

THE INFLUENCE OF HUMAN CAPITAL ON EMPLOYEE WELFARE: THE BUSINESS OF JASMINE ESSENTIAL OIL AS A PERFUME SEED PRODUCT



Lindawaty

Universitas Esa Unggul, Tangerang, Indonesia
gulizhen92@gmail.com

Tantri Yanuar Rahmat Syah

Universitas Esa Unggul, Tangerang, Indonesia
tantri.yanuar@esaunggul.ac.id

Muhammad Dhafi Iskandar

Universitas Esa Unggul, Tangerang, Indonesia
muhammad.dhafi@esaunggul.ac.id

Dimas Angga Negoro

Universitas Esa Unggul, Tangerang, Indonesia
dimas.angga@esaunggul.ac.id

Abstract

Jasmine essential oil is a crucial component in the perfume and cosmetics industry. Derived from jasmine flowers, it possesses a distinct and captivating aroma. The demand for jasmine essential oil has been escalating due to the continuous growth of the perfume industry. PT. Agrindo Sumber Harum is a company in this sector that specializes in producing fragrance seedlings from jasmine essential oil. The company is responsible for producing, packaging, and distributing high-quality fragrance seedlings. This quantitative research aims to explore the relationship between Human Capital and Employee Well-being within the context of PT. Agrindo Sumber Harum. The research methodology involves secondary data analysis, which utilizes existing data to test hypotheses or answer research questions. Secondary data, such as sales data, financial data, or company performance data, can be analyzed to assess the impact of employee segmentation on sales growth and return on investment (ROI). The research employs Partial Least Square (PLS) as the data analysis technique. The findings reveal a significant favorable influence of Human Capital on Employee Well-being. The study concludes that PT. Agrindo Sumber Harum's implementation of Human Capital practices contributes to the well-being of employees and reinforces the connection between Human Capital and Employee Well-being.

Keywords: Human Capital, Employee Well-being, Fragrance Seedlings

INTRODUCTION

Jasmine essential oil, extracted from jasmine flowers, plays a vital role in the perfume and cosmetics industry due to its unique and captivating scent (Khanipah et al., 2021). The increasing demand for jasmine essential oil corresponds with the growth of the perfume industry (Rubiyanto et al., 2023). PT. Agrindo Sumber Harum is a critical player in this industry, specializing in producing fragrance seedlings from jasmine essential oil. The company is responsible for the entire process, from production to packaging and distribution of high-quality fragrance seedlings.

Employees represent a valuable asset for any organization, including PT. Agrindo Sumber Harum. The company's success heavily relies on the dedication and performance of its employees in delivering high-quality products. Competent and experienced employees aid the company in quickly adapting to market and technological changes (Aulia & Aslami, 2023).

In any industry, employees and companies are interdependent. Employees are the company's assets, as they cannot function without human resources, and employees need the company for their livelihood (Adhari, 2021). One strategy for effective human resource management is employee well-being. Creating an environment where employees feel valued, motivated, and supported positively impacts their work morale, performance, discipline, and loyalty (Heryanto, 2021).

Employee well-being, defined by Law No. 13 of 2003 on Labor, involves fulfilling physical and spiritual needs both within and outside of work, contributing to increased work productivity in a safe and healthy environment (Agus, 2019). Well-being programs address employee needs beyond wages, aiming to boost employee motivation. These programs help maintain positive attitudes toward work and the environment (Komala, 2020).

In a competitive industry, Human Capital significantly influences employee well-being. Developing Human Capital is crucial for achieving competitive advantage (Efendi, 2019). It ensures employees possess the skills, knowledge, and competencies to meet business goals and contribute to company growth (Zurnali & Sujanto, 2020). Moreover, employees who feel valued and appreciated tend to be more productive and loyal.

While developing Human Capital is critical, companies may encounter challenges in its implementation. Training budgets, adequate infrastructure for employee development, and underoptimized human resource policies are potential challenges (Wujarso, 2022). Like the research by Julia Parida and Emei Dwinanarhati Setiamandani, their study focused on empowerment based on the creative economy. The study found a significant favourable influence of community empowerment strategies on enhancing community well-being (Widiastuti, 2023).

This research project aims to identify and analyze a Human Capital development strategy based on employee well-being that can enhance the performance and productivity of employees at PT. Agrindo Sumber Harum. Additionally, this study aims to discover appropriate solutions to the company's challenges in developing Human Capital.

