

The Influence of Compensation and Work Environment on the Performance of Generation Z Employees

Elly Hermawati^{1*}, Tutik Winarsih²

^{1,2}Management Study Program, STIE YAPAN Surabaya, Indonesia
Email: ¹⁾ hermawatielly05@gmail.com

Received : 12 May - 2025

Accepted : 17 June - 2025

Published online : 23 June - 2025

Abstract

Generation Z is increasingly dominating the workforce, especially in the Food and Beverage sector such as cafes in Gunung Anyar District, Surabaya, making it important to understand the factors that influence their performance. This study aims to analyze the effect of compensation and work environment on Generation Z employee performance at these cafes. Using quantitative methods with a population of 70 employees, data was collected through questionnaires and observations, then analyzed using multiple linear regression, T-test, F-test, and coefficient of determination with SPSS. The research results show that both compensation and work environment significantly affect Generation Z employee performance at cafes in Gunung Anyar District, Surabaya. The T-test shows significance values below 0.05 for both variables partially, meaning each variable has a positive and significant effect on employee performance. Additionally, the F-test results confirm that compensation and work environment together provide a significant effect on performance with a significance value of 0.000, far below the 0.05 threshold. The coefficient of determination (Adjusted R Square) of 0.604 indicates that 60.4% of employee performance variation can be explained by these two variables, while the remaining 39.6% is influenced by other factors outside this research model. Thus, improving compensation and work environment simultaneously can be an effective strategy to enhance Generation Z performance in the cafe sector. These findings imply that improving compensation and work environment can effectively enhance Generation Z employee performance at cafes in Gunung Anyar District, Surabaya.

Keywords: Compensation, Employee Performance, Food and Beverage Sector, Generation Z Employees, Work Environment.

1. Introduction

Current workplace development is heavily influenced by changes in the characteristics of generations dominating the workforce. In today's fast-paced digital era, the generation increasingly dominating the workplace is Generation Z. Generation Z has unique characteristics and tendencies compared to previous generations because they grew and developed alongside rapid technological advancement. This causes them to have different ways of thinking, working, and interacting (Fariz, 2022a). According to Kevin (2023) citing the 2020 population census by the Central Statistics Agency (BPS), Generation Z currently dominates Indonesia's population at 27.94% of the total population. Generation Z consists of those born between 1997-2012, and many of them have reached productive age and entered the workforce.

One sector increasingly favored by Generation Z for work is the Food and Beverage (F&B) industry, especially in the cafe sector. According to Yusnita & Yulianto (2013), F&B is an attractive business with many developing trends. Eating and drinking activities at modern



cafes have now merged into society's habits, especially among young people. Cafes now seem to have become a special identity for socializing. Many people come to cafes to hang out, have meetings, do assignments, and other activities, making modern cafe activities a common lifestyle, especially for young people. Generation Z often chooses to work at cafes for several reasons, including time flexibility, opportunities to interact with people from various backgrounds, and chances to learn new skills that support personal and professional development. Many also choose cafe work because most cafes offer part-time job opportunities, opening work opportunities for young people while completing college or studies.

The cafe industry has experienced rapid growth alongside increasing public interest in modern youth lifestyle (Farhan & Adlina, 2022). One area experiencing significant growth in this industry is Gunung Anyar District, Surabaya. With many cafes emerging in this area, competition between cafes has become increasingly fierce. Some famous cafes in this area include Bento Kopi, D'Coffee Cup, Bicopis, Dopamine, and Ijjo Cafe. These cafes offer attractive characteristics with warm and relaxed atmospheres, filled with live music, aesthetic designs everywhere, and relatively cheap prices, making these cafes popular among Generation Z. This increasing competition demands cafe management to boost cafe performance, one way being by paying attention to factors affecting employee performance, especially Generation Z employees.

In a company, human resources are important pillars and assets (Winata, 2022). A company can run well, smoothly, and continue to develop because of maximum employee performance (Fariz, 2019). Therefore, besides consumer satisfaction, employee satisfaction also needs attention. Treating employees fairly and appropriately can create high job satisfaction, which will help significantly increase employee work spirit. Satisfied employees can drive maximum performance results that ultimately help companies achieve their goals. According to Winarsih (2023), the role of each person and team is considered very important in a business because they are the main factor that can determine the success or failure of that business.

