLS Model Estimation – Bootstrapping

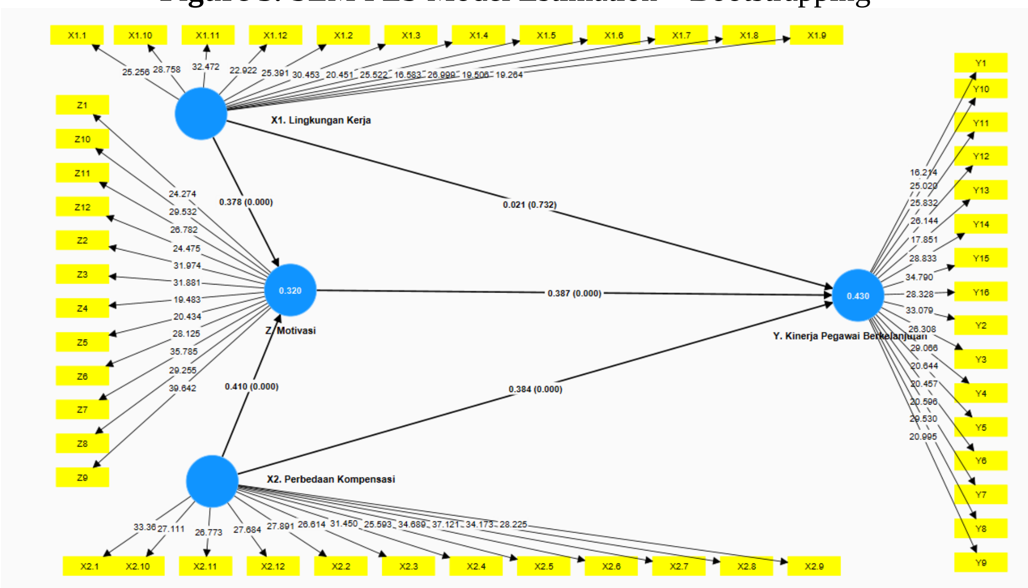

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Table 7. Hypothesis Testing Results

No	Hypothesis Statement	Analysis Result	Conclusion
1	H1: Work Environment has a positive and significant effect on Sustainable Employee Performance.	Path Coef. = 0.021 P Value = 0.732	Rejected
2	H2: Compensation Differences has a positive and significant effect on Sustainable Employee Performance.	Path Coef. = 0.384 P Value = 0.000	Accepted
3	H3: Work Environment has a positive and significant effect on Work Motivation.	Path Coef. = 0.378 P Value = 0.000	Accepted
4	H4: Compensation Differences has a positive and significant effect on Work Motivation.	Path Coef. = 0.410 P Value = 0.000	Accepted
5	H5: Work Environment has a positive and significant effect on Sustainable Employee Performance through Motivation as an intervening variable.	Path Coef. = 0.146 P Value = 0.000	Accepted
6	H6: Compensation Differences has a positive and significant effect on Sustainable Employee Performance through Motivation as an intervening variable.	Path Coef. = 0.159 P Value = 0.000	Accepted
7	H7: Motivation has a positive and significant effect on Sustainable Employee Performance.	Path Coef. = 0.387 P Value = 0.000	Accepted

Source: Processed data (2026).

Discussion

The main finding of this study is that work environment (X1) does not have a significant direct effect on sustainable employee performance (Y), but must be mediated by motivation. This result aligns closely with a growing body of public sector research showing that work motivation functions as a critical psychological bridge translating supportive work environments into improved performance, particularly when the direct environmental effect proves statistically insignificant. Similar full mediation has been documented among nurses and administrative staff, where the work environment shapes performance only through the pathway of motivation, rather than through any direct channel (Syarif, 2025; Baskoro et al., 2024). Sumarmi et al. (2025) likewise argue that because the direct effect of work environment on performance is often insignificant, organizations are better served by prioritizing motivational strategies over physical workspace modifications alone. This pattern reflects a broader mechanism in which conducive physical infrastructure, supportive social conditions, and fair systems act as catalysts that elevate employee motivation, which in turn drives the achievement of high-quality work outcomes (Prasetyowati et al., 2025). Rahmadani et al. (2025) further confirm this dynamic in an Indonesian public broadcasting context, finding that work environment affects employee performance specifically through intrinsic motivation as an intervening variable. Taken together, these findings reinforce that sustainable employee performance in this study is not a static product of the physical environment but a dynamic outcome sustained by the continuous motivational engagement of employees preparing BMN Supervision and Control Reports.

Different from the mechanism through which work environment affects performance, compensation influences sustainable employee performance both directly and indirectly. Compensation, whether financial or non-financial, is closely tied to the fulfillment of basic economic needs, giving it the capacity to produce an immediate, direct effect on performance

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as a form of reciprocity for employees' contributions (Sofeiyah et al., 2022; Yulia et al., 2023). At the same time, compensation also exerts a significant indirect effect through motivation, which acts as a mediator that further strengthens employees' drive to achieve organizational targets (Effendi & Chaerudin, 2021; Sembiring et al., 2023). This dual-pathway pattern is confirmed in studies at UPT PBAP Bangil Pasuruan and the Binjai City Food Security and Agriculture Agency, where compensation drives performance independently while simultaneously being reinforced by motivation (Sofeiyah et al., 2022; Sembiring et al., 2023). This stands in clear contrast to work environment, whose influence on performance is rarely automatic and typically depends on motivation as a near-exclusive mediating mechanism. Taken together, these findings show that compensation and work environment operate through structurally different mechanisms, one rooted in the direct fulfillment of economic needs, the other contingent on motivation as a necessary intervening pathway.

The findings of this study demonstrate how motivation plays a highly significant role in shaping sustainable employee performance, functioning as the primary mechanism through which organizational conditions are converted into lasting performance outcomes. This finding is consistent with the broader public sector literature, which positions motivation as the central mediator connecting various organizational policies to employee work outcomes, even when other factors such as work environment and organizational culture also exert an influence (Kayar & Yesilada, 2024; Ikram et al., 2025; Pertiwi & Kasmir, 2025). Rather than acting as merely one contributing factor among many, motivation functions as the internal mechanism that drives employees to act in alignment with the organization's long-term objectives, particularly in public sector settings where it bridges the relationship between job security, compensation systems, and organizational success (Kayar & Yesilada, 2024; Asmar & Indrawan). Kayar and Yesilada (2024), for instance, found that motivation and organizational commitment positively mediate the relationship between job security and sustainable performance, while Mustajab and Rasyid similarly show that intrinsic motivation plays a critical role in integrating the effects of work-life balance and work discipline to produce more optimal performance outcomes. This body of evidence reinforces the present study's finding that motivation is not incidental but foundational to sustainable employee performance among employees preparing BMN Supervision and Control Reports, as it is the pathway through which supportive working conditions and fair compensation are ultimately translated into consistent, long-term performance gains, encompassing dimensions such as long-term growth, work quality, resilience and commitment, and consistency in the face of changing organizational demands (Kovačević et al., 2020).

CONCLUSION

This study found that work environment does not significantly affect sustainable employee performance directly, contrary to what conventional theory would predict, but does so fully through motivation, indicating that a supportive work environment only translates into better performance when it first builds employees' motivation. Compensation differences, by contrast, affect sustainable employee performance both directly and indirectly through motivation, showing that fair and adequate compensation drives performance both by satisfying employees' immediate sense of equity and by fueling the motivation that sustains further performance gains over time. Motivation itself was found to significantly affect sustainable employee performance and to function as the key mechanism linking both work environment and compensation differences to performance outcomes, confirming its central, rather than incidental, role among employees preparing BMN Supervision and Control Reports at the Supreme Court of the Republic of Indonesia and its subordinate courts.

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