



The Effect Of Incentives And Work Environment On Employee Satisfaction Of Palembang City's Regency Service

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ABSTRACT

Employee satisfaction is a crucial element that determines the overall performance, productivity, and service quality of any organization, particularly in the public sector. In government institutions such as the Regency Service Office in Palembang City, employee satisfaction plays a vital role in ensuring that public services are delivered efficiently, responsively, and with a high standard of professionalism. The context of the Palembang City Regency Service, which is tasked with providing direct services to the public, the satisfaction of its employees is essential for ensuring consistent and high-quality service delivery. However, various challenges such as inadequate incentive structures and suboptimal work conditions may hinder employee performance and motivation. Therefore, it becomes imperative to investigate how incentives and the work environment impact employee satisfaction in this specific governmental context. The findings of this research are expected to provide practical implications for policymakers and government administrators. Specifically, the results will offer insights into how incentive systems and improvements in the work environment can be used to increase job satisfaction among civil servants, thereby supporting better governance and public service delivery.

INTRODUCTION

Employee satisfaction has become a key focus in both public and private sector organizations, as it is closely linked to employee productivity, retention, and overall organizational performance (Yusuf et al. 2021). According to (Waris, Muis, and Munizu 2020) In the public sector, where efficiency and service quality directly affect citizens, maintaining a satisfied and motivated workforce is essential. The Regency Service Office of Palembang City plays a critical role in delivering administrative and civil services to the public. However, like

many government institutions, it faces challenges in motivating employees and creating a conducive work environment.

This study is motivated by the growing recognition that two major organizational factors— incentives and the work environment—have a direct impact on employee satisfaction. Incentives, both financial (e.g., salary, bonuses, performance allowances) and non-financial (e.g., recognition, career advancement opportunities), are often seen as essential tools to improve motivation and performance. Meanwhile, the quality of the work environment, including workplace conditions, interpersonal relationships, and organizational support, can significantly affect how employees feel about their jobs.

Despite existing literature that discusses these variables individually, there is limited empirical research focusing specifically on how both incentives and work environment simultaneously influence employee satisfaction in the context of local government services in Indonesia, particularly in Palembang City. This gap provides a strong rationale for conducting the current study (Qader 2021). The purpose of this study is to examine the effect of incentives and work environment on employee satisfaction at the Regency Service Office in Palembang City. By investigating these relationships, this study aims to contribute to the development of effective human resource strategies in the public sector, particularly in enhancing employee morale and improving service delivery. To achieve this goal, the study adopts a quantitative research method, using a structured questionnaire distributed to civil servants within the Regency Service Office. The data is analyzed using statistical techniques to measure the strength and significance of the relationships among the studied variables.

Numerous studies have explored the relationship between incentives, work environment, and employee satisfaction across various sectors, particularly in private enterprises and large-scale corporations. These studies have consistently shown that financial and non-financial incentives, along with a supportive work environment, significantly influence job satisfaction and employee performance. However, a majority of this literature is concentrated in developed countries or in corporate settings, where organizational structures, resource availability, and incentive systems differ greatly from those in public sector institutions, especially in developing regions. In the context of public sector organizations in Indonesia, particularly at the regional government level, empirical studies on these variables are relatively limited. Existing research tends to focus on general employee performance or public service quality, with less emphasis on the underlying organizational factors—such as incentives and work environment—that shape employee attitudes and satisfaction.

Moreover, previous studies often examine incentives and work environment as separate variables, without analyzing their combined influence on employee satisfaction (Butt et al. 2015). This leaves a gap in understanding how these two factors may interact or reinforce each other in shaping the employee experience, especially in government institutions where bureaucratic procedures, limited resources, and rigid hierarchies can pose unique challenges.

Specifically, there is a lack of localized research that investigates these dynamics within regional service offices in Indonesian cities like Palembang, which serve as the frontline of government administration. Research (Demir et al. 2021) showed that each regional office may have unique cultural, economic, and structural conditions that influence how incentives and work environments affect employee satisfaction. Thus, findings from other regions or sectors may not be directly applicable to the Palembang context. This research aims to fill these gaps by: (a) Focusing on public sector employees in Palembang City's Regency Service Office, an under-researched population. (b) Examining the combined effect of incentives and work environment on employee satisfaction. (c) Providing empirical evidence that can guide local government efforts to improve human resource policies and public service performance.

By addressing these gaps, the study contributes to a more nuanced understanding of employee satisfaction in regional government institutions and supports the development of targeted strategies to improve public sector workforce engagement in Indonesia.

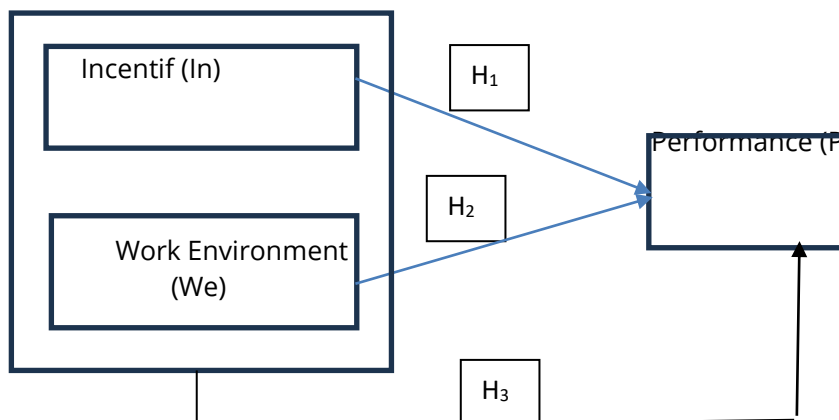
LITERATURE REVIEW

The relationship between incentives, work environment, and employee satisfaction can be understood through two foundational motivational theories: Maslow’s Hierarchy of Needs and Herzberg’s Two-Factor Theory. According to Maslow’s (Bari and Randy Hidayat 2022) Hierarchy of Needs Theory, individuals are motivated to fulfill a hierarchy of needs, starting from basic physiological needs, followed by safety, social belonging, esteem, and finally, self-actualization (Navy 2020). In the workplace context, financial incentives such as salaries, bonuses, and allowances address employees’ physiological and safety needs, while non-financial rewards like recognition and career development support esteem and self-actualization. Similarly, a conducive work environment—characterized by safety, good interpersonal relationships, and support from supervisors—fulfills the needs for security and social belonging. When these needs are met, employees are more likely to experience job satisfaction.

Complementing Maslow’s theory (Helmke et al. 2020), Herzberg’s Two-Factor Theory divides job-related factors into motivators and hygiene factors (Alshmemri, Shahwan-Akl, and Maude 2017). Motivators (e.g., achievement, recognition, and responsibility) are intrinsic elements that lead to job satisfaction, while hygiene factors (e.g., salary, working conditions, and job security) do not directly create satisfaction, but their absence causes dissatisfaction. In this framework, incentives function both as hygiene factors (ensuring baseline satisfaction) and as motivators (when tied to recognition or performance). Likewise, a supportive work environment serves as a hygiene factor that prevents dissatisfaction and creates a foundation for motivation to grow. Together, these two theories provide a comprehensive lens to analyze how incentives and work environment contribute to employee satisfaction. Maslow highlights the progressive fulfillment of human needs, while Herzberg differentiates between eliminating dissatisfaction and fostering genuine motivation. This dual-theory perspective strengthens the theoretical basis for examining the extent to which incentives and work environment affect satisfaction among employees of the Palembang City’s Regency Service (Tu et al. 2023).

Based on the theory used, the conceptual model of this study describes the relationship between two independent variables, namely incentives and work environment, with the dependent variable being employee satisfaction. Based on Maslow’s theory (Reid-Cunningham 2008), incentives and the work environment play a role in fulfilling employees’ basic and psychological needs, which impacts job satisfaction. According to Herzberg, incentives and the work environment are motivating and hygiene factors that directly influence job satisfaction and dissatisfaction. The diagram of this research conceptual model is depicted as follows:

Figure 1. Research framework, 2025



Based on the theoretical framework referring to Maslow and Herzberg's theories, the following hypotheses can be proposed:

1. H₁: Incentives have a significant positive influence on employee job satisfaction at Palembang City's Regency Service.
2. H₂: The work environment has a significant positive influence on employee job satisfaction at Palembang City's Regency Service.
3. H₃: incentives and the work environment simultaneously have a significant positive influence on employee job satisfaction at Palembang city's regency service.

METHODS

Sampling

The target population of this study consists of civil servants working in the Regency Service Office of Palembang City, South Sumatra, Indonesia. This institution plays a critical role in public service delivery, making it a relevant context for examining employee satisfaction in a government setting. The unit of analysis is individual employees (staff and officers), as they are the primary subjects affected by organizational policies regarding incentives and work environment. A purposive sampling technique was employed to select respondents who have at least one year of work experience in the institution, ensuring that participants have sufficient exposure to the internal reward systems and working conditions. The total number of valid respondents included in the analysis was 120 employees, which is considered adequate for statistical testing using multiple regression analysis. The demographic profile of respondents was recorded, including variables such as age, gender, education level, job position, and length of service.

Data Collection

Data for this study were collected using a structured questionnaire distributed directly to employees during working hours, with prior approval from the institution's management. Respondents were assured of confidentiality and anonymity, and participation was voluntary. The data collection process was conducted over a period of three weeks in July 2025. The questionnaire was designed using closed-ended statements based on a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Before distribution, the instrument was reviewed by academic experts in human resource management and pre-tested on 15 respondents to ensure clarity and reliability.

Measures

Three main constructs were measured in this study: Incentives, Work Environment, and Employee Satisfaction. All constructs were measured using validated indicators adopted and adapted from previous studies. Incentives were measured using indicators such as fairness of rewards, transparency in performance-based bonuses, non-monetary appreciation, and career advancement opportunities. The items were adapted from research by Robbins & Judge (2019) and other empirical studies on public sector motivation. Work Environment was measured using indicators such as physical work conditions, interpersonal relationships, managerial support, and communication flow. This construct was measured based on frameworks by Hackman & Oldham (1975) and updated literature relevant to public sector organizations. Employee Satisfaction was measured using dimensions such as satisfaction with current job roles, sense of achievement, recognition, and overall morale. These items were adapted from the Minnesota Satisfaction Questionnaire (MSQ) and Herzberg's job satisfaction framework. Reliability tests were conducted using Cronbach's Alpha, and all constructs demonstrated acceptable internal consistency ($\alpha >$

0.70). Validity was tested using factor analysis to ensure that all items accurately represented the intended constructs.

RESULTS

Descriptive Statistics

The total number of respondents was 120 employees from the Palembang City's Regency Service Office. The respondents consisted of 52% male and 48% female employees, with the majority aged between 31–45 years. In terms of education, 68% held a bachelor's degree, while the rest had either a diploma or postgraduate qualification. Most respondents (73%) had more than 5 years of work experience, indicating a well-established understanding of the organization's incentive system and work environment.

Table 1. Presents The Mean And Standard Deviation For Each Of The Main Variables

Variable	Mean	Std. Deviation
Incentives	3.78	0.62
Work Environment	3.91	0.57
Employee Satisfaction	3.85	0.60

Resource: Data processing results, 2025

The descriptive statistics show that employees generally perceive incentives and the work environment positively, as the mean values are close to 4 on a 5-point Likert scale. Employee satisfaction also shows a relatively high average, suggesting overall positive sentiment among the staff.

Inferential Statistics and Hypothesis Testing

To examine the influence of incentives and work environment on employee satisfaction, a multiple linear regression analysis was conducted using SPSS. The results are presented in Table 2.

Table 2: Regression Analysis Summary

Predictor	B	Std. Error	t	Sig. (p)
(Constant)	0.79	0.401	1.97	0.051
Incentives	0.35	0.089	4.00	0.000**
Work Environment	0.44	0.082	5.46	0.000**

$R^2 = 0.612$, Adjusted $R^2 = 0.602$, $F(2,117) = 91.948$, $p < 0.001$

Resource: Data processing results, 2025

The results of the data processing show that:

- The R^2 value of 0.612 indicates that 61.2% of the variance in employee satisfaction can be explained jointly by the two independent variables: incentives and work environment.
- Both incentives ($p = 0.000$) and work environment ($p = 0.000$) have a positive and statistically significant effect on employee satisfaction.
- The work environment ($\beta = 0.448$) has a slightly stronger influence compared to incentives ($\beta = 0.356$).

Hypothesis Testing Summary

The results of the hypothesis testing on the influence of incentives and the working environment on employee job satisfaction are shown in Table 3 below:

Table 3 Hypothesis Testing Summary

Hypothesis	Statement	Result
H ₁	Incentives have a significant positive effect on employee satisfaction	Accepted
H ₂	Work environment has a significant positive effect on employee satisfaction	Accepted
H ₃	Incentives and work environment simultaneously affect employee satisfaction	Accepted

Resource: Data processing results, 2025

The results provide strong empirical support that both incentives and work environment significantly influence employee satisfaction at the Palembang City's Regency Service Office. While both factors are important, the work environment appears to be a slightly stronger predictor of satisfaction. These findings suggest that improving the quality of the work environment and maintaining a fair, motivating incentive system are both critical for enhancing employee morale and performance in the public sector.

DISCUSSION

The findings of this study provide strong empirical evidence that both incentives and work environment have a significant and positive influence on employee satisfaction at the Palembang City's Regency Service Office. These results are consistent with the theoretical expectations based on Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory. In line with Maslow's theory, the provision of fair and motivating incentives—such as performance bonuses, recognition, and career development—helps fulfill employees' basic and psychological needs, particularly those related to security, esteem, and self-actualization. When these needs are met, employees tend to report higher levels of satisfaction with their jobs.

Similarly, the work environment, including physical conditions, interpersonal relations, and managerial support, directly aligns with the hygiene factors in Herzberg's theory. These are necessary to prevent dissatisfaction. Moreover, when the environment is perceived as supportive and empowering, it contributes to intrinsic motivation, especially when combined with recognition and responsibility—elements Herzberg classified as motivators. Interestingly, the regression analysis showed that work environment ($\beta = 0.448$) had a slightly stronger influence on employee satisfaction compared to incentives ($\beta = 0.356$). This suggests that while financial rewards are important, employees may value non-monetary aspects of their work, such as psychological safety, support, and collegiality, even more in a public service setting. This is particularly relevant in government institutions where salary structures are typically standardized and promotion opportunities may be limited.

These findings are also in line with previous studies, (I. Soni K, Jajuk H 2022) found that work environment had a dominant influence on job satisfaction in civil service organizations in Java. (Almuzani and Purnomo 2022) showed that although financial incentives are appreciated, a positive leadership style and good team dynamics had a stronger effect on morale and satisfaction among public employees. On the other hand, studies in the private sector (Hasnain Khan et al. 2011) often find incentives to be the stronger predictor of satisfaction, suggesting a contextual difference between sectors.

The findings of this study confirm that both incentives and the work environment are statistically significant predictors of employee satisfaction in a public service context. However, beyond the statistical significance, these findings carry broader implications for public sector

management—particularly in developing countries where institutional reform, employee morale, and service quality are closely interconnected. First, the results reinforce the enduring relevance of motivation theories—namely Maslow’s Hierarchy of Needs and Herzberg’s Two-Factor Theory—in understanding employee behavior within government institutions. Despite being developed decades ago, these theories remain applicable in explaining how non-financial and environmental factors can shape job satisfaction, even when financial rewards are present. In this case, the stronger influence of work environment on satisfaction suggests that intrinsic and contextual motivators are increasingly critical in the modern public workplace, where employees may value meaning, respect, and psychological safety as much as they value salary.

Secondly, these findings provide contextual insight into the unique nature of motivation in the public sector. Unlike in the private sector—where incentives are often used as primary performance drivers—this study suggests that in a bureaucratic, standardized-pay setting like the Regency Service Office, employees may derive satisfaction more from how they experience their work (relationships, support, conditions) than from what they receive financially. This points to the limitation of transactional approaches to motivation in public service, and supports a shift toward relational and environmental strategies.

Third, these results align with earlier empirical work (e.g., Sutanto & Kurniawan, 2022; Nasution, 2021), but also add nuance by showing how incentives and work environment interact as co-predictors of satisfaction, rather than as isolated variables. This dual approach responds to a gap in existing literature, which often treats motivation factors in silos. Therefore, this study contributes by presenting a more integrated model of satisfaction in the public sector—emphasizing that both adequate reward systems and a supportive work environment must be managed together to achieve optimal employee morale.

Implications

At a policy level, these findings urge local governments—particularly in Indonesia and similar contexts—to rethink performance management frameworks. Rather than over-relying on salary increases or bonus structures, governments could achieve better outcomes by:

- a. *Redesigning* workspaces to enhance collaboration and comfort,
- b. *Training* supervisors in supportive leadership,
- c. *Building* recognition mechanisms that promote intrinsic motivation.

Furthermore, for human resource development scholars and practitioners, this study emphasizes the need to recontextualize motivation theory in modern public sector settings, adapting classical frameworks like Maslow and Herzberg to account for generational shifts, digitalization, and changing workforce expectations. Ultimately, the conclusions drawn here are grounded not only in empirical evidence, but also in established theory and existing research, ensuring a logical, theory-driven interpretation of the results as recommended by Varadarajan (1996).

From a managerial perspective, this study highlights the need for balanced human resource strategies in public institutions (Waris et al. 2020). While continuing to ensure fair and performance-based incentive systems, administrators should prioritize improvements in the work environment, such as ; (a) Strengthening communication and leadership support, (b) Ensuring healthy interpersonal dynamics and teamwork, (c) Providing clear job roles and performance feedback, (d) Enhancing the physical workspace and safety. Investing in these areas may lead to higher employee engagement, reduced turnover, and improved public service delivery.

CONCLUSION

This study set out to examine the influence of incentives and work environment on employee satisfaction within the context of the Palembang City's Regency Service Office. Guided by Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, the research has empirically demonstrated that both factors have a significant and positive impact on employee satisfaction, with the work environment emerging as the slightly stronger predictor.

The findings indicate that while financial rewards and structured incentive systems remain important, they are not sufficient on their own to ensure high levels of employee satisfaction—especially in public sector settings. Instead, employees appear to place greater value on aspects of the work environment such as interpersonal relationships, managerial support, and overall workplace atmosphere. This suggests that satisfaction is not only a matter of compensation, but also of experience and meaning at work.

The study contributes to both theory and practice by validating the continued relevance of classical motivation theories in a modern government context and highlighting the importance of integrating both extrinsic (incentives) and intrinsic/contextual (environmental) factors when designing employee engagement and retention strategies. In conclusion, to enhance employee satisfaction—and, by extension, public service performance—organizations must strike a balance between fair reward systems and efforts to cultivate a healthy, supportive work environment. This is particularly critical for civil service institutions where non-financial motivators often play a central role in shaping employees' overall workplace experience.

LIMITATION

While this study provides valuable insights into the relationship between incentives, work environment, and employee satisfaction in a public service context, several limitations should be acknowledged to frame the findings appropriately and guide future research. First, the study was conducted within a single government institution—the Regency Service Office of Palembang City. As such, the findings may not be fully generalizable to other public sector organizations, especially those operating in different administrative levels, cultural settings, or organizational structures. Second, the use of a cross-sectional research design limits the ability to make causal inferences.

The relationships observed between the variables reflect correlations at a single point in time, which means that changes over time or long-term effects of incentives and work environment on satisfaction could not be captured. Third, the study focused on only two predictor variables—incentives and work environment—while employee satisfaction is likely influenced by other factors as well, such as leadership style, organizational culture, job characteristics, or opportunities for professional development. The exclusion of these variables presents a more limited view of the broader determinants of satisfaction. Finally, the sample size, while statistically adequate, was still relatively modest (120 respondents), and future studies might benefit from including larger and more diverse samples to enhance the robustness and applicability of the findings. Despite these limitations, the study offers a solid foundation for understanding key motivational drivers in public sector employment and opens avenues for further investigation into how institutional practices influence employee satisfaction in government settings.

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