Several factors can improve employee performance, such as compensation and work environment. Compensation given to employees functions as a form of appreciation for the hard work that has been done (Sebastian & Andani, 2020; Septianingtyas et al., 2024). According to Warwansyah (2014) in Mediaty et al. (2023), compensation is financial and non-financial rewards from companies for performance given by employees. Compensation is a form of reward or appreciation that companies must give to employees in return for contributions, losses, or services provided, which can include salary, bonuses, allowances, health insurance, and others. Fair and appropriate compensation can have positive effects on employees; besides making employees feel valued and given appropriate worth for their hard work, appropriate compensation also maintains individual motivation, which is important for supporting employee performance and self-development (Putra et al., 2023). If compensation is given inappropriately, work productivity can easily decline. Broadly speaking, the benefits of providing compensation include increasing loyalty, commitment, work motivation, employee performance, reducing conflict, providing security and comfort, providing pride, and facilitating company activities. Winarsih & Hidayat (2022) in their research stated that providing motivation to employees is very important in every business. Employees with high motivation will be more diligent and able to contribute positively to assigned tasks. Compensation indicators include salary, allowances, incentives or bonuses, and facilities.

Besides compensation, work environment is important to consider because it can also affect employee performance, both from technical and social aspects. Work environment

includes conditions at the workplace, both related to physical aspects (temperature, lighting, facilities, cleanliness) and psychological aspects (relationships between colleagues, leadership, atmosphere). Both physical and non-physical work environments have direct and indirect effects on employee performance. Work environment atmosphere and conditions can provide important influence; employee work spirit will increase when the work environment is good, and conversely, poor work environment can cause boredom, fatigue, decreased spirit, and ultimately performance decline. Work environment indicators include work atmosphere, relationships between colleagues, and adequate workplace facilities.

The challenge faced by every cafe management in Gunung Anyar District, Surabaya is understanding how compensation and work environment can affect Generation Z employee performance. It's important to know whether the compensation given matches their expectations and how the existing work environment supports or actually hinders their work productivity. These matters should be considered to create effective management strategies for improving employee performance and cafe success. Employee performance is the result of work and worker behavior in achieving goals and completing tasks and responsibilities (Efendi & Winarsih, 2022). Performance results in the form of assessments can show the effectiveness of specific employee actions that contribute to company goals. Performance is influenced by two factors: first, intrinsic factors such as motivation and skills, while other factors are extrinsic such as leadership, compensation, work environment (Fariz & Winarsih, 2024a). Performance indicators in this study include quality, quantity, timeliness, and teamwork ability.

Although many previous studies have examined the relationship between compensation, work environment, and employee performance, the results obtained are still varied and inconsistent. For example, Yulianti & Utami (2019) found that compensation affects through work motivation, while Anandita et al. (2023) reported that compensation is not significant but work environment has a positive effect on employee performance at the DPRD Jombang Secretariat Office. On the other hand, research by Zahratunnisa & Kurniasari (2023) shows positive compensation effects, but work environment actually has negative effects on BPPSDMP Ministry of Agriculture Jakarta employee performance. Another study by Putra et al. (2023) also found compensation not significant for job satisfaction, while work environment has significant influence. This variation in results shows unclear relationships between these variables, especially in different contexts. Therefore, this study attempts to fill this gap by researching the simultaneous effect of compensation and work environment on Generation Z employee performance in the cafe sector of Gunung Anyar District, Surabaya, to enrich understanding and provide more contextual insights.

Based on the above description, this study aims to analyze the effect of compensation and work environment on Generation Z employee performance at cafes in Gunung Anyar District, Surabaya. By understanding the relationship between compensation variables, work environment, and employee performance, this study is expected to provide appropriate recommendations for cafe management in creating optimal compensation systems and work environments to improve Generation Z employee performance. Additionally, this study is also expected to provide theoretical contributions in human resource management, particularly related to Generation Z employee management in the cafe industry.

2. Literature Review

2.1. Compensation

Compensation is defined as rewards or appreciation for services, contributions, or work completed by employees according to company targets. According to Aswaruddin et al. (2023), compensation is service rewards given to employees for assigned work. Suparyadi (2014) in Nugraha & Tjahjawati (2018) defines compensation as total financial and non-financial income as appreciation for contributions to the organization. Compensation includes salary, bonuses, allowances, health insurance, and others. Compensation measurement in this study is based on salary, allowances, incentives/bonuses, and facilities indicators. Salary is compensation per period (e.g., monthly) for permanent employees. Allowances are additional income given due to employee participation in achieving company goals, which can be position allowances, communication, housing, transportation, and others (Fajar & Kamil, 2024). Furthermore, incentives or bonuses are reward aspects given for employee success or achievements, such as reaching sales targets. Facilities are additional compensation in the form of materials or money, such as health facilities, shuttle services, work environment, housing, or lunch.

Kasmir (2019) highlight that compensation has several general purposes: (1) Giving employees rights for their hard work. (2) Providing fairness through open compensation determination based on performance, without discrimination, which motivates employees. (3) Attracting high-quality employees. (4) Retaining loyal employees and reducing turnover rates. (5) Appreciating employee performance results for their efforts and hard work. Providing fair and appropriate compensation can benefit employee performance and companies, including: (1) Increasing loyalty and commitment to the company. (2) Increasing motivation and work spirit. (3) Improving employee performance. Conversely, unfair or inappropriate compensation will have negative impacts. Compensation is measured from factors related to rewards received by employees.

2.2. Work Environment

Work environment is the condition at the workplace, both physical and psychological aspects. According to Cahyati et al. (2023), physical aspects can include temperature, ventilation, air humidity, odors, mechanical vibrations, building conditions, colors, noise, lighting, and facilities. Psychological aspects include relationships between colleagues, relationships with superiors, and work environment atmosphere. Danisa & Komari (2023) state that both physical and non-physical work environments directly and indirectly affect employee performance. Good work environments increase spirit and motivation, while environments that don't meet needs can cause boredom, fatigue, decreased spirit, and ultimately performance decline. Positive work environment effects according to Pandi Afandi include: (1) Creating work spirit. (2) Increasing achievement and performance productivity. (3) Enabling work completion appropriately according to standards and time. (4) Increasing work spirit levels. Work environment indicators examined in this study include work atmosphere, relationships between colleagues, and facility availability. Work atmosphere includes surrounding environmental conditions while working, workplace orderliness, cleanliness, lighting, and tranquility. Relationships between colleagues is also an important indicator where harmonious work relationships without intrigue are important reasons for employees to stay. The next indicator is work facility availability or availability of equipment supporting smooth work processes.

2.3. Employee Performance

Performance is the result of work and behavior in completing assigned tasks and responsibilities. Naomi et al. (2019) view performance as assessment results of whether employees can work well and correctly, which then shows the effectiveness of employee actions in contributing to achieve company goals. Factors affecting employee performance can come from within individuals or external environment. Timple (2006) divides performance-affecting factors into two: first, internal factors including individual traits, motivation, work skills, and knowledge. Second, external factors such as colleague behavior, leadership, work facilities, company climate. Siagian (2002) in his findings added several aspects to external factors such as compensation, work environment, organizational culture, and inter-employee communication as external factors affecting performance. Fariz (2022b) and Winarsih & Fariz (2021) in their research conveyed that a leader is needed in a group, and to become a good leader requires various stages to be passed. Becoming a good leader figure is not born but made; the process of making someone a good leader is called leadership science (Winarsih & Hidayat, 2022). Performance assessment is important for determining employee performance results, which ultimately also determines compensation values such as salary, bonuses, allowances, and other compensation (Fariz & Winarsih, 2024b). Sutrisno (2013) mentions the following aspects can be considerations in determining employee performance: (1) Quality. (2) Quantity. (3) Timeliness. (4) Teamwork. Performance indicators in this study include quality, quantity, timeliness, and teamwork ability. Quality is measured from employee perceptions of their work quality. Quantity is the value or amount produced that can be counted. Timeliness is the ability to complete work according to set time. Teamwork ability is the ability of all employees to work together well, supported by optimal communication, both between colleagues and with superiors.

3. Methods

This research uses a quantitative approach with descriptive quantitative research type, which is a method that aims to test theories and examine relationships between variables using numerical data analyzed statistically (Sugiyono, 2017). The purpose of this approach is to describe phenomena according to reality based on numerical measurement results (Sugiyono, 2013, 2019). The population of this research consists of all café employees in the Gunung Anyar District area, Surabaya, totaling 70 people. The sampling technique uses purposive sampling method with specific criteria, namely employees who belong to Generation Z. Because the population size is not large, saturated sampling technique was used, so all population members were used as samples, totaling 70 people (Nazir, 2017). The variables in this research consist of independent variables: Compensation (X1), Work Environment (X2) and dependent variable: Employee Performance (Y).

Each variable is measured using a Likert scale. The definition of each variable's application is explained in detail based on measurable indicators, such as salary, allowances, work atmosphere, to punctuality in work. Data collection was conducted through two methods: questionnaires and direct observation. Questionnaires were used to obtain primary data from respondents through closed questions that were compiled based on indicators of each variable (Nizamuddin et al., 2021). Meanwhile, observation was used to strengthen data through direct observation at the research location. The collected data was analyzed using SPSS software with several analysis techniques: (1) Descriptive Statistics to provide an overview of data based on respondents' answers. (2) Classical Assumption Tests including normality, multicollinearity, and heteroscedasticity tests. (3) Multiple Linear Regression to

determine simultaneous and partial effects between variables X1 and X2 on Y. (4) F-test to examine simultaneous effects. (5) T-test to measure the effect of each independent variable partially. (6) Coefficient of Determination (R^2) to measure the model's strength in explaining the variation of the dependent variable. All these methods are used to answer research questions objectively and measurably, with final results in the form of conclusions about the relationship between compensation, work environment, and Generation Z employee performance.

4. Results and Discussion

4.1. Research Results

This research was conducted in Gunung Anyar District, Surabaya, East Java Province. This area was chosen because it has high potential for culinary sector growth, especially with many students from prestigious universities such as UIN Sunan Ampel and Politeknik Pelayaran Surabaya. Students classified as Generation Z also become potential human resources because they have high work spirit, are adaptive to technology, and are in productive age. Therefore, the presence of cafés in this area serves not only as consumption venues but also as workplaces and social activity centers. The research object focused on five cafés in the Gunung Anyar area: Bento Kopi, D'Coffee Cup, Bicopis, Dopamine, and Ijjo Cafe. These cafés were selected based on popularity, strategic location, and different concepts. Each café has more than 15 employees with a fairly clear organizational structure. This research involved 70 respondents who all belong to Generation Z and actively work as employees at these five cafés.

Table 1. Respondent Characteristics

Characteristics	Details	Number of Respondents	Percentage (%)
Gender	Female	42	60.0
	Male	28	40.0
Age	22 – 24 years old	38	54.3
	Other ages	32	45.7
Education Level	High School	40	57.1
	Diploma/Bachelor	29	41.4
	Junior High School	1	1.5
Total Respondents		70	100.0

Respondent characteristics in this research show that the majority of café workers in Gunung Anyar District are female, at 60%. This indicates that informal sectors like cafés tend to be dominated by female workers. The dominant age of respondents is in the 22–24 years range at 54.3%, reflecting that most employees are young people in the early stages of their careers. In terms of education, the majority of respondents are high school graduates with 57.1%, while diploma/bachelor graduates reach 41.4%, and only one respondent has junior high school education. This composition illustrates the characteristics of informal sector workers who mostly come from high school graduates, but are also followed by those with higher educational backgrounds. This finding is important for understanding the demographic profile of Generation Z employees in the café sector, which can influence human resource management strategies, particularly in compensation and work environment management.

From the compensation aspect, it appears that the majority of respondents feel that the salary received is proportional to their workload, with 62.9% agreeing and 10% strongly

agreeing, showing that basic compensation has been considered adequate. This is important because appropriate salary can be the basis for job satisfaction that affects performance. Additionally, the benefits provided are also viewed as strong motivators, with almost 84.3% of respondents (28.6% strongly agree and 55.7% agree) feeling that benefits can increase work enthusiasm, showing the important role of benefits in maintaining Generation Z employee motivation. Incentives or bonuses also received similar positive responses, with 78.5% of respondents stating they agree or strongly agree that incentives drive their performance, indicating that performance-based rewards are effective in increasing productivity. Work facilities that support productivity also received high support, with a total of 85.7% of respondents agreeing that these facilities help them work more optimally, affirming the importance of adequate physical facilities in supporting performance.

In terms of work environment, conducive atmosphere received almost absolute approval from respondents, at 91.4% (70% agree and 21.4% strongly agree), indicating that psychological and social conditions at work sufficiently support comfort and work focus. Relationships among colleagues are also very harmonious according to most respondents (88.6% agree and strongly agree), which is important because good interpersonal relationships can improve cooperation and effective communication. Workplace facilities are also considered adequate by 84.3% of respondents, reinforcing the impression that the physical environment in these cafés has met employees' basic needs, thus reducing technical barriers in daily task execution.

Regarding employee performance, respondents' perception of work quality is very positive, with 87.2% stating their work quality is good (68.6% agree and 18.6% strongly agree). Achievement of quantitative work targets also received high approval at 92.9%, showing that employees can meet workloads according to set targets. Punctuality in completing work is also very high, with 95.7% of respondents agreeing or strongly agreeing, indicating good discipline and time management among employees. The cooperation aspect received 87.2% support, indicating that teamwork and collaboration work effectively, which is key in dynamic work environments like cafes.

Table 2. Respondent Perceptions about Compensation, Work Environment, and Employee Performance

Aspect	Statement	Strongly Agree (%)	Agree (%)
Compensation	Salary matches workload	10.0	62.9
	Benefits motivate work	28.6	55.7
	Incentives/bonuses drive performance	21.4	57.1
	Work facilities support productivity	21.4	64.3
Work Environment	Conducive work atmosphere	21.4	70.0
	Harmonious colleague relationships	35.7	52.9
	Adequate workplace facilities	14.3	70.0
Employee Performance	Good work quality	18.6	68.6
	Work targets (quantity) achieved	28.6	64.3
	Timely completion	25.7	70.0
	Good cooperation	34.3	52.9

Overall, this shows that adequate compensation and conducive work environment contribute greatly to employees' positive perception of their performance. This reinforces the hypothesis that both variables are interrelated and play important roles in supporting optimal performance in the F&B sector, particularly cafés in Gunung Anyar District.

Table 3. Classical Assumption Test Results

Classical Assumption Test	Method/ Indicator	Result	Criteria	Conclusion
Normality Test	One Sample Kolmogorov-Smirnov	Significance 0.067	> 0.05	Data is normally distributed, requirement met
Multicollinearity Test	Variance Inflation Factor (VIF)	1.818	< 10	No high multicollinearity
	Tolerance	0.550	> 0.10	
Heteroscedasticity Test	Residual Scatterplot	Random pattern	Even residual distribution	No heteroscedasticity occurs

Before conducting multiple linear regression analysis, classical assumption tests were performed to ensure data feasibility. The normality test through One Sample Kolmogorov-Smirnov method showed a significance value of 0.067 (> 0.05), meaning the data is normally distributed. This is important because normal distribution is one of the prerequisites for regression analysis validity. Next, multicollinearity test was conducted by examining VIF and Tolerance values. The results showed VIF value of 1.818 (< 10) and Tolerance value of 0.550 (> 0.10), indicating no high correlation between independent variables. This shows that compensation and work environment variables stand independently and do not influence each other excessively in the regression model. Meanwhile, heteroscedasticity test using residual scatterplot showed random distribution patterns, meaning residual variables are distributed evenly and do not show heteroscedasticity.

The multiple linear regression model obtained is $Y = 16.264 + 0.458X_1 + 0.239X_2$. This equation shows that employee performance is positively influenced by compensation (X_1) and work environment (X_2). The constant of 16.264 states that without influence from independent variables, the base value of employee performance remains at that number. In other words, there is minimum performance that is still achieved even without support from compensation and work environment variables. The regression coefficient for compensation is 0.458, meaning each one-level increase in compensation will increase employee performance by 0.458%. Meanwhile, the work environment regression coefficient of 0.239 indicates that a one-level increase in this variable will raise employee performance by 0.239%. Although the compensation coefficient value is larger, both still have positive effects on the dependent variable.

The F-test is used to test the simultaneous effect of compensation and work environment variables on employee performance. Results show a significance value of 0.000 (< 0.05), so it can be concluded that together both independent variables have significant effects on performance. This indicates that good management of compensation and work environment will positively impact Generation Z productivity in café work environments. Next, T-tests were conducted to examine the effect of each variable partially. Compensation shows a significance value of 0.000 (< 0.05), meaning it has significant effect on employee performance. Similarly, work environment has a significance value of 0.019 (< 0.05), also showing significant effect. This indicates that both individually play roles in shaping young worker performance. The Adjusted R^2 value of 0.604 means that 60.4% of changes in employee performance can be explained by compensation and work environment, while the remaining 39.6% is influenced by other factors outside this research. These other factors could be leadership style, motivation, job training, or job satisfaction not studied in this research.

4.2. Discussion

This research finds that compensation has significant and dominant influence on employee performance, particularly for Generation Z. This finding affirms the importance of appropriate compensation strategies in human resource management, especially in the context of demographic changes in the working world now dominated by the digital generation. Generation Z's responsiveness to material compensation becomes a key factor in increasing their work motivation and productivity. This supports the statement by Novitasari & Winarsih (2020) and Winarsih (2023) that employee performance is the main determinant for organizational progress and sustainability. Conceptually, this finding aligns with Herzberg's two-factor theory, where compensation falls into the motivator factor category that can positively affect job satisfaction and performance. In the Generation Z context, accustomed to instant gratification systems, compensation value is viewed not only in terms of amount but also from fairness, transparency, and speed of delivery aspects. This generation tends to appreciate flexible compensation aligned with performance, making merit-based compensation strategies increasingly relevant.

However, when these results are compared with several previous studies, variations emerge showing the complexity of relationships between compensation and performance. Research by Yulianti & Utami (2019) shows that compensation affects performance indirectly through work motivation as mediator. This means compensation does not immediately improve performance but first affects employees' affective and cognitive aspects, which then impact their work behavior. This reflects the importance of psychological approaches in understanding compensation effectiveness. Conversely, research by Anandita et al. (2023) and Putra et al. (2023) reveals that compensation does not significantly affect performance or job satisfaction, with work environment as the more dominant factor. In this context, work environment encompassing physical, social, and organizational culture aspects functions as conditional factors determining how far compensation can influence (Sholeh & Winarsih, 2020). That research emphasizes that work comfort, interpersonal relationships, and organizational support play equally important roles in forming optimal performance.

Research by Zahratunnisa & Kurniasari (2023) shows paradoxical results, where compensation positively affects performance, but work environment actually provides negative impact. This phenomenon shows that high compensation cannot always overcome negative impacts from unsupportive work environments. In performance management context, this indicates the need for holistic strategies integrating financial and non-financial aspects in organizational policies. These findings affirm that relationships between compensation and performance are not linear and universal, but are greatly influenced by organizational context, employee demographic characteristics, and psychosocial dynamics at work. Generation Z, with different value orientations from previous generations, shows higher preferences for material rewards and career path clarity. However, in more senior generations, factors like job security, stability, and work atmosphere tend to be more determining.

They assess salary, benefits, and bonuses as indicators of appreciation for their efforts. Workers assess salary, benefits, and bonuses as main indicators of appreciation for their efforts and contributions in carrying out tasks. Compensation systems perceived as fair and transparent play important roles in increasing job satisfaction levels while significantly driving productivity. This shows that financial rewards not only meet material needs but also provide recognition that motivates individuals to work more optimally. Additionally, positive work environments have equally important impacts in building comfort and work motivation. Pleasant work atmosphere, harmonious interpersonal relationships among colleagues, and availability of adequate facilities become supporting factors for creating conducive work

conditions. These conditions help reduce stress levels and increase employee engagement in carrying out their tasks.

Generation Z characteristics that highly value flexibility and work-life balance become crucial aspects in current human resource management context (Panjaitan et al., 2024). Providing work flexibility allows them to adjust time and work conditions without neglecting productivity, so this aspect contributes to increasing their loyalty and performance sustainably. From a managerial perspective, this finding provides clear strategic implications for café managers and similar organizations. It's important to design compensation systems proportional to workloads and transparent so fairness perceptions can be realized among employees. Additionally, creating work environments that support employee welfare comprehensively will build productive and sustainable work atmospheres, which ultimately can improve overall organizational performance.

5. Conclusion

Based on research results and discussion, it can be concluded that compensation and work environment significantly influence Generation Z employee performance at cafés in Gunung Anyar District, Surabaya. First, the compensation variable (X1) is proven to provide significant and dominant influence on employee performance. This is shown through t-test results obtaining significance value of 0.000 (< 0.05), and regression coefficient of 0.458 showing that compensation plays a larger role in improving employee performance. This research strengthens the assumption that Generation Z is very responsive to financial reward systems, such as salary, benefits, and bonuses. Second, the work environment variable (X2) also has significant influence on performance, with significance value of 0.019 (< 0.05) and regression coefficient of 0.239. This means conducive work environment, good interpersonal relationships, and supporting facilities also contribute to Generation Z productivity improvement. Although its influence is smaller than compensation, work environment remains an important element in creating work comfort and loyalty. Third, F-test results show that simultaneously, compensation and work environment significantly influence employee performance with significance value of 0.000 (< 0.05). The regression model has Adjusted R² value of 0.604, meaning 60.4% of employee performance can be explained by these two variables. Therefore, it can be concluded that efforts to improve Generation Z performance in café work environments need to focus on improving compensation quality and work environment simultaneously.

For cafe owners and managers, it is recommended to pay more attention to employee compensation systems. Providing fair and proportional salary, bonuses, and benefits to workloads is proven capable of increasing Generation Z employee motivation and performance. Additionally, creating comfortable work environments, both physically and socially, will increase loyalty and overall work effectiveness. For managers or HR teams, it's important to regularly evaluate and adjust compensation policies and measure satisfaction with work environments. These efforts can help reduce employee turnover and increase productivity sustainably. For future researchers, it is recommended to develop this research by adding other variables that can also affect performance, such as leadership style, work motivation, job satisfaction, or HR training and development. This is expected to provide more comprehensive overview of factors forming Generation Z employee performance in the informal sector.

6. References

- Anandita, S. R., Astutik, N. P., & Mahendri, W. (2023). Pengaruh Kompensasi Dan Lingkungan Kerja Terhadap Kinerja Pegawai Kantor Sekretariat DPRD Jombang. *Jurnal Rimba: Riset Ilmu Manajemen Bisnis Dan Akuntansi*, 1(4), 218–236. <https://doi.org/10.61132/rimba.v1i4.308>
- Aswaruddin, Mulyani, S., Bancin, N. Z., Yontino, M., Lubis, L. F. P., & Darain, S. A. A. (2023). Kompensasi. *Jurnal Penelitian Pendidikan Indonesia*, 1(1).
- Cahyati, P., Hartono, D., & Sasmita, A. (2023). *Analysis of the Influence of Work Climate and Motivation on Employee Performance: A Case Study at the UPTD Puskesmas in Tasikmalaya City*.
- Danisa, D., & Komari, N. (2023). Kajian Teoritis Lingkungan Kerja dan Kinerja Karyawan. *Prosiding Management Business Innovation Conference (MBIC)*.
- Efendi, M. N., & Winarsih, T. (2022). Analisis Peningkatan Kinerja Guru pada Sekolah SMK Antartika Surabaya. *Jurnal Ilmiah Edunomika*, 6(2). <https://doi.org/10.29040/jie.v6i2.5714>
- Fajar, D. N., & Kamil, M. (2024). Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan di PT. Exim Jaya Abadi (AsiaCommerce Network Ltd). *CiDEA Journal*, 3(1), 75–88. <https://doi.org/10.56444/cideajournal.v3i1.1822>
- Farhan, M. R., & Adlina, H. (2022). The Influence Of Store Atmosphere And Viral Marketing On Buying Decision (Study on Seis Café & Public Space Consumers on Sei Silau Street, Medan City). *JOURNAL OF HUMANITIES, SOCIAL SCIENCES AND BUSINESS (JHSSB)*, 2(1).
- Fariz, F. (2019). Human Resources Competences in Economics Higher Education Provider in East Java, Indonesia: The determinant of organizational performances. *Asia Pacific Management and Business Application*, 8(02), 133–144.
- Fariz, F. (2022a). Quality Improvement Strategy for Strengthening Higher Education Competitiveness (Studies at the College of Economics in East Java). *Khazanah Sosial*, 4(2), 272–283.
- Fariz, F. (2022b). The effect of supplier integration, manager transformational leadership on supply chain performance. *Growing Science*, 993–998.
- Fariz, F., & Winarsih, T. (2024a). An analytical study on the effective dimensions of leadership styles for enhancing organizational performance. *Indonesia Auditing Research Journal*, 13(4), 244–255. <https://doi.org/10.35335/arj.v13i4.377>
- Fariz, F., & Winarsih, T. (2024b). Enhancing Competitive Advantage of Higher Education Institutions Through the Implementation of Knowledge Management and Information Technology. *Innovative: Journal Of Social Science Research*, 4(2), 2010–2026.
- Kasmir. (2019). *Manajemen Sumber Daya Manusia*. Raja Grafindo Persada.
- Kevin, K. (2023). *Pengaruh Kompensasi dan Kepuasan Kerja terhadap Kinerja Karyawan Generasi Z di Wilayah Jakarta*. Kwik Kian Gie Repository.
- Mediaty, M., Usman, A., Kunna, A. R. A., Farahyanti, N. I., & Bakri, R. M. S. (2023). Pengaruh Kompensasi Terhadap Kinerja Karyawan pada Usaha Kecil Menengah (UKM) Melalui Bakery. *Economics and Digital Business Review*, 4(1), 86–90.
- Naomi, K. N., Tewel, B., & Uhing, Y. (2019). Pengaruh Keterampilan, Kemampuan Kerja, Dan Lingkungan Kerja Terhadap Kinerja Karyawan Pt Massindo Sinar Pratama Manado. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 7(4).
- Nazir, M. (2017). *Metode Penelitian*. Ghalia Indonesia.
- Nizamuddin, Azan, K., Anwar, K., Ashoer, M., Nuramini, A., Dewi, I., Abrory, M., Pebriana, P. H., Basalamah, J., & Sumianto. (2021). *Metodologi Penelitian; Kajian Teoritis dan Praktis Bagi Mahasiswa*. CV. Dotplus Publisher.
- Novitasari, M. R., & Winarsih, T. (2020). Pengaruh dukungan organisasi, karakteristik

- pekerjaan dan disiplin kerja terhadap kinerja pegawai Dinas Pendapatan Daerah Kabupaten Pasuruan. *Journal Management and Business Applied*, 1(1), 12–23.
- Nugraha, A., & Tjahjowati, S. S. (2017). Pengaruh Kompensasi Terhadap Kinerja Karyawan. *Jurnal Riset Bisnis Dan Investasi*, 3(3), 24–32.
- Panjaitan, F., Setowati, S. M., & Mahulete, Y. C. (2024). Peer To Peer Lending : Generation Z Attraction Factors and Future Implications. *TRANSEKONOMIKA: AKUNTANSI, BISNIS DAN KEUANGAN*, 4(4), 422–437. <https://doi.org/10.55047/transekonomika.v4i4.678>
- Putra, R. B., Pradhanawati, A., & Listyorini, S. (2023). Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan dengan Kepuasan Kerja Sebagai Variabel Intervening CV Jawa Grafika Group Semarang (Studi pada CV Jawa Grafika Group Semarang). *Jurnal Ilmu Administrasi Bisnis*, 12(1). <https://doi.org/10.14710/jiab.2023.36807>
- Sebastian, J., & Andani, K. W. (2020). Pengaruh Kompensasi Dan Lingkungan Kerja Terhadap Kinerja Karyawan PT. Bank QNB Indonesia. *Jurnal Manajerial Dan Kewirausahaan*, 2(2). <https://doi.org/10.24912/jmk.v2i2.7939>
- Septianingtyas, D., Nugraha, H. S., & Hadi, S. P. (2024). Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Karyawan (Studi pada Hotel JS Luwansa & Convention Center). *Jurnal Ilmu Administrasi Bisnis*, 13(1). <https://doi.org/10.14710/jiab.2024.40220>
- Sholeh, S., & Winarsih, T. (2020). Pengaruh budaya organisasi, pusat kendali, etos kerja terhadap kinerja pegawai Sekretariat Daerah Kabupaten Pasuruan. *Sasanti Journal Of Economic And Business*, 1(3).
- Siagian, S. P. (2002). *Kiat meningkatkan produktivitas kerja*. Rineka Cipta.
- Sugiyono. (2013). *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Alfabeta.
- Sugiyono. (2017). *Metode Penelitian Penelitian Kuantitatif, Kualitatif dan R&D*. Alfabeta.
- Sugiyono. (2019). *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Alfabeta.
- Sutrisno, E. (2013). *Manajemen Sumber Daya Manusia*. Jakarta: Penerbit Kencana Prenada Media Group.
- Timple, D. (2006). *Seri Manajemen Sumber Daya Manusia*. Eki Media.
- Winarsih, T. (2023). Pengaruh Pelatihan dan Disiplin Kerja Terhadap Kinerja Agen. *Akuntabilitas: Jurnal Ilmiah Ilmu-Ilmu Ekonomi*, 15(2), 60–72.
- Winarsih, T., & Fariz, F. (2021). The Effect of Job Satisfaction on Organizational Commitment and Work Discipline. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(1), 1328–1339.
- Winarsih, T., & Hidayat, A. (2022). The Influence of Organizational Culture and Motivation on Employee Performance. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 6(1).
- Winata, E. (2022). *Managemen Sumber Daya Manusia Kompensasi Dalam Kinerja Karyawan*. Penerbit P4i.
- Yulianti, P., & Utami, W. S. (2019). Pengaruh Kompensasi Terhadap Kinerja Karyawan PT. BFI Finance Dengan Motivasi Kerja Sebagai Variabel Intervening. *Jurnal Ekonomi Dan Bisnis Dharma Andalas*, 21(1), 97–106.
- Yusnita, H. W., & Yulianto, A. (2013). Upaya Food & Beverage Restaurant Dalam Meningkatkan Kepuasan Tamu Melalui Variasi Product. *Khasanah Ilmu-Jurnal Pariwisata Dan Budaya*, 4(1).
- Zahratunnisa, I., & Kurniasari, R. (2023). Pengaruh Kompensasi dan Lingkungan Kerja terhadap Kinerja Pegawai pada BPPSDMP Kementerian Pertanian Jakarta. *Jurnal Perspektif*, 21(2), 129–136.