REVIEW OF LITERATURE

Human Capital

The term "Human Capital" is composed of two words: "Human" and "Capital". It encompasses knowledge, skills, abilities, and creativity translated into work capabilities that can be utilized to generate professional services and economic value (Yuniarsih et al., 2022).

According to Oktavia (2023), Human Capital consists of knowledge, expertise, abilities, and skills that transform individuals or employees into valuable assets for a company. Similarly, Priyandana (2022) states that Human Capital, acquired through education and on-the-job training, supports work experience. Human Capital is essential to enhance the capability for producing goods and services, thus elevating productivity. Recognizing Human Capital as a critical factor in the production process, Burhanudin (2021) asserts that human resources are vital assets for companies to boost their performance. Becker emphasizes that investing in Human Capital, such as education and training, improves individual quality and productivity, ultimately positively impacting economic growth and societal development. Several dimensions and indicators of Human Capital, as outlined by Gary S. Becker, are as follows:

Table 1
Human Capital

Dimensions	Indicator
Education	The higher a person’s educational level, the more likely they are to have relevant skills and knowledge in the work environment.
Training	Training can improve individual work efficiency and help them adapt to changes in technology and market demands
Skills and Knowledge	Individual ability to solve problems, critical thinking, communicate, and innovate
Health	A person’s physical and mental health plays an important role in determining the level of productivity and participation in economic activities
Social Mobility	opportunities and accessibility of resources and education
Motivation and Creativity	The level of individual motivation and creativity can affect the level of innovation in society
Technology Expertise	Ability to adapt to technological developments and their utilization

Source: (Wahyuni et al., 2023)

Employee Welfare

After employees are accepted and developed, they also need to be motivated to want to work for the company until retirement (Toha & Habibah, 2023). To retain these employees, especially those who excel and contribute large company contributions, welfare or complementary compensation must be provided (Hayati & Wilistiningsih, 2019).

As stated by Zulkarnaen & Herlina (2018), the definition of welfare is “indirect compensation is remuneration received by workers in forms other than direct wages or salaries”. As stated by Nuzleha & Yumarni (2020), the definition of welfare is "welfare can be seen as further assistance to employees. Especially payments to sick people, assistance money for employee savings, distribution in shares, medical insurance, hospital care, and pensions. Maatisya and Santoso (2022) state that “welfare is health benefits sponsored by business/company providers to reduce extraordinary costs arising from long-term or serious health problems”. From the description above, it can be concluded that employee welfare is financial assistance or compensation the company provides in a form other than direct wages or salary.

Table 2
Employee Welfare

Dimensions	Indicator
Physical Health	Level of physical fitness and general health of employees.
Psychological and Emotional Health	Frequency and duration of illness or health-related absences.
Work and Personal Life Balance	Accessibility and utilization of health facilities in the workplace.
Working Conditions and Working Environment	Level of job satisfaction and employee happiness.
Professional Development and Skills Upgrading	The level of stress and the level of psychological support felt by employees.

Source: (Rianto & Tanuwijaya, 2023)

RESEARCH METHOD

This research is included in quantitative research. Sugiyono (2017) said that research methods are scientific characteristics to obtain data with specific purposes and uses. Data is obtained by Secondary Data Analysis, which involves using existing data to test hypotheses or answer research questions. In this context, secondary data such as sales, financial, or company performance data can be analyzed to see the impact of employee segmentation on sales growth and ROI. This research was conducted at PT. Agrindo Sumber Fragrant. The sampling technique in this study was purposive sampling so that in this study, the samples were all employees of PT. Agrindo Sumber Fragrant

The data analysis technique in this study uses Partial Least Square (PLS). PLS is an equation model of Structural Equation Modeling (SEM) with an approach based on variance or component-based structural equation modeling. According to Hair et al. (2016), the purpose of PLS-SEM is to develop or build a theory (predictive orientation). PLS is used to explain whether there is a relationship between latent variables (predictions). PLS is a powerful analytical method because it does not assume data flows with a specific measurement scale; the number of samples is small (Hair et al., 2016).

Validity and Reliability Test

Validity and reliability tests are carried out to ensure that the measurements used are accurate and reliable (valid and reliable) (Pealeu, 2023). Testing the validity and reliability can be seen in the: First, Convergent Validity is a metric that assesses the correlation between item/component scores and construct scores, as seen in the standard loading factor, which describes the magnitude of the correlation between each item measured and its construct. Individual reflexes are said to be high if > 0.7 .

Second, discriminant validity is a measurement model with a reflection index assessed based on size and cross-loading constructs. Discriminant validity, namely comparing the extracted root mean square of variance (AVE), a tool is declared valid if the AVE value is > 0.5 (Pealeu, 2023). Third, Composite reliability is a measure of a structure that can be seen in terms of the coefficients of the latent variables. In this measurement, if a value > 0.70 is achieved, the construction is highly reliable. Fourth, Cronbach's Alpha is a reliability test designed to strengthen the results of composite reliability. A variable can be declared reliable if the value of Cronbach's alpha > 0.7 (Pealeu, 2023).

Instrument Testing

Table 3
Instrument Testing

Uji Instrumen	Uji yang digunakan
Uji Validitas	Convergent Validity AVE
Uji Reliabilitas	Cronbach Alpha Composite Reliability

R Square Test

The R-square of the dependent construct is used to analyze the effect of specific independent variables on the dependent latent variable, which displays the magnitude of the effect.

Inner Model Analysis

Inner Model Analysis, or Structural Modeling, predicts causal relationships between model variables (Creswell, 2018). The hypotheses are tested during the model analysis in the Smart PLS test. Evaluating hypotheses, t-statistic and probability values can be shown (Creswell, 2018). The results of the t-statistic are used to test the hypothesis using a statistical

value of 1.96 for an alpha of 5 per cent. In contrast, the beta score is used to determine the direction of the influence of the relationship between variables. The criteria for acceptance/rejection of the hypothesis are:

$$H_a = t\text{-statistic} > 1.96 \text{ with } p\text{-values} < 0.05.$$

$$H_0 = t\text{-statistic} < 1.96 \text{ with } p\text{-values} > 0.05.$$

RESULTS AND DISCUSSION

Outer Model Analysis

Validity Test

A validity test is used to measure the validity or validity of a questionnaire. In this research, validity testing was carried out using convergent validity and AVE. The validity of convergent validity in which the measurement model with reflection indicators is assessed based on the correlation between the item score/component score calculated by PLS. Individual reflection size is considered high if it correlates more than 0.7 with the measured construction. However, according to Dahri (2017), developing a measurement scale of loading values from 0.5 to 0.6 is sufficient for early-stage research.

Table 4
Validity Test Results

Variable	Outer Loading	AVE	Information
Human Capital	HC1	0,754	Valid
	HC10	0,731	Valid
	HC2	0,731	Valid
	HC3	0,706	Valid
	HC4	0,736	Valid
	HC5	0,749	Valid
	HC6	0,753	Valid
	HC7	0,743	Valid
	HC8	0,739	Valid
	HC9	0,779	Valid
Employee Welfare	KK1	0,724	Valid
	KK10	0,712	Valid
	KK11	0,711	Valid
	KK12	0,716	Valid
	KK13	0,747	Valid
	KK2	0,726	Valid

KK3	0,719	Valid
KK4	0,735	Valid
KK5	0,721	Valid
KK6	0,841	Valid
KK7	0,717	Valid
KK8	0,744	Valid
KK9	0,760	Valid

Based on the results of testing the instrument's validity, it is known that of the 23 indicators, there are no invalid indicators, so in this study, only 23 were used.

Reliability Test

This study uses two types of reliability tests: the Cronbach Alpha and Composite Reliability tests. Cronbach Alpha measures the lowest (lower bound) reliability. Data is declared reliable if the data has a Cronbach alpha value > 0.7. Composite reliability measures the actual reliability value of a variable. Data is declared highly reliable with a composite reliability score > 0.7 (Creswell, 2018).

Table 5
Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	Information
Human Capital	0,909	0,925	Reliable
Employee Welfare	0,930	0,939	Reliable

The test results show that all instruments are declared reliable with a Cronbach Alpha score and Composite reliability > 0.7.

Test Convergent Validity after modification

The following figure shows the results of the calculation of the PLS-SEM model after the indicators that do not meet the requirements for the loading factor value are removed, in the figure it can be seen that the loading factor values for each variable are not below 0.6, so the analysis is continued with the Discriminant Validity (Creswell) test, (2018).

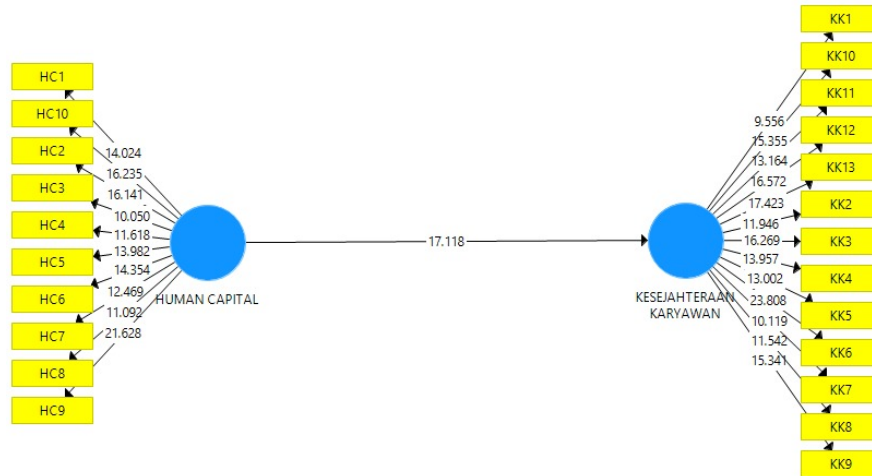


Figure 1
Convergent Validity test after modification

R-Square test

The R-Square Coefficient determination (R-Square) test is used to measure how much the endogenous variables are influenced by other variables (Creswell, 2018). Based on data analysis carried out through the use of the smartPLS program, the R-Square value is obtained as shown in the following table:

Table 6
R-Square Test

	R Square	R Square Adjusted
Employee Welfare (Y)	0,592	0,588

Based on the test results, an R-Square score for Employee Welfare (Y) was obtained at 0.592, which means that Employee Welfare is influenced by Human Capital by 59.2% and the other 40.8% is influenced by variables that have not been explained in this study.

Hypothesis Testing

Testing the hypothesis can be seen through the value of the t-statistic and the probability value. To test the hypothesis using statistical values for alpha 5% by comparing t count with t table. So, the criterion for accepting or rejecting the hypothesis is that H0 is rejected if the t-statistic > t count (Creswell, 2018). To reject/accept the hypothesis using probability, Ha is accepted if the p-value <0.05

Table 7
Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STD EV))	P Values
Human Capital -> Employee welfare	0,770	0,775	0,045	17,118	0,000

Human Capital on Employee Welfare

The results of testing the hypothesis that there is an influence between Human Capital and Employee Welfare show that the p-value is 0.000, more diminutive than 0.05, and a t-statistic value of 17.118, more significant than 1.660, and a beta score of 0.770. So, the explanation above will show that Human Capital has a significant favorable influence on Employee Welfare.

Employee welfare, according to Law No. 13 of 2003 concerning Manpower, is a fulfillment of physical and spiritual needs and needs, both inside and outside of work relations, which can directly or indirectly increase work productivity in a safe and healthy work environment. (Muhlizar et al., 2022). Welfare programs aim to address various employee complaints regarding their needs beyond wages or salaries. The benefit of the employee welfare program is to increase employee morale. It is expressed by (Sitio, 2020), "Employee welfare programs help maintain employee morale. Paying special attention to employee welfare programs will maintain employee attitudes towards performance and the work environment".

In a competitive industry, Human Capital influences employee welfare. The development of Human Capital becomes critical to achieve competitive advantage. Human Capital development means ensuring employees have the skills, knowledge, and competencies to achieve business goals and contribute to the company's growth. In addition, employees who feel cared for and valued will tend to be more productive and loyal to the company (Isrososiawan et al., 2021). Although Human Capital development is essential, companies may face several challenges. Some of the challenges that may be faced are limited

budgets for training, lack of infrastructure for employee development, or unoptimized human resource policies.

CONCLUSION

Based on the research results above, it is known that there is an influence between Human Capital and Employee Welfare. The results of this study state that Human Capital has a significant favorable influence on Employee Welfare. Company PT. Agrindo Sumber Harum also implements the Human Capital form of Employee Welfare, which is being implemented so that it is very influential between Human Capital and Employee Welfare.

REFERENCES

- Adhari, Z. I. (2021). *Optimalisasi Kinerja Karyawan Menggunakan Pendekatan Knowledge Management & Motivasi Kerja*. Penerbit Qiara Media.
- Agus, D. (2019). Ruang Lingkup Pengaturan Perlindungan Buruh/Pekerja Menurut Undang-Undang No. 13 Tahun 2003 Tentang Ketenagakerjaan. *Jurnal Legalitas*.
- Aulia, R., & Aslami, N. (2023). The Role of Change Management in Facing Challenges and Optimizing Opportunities in the Digital Age. *Journal of Nusantara Economic Science (JNES)*, 1(2), 65–72. <https://doi.org/e-ISSN: 2986-9463>
- Burhanudin. (2021). Human Capital Theoru Sebagai Landasan Teoritis Dalam Human Resource Development. *Jurnal STIE Semarang*.
- Creswell, J. (2018). *Research design : Qualitative, Quantitative, And Mixed Methods approaches*. Research design.
- Dahri, M. (2017). Jenis Variabel Dan Skala Pengukuran, Perbedaan Statistik Deskriptif Dan Inferensial. *Ejournal Preprints*.
- Efendi, S. (2019). Peran Human Capital Bagi Keunggulan Kompetitif Organisasi: Sebuah Tinjauan. *Jurnal Kelola: Jurnal Ilmu Sosial*. <https://doi.org/10.54783/jk.v2i2.406>
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to Use And How To Report The Results Of PLS-SEM. In *European Business Review*. <https://doi.org/10.1108/EBR-11-2018-0203>
- Hayati, I., & Wilistiningsih, S. (2019). Analisis Loyalitas Pekerja Bagian Farmasi di Rumah Sakit Pertamina Jaya. *Bina Manfaat Ilmu; Jurnal Pendidikan*, 2(4), 631–654.
- Heryanto, T. (2021). Program Pemeliharaan Karyawan Dalam Mencapai Tujuan Institusi. *El-Ecosy : Jurnal Ekonomi Dan Keuangan Islam*. <https://doi.org/10.35194/eei.v1i1.1139>

- Isrososiawan, S., Rahayu, A., & Wibowo, L. A. (2021). Green Human Resources Management Mendukung Kinerja Lingkungan Industri Perhotelan. *Jurnal Co Management*. <https://doi.org/10.32670/comanagement.v3i2.425>
- Khanipah, N., Nurcahyo, H., & Purgiyanti. (2021). Isolasi Minyak Atsiri dari Bunga Melati (Jasminum sambac) dan Penggunaannya pada Sediaan Aromaterapi. *Jurnal Warta LPM*.
- Komala, T. (2020). *Pengaruh Kesejahteraan Terhadap Kinerja Pegawai Pada Uptd Pemeliharaan Jalan Majenang*. Institut Agama Islam Negeri (IAIN).
- Maatisya, Y. F., & Santoso, A. P. A. (2022). Rekonstruksi Kesejahteraan Sosial Bagi Tenaga Kesehatan di Rumah Sakit. *JISIP (Jurnal Ilmu Sosial Dan Pendidikan)*. <https://doi.org/10.36312/jisip.v6i3.3395>
- Muhlizar, Joharsah, & Suwandi, I. (2022). Tinjauan Yuridis Terhadap Kewenangan Serikat Pekerja/Buruh Dalam Upaya Perlindungan Hukum Terhadap Pekerja/Buruh Dalam Suasana Pandemi Covid-19 Ditinjau Undang- Undang Nomor 13 Tahun 2003 Tentang Ketenagakerjaan. *Siakad.Univamedan.ac.id*, 2(October), 1–7.
- Nuzleha, N., & Yumarni, P. (2020). Hubungan Kesejahteraan Pegawai Dengan Kinerja Pegawai Pada Komisi Pemilihan Umum (Kpu) Kabupaten Lampung Barat. *Jurnal Manajemen Mandiri Saburai (JMMS)*. <https://doi.org/10.24967/jmms.v3i02.569>
- Oktavia, T. (2023). Human Capital, Job Satisfaction and Employee Performance. *International Journal Management Science and Business*, 5(1), 19–27. <https://doi.org/https://doi.org/10.17509/msb.v5i1>
- Pelealu, D. R. (2023). Manajemen Sumber Daya Manusia Dan Total Quality Management Sebagai Upaya Peningkatan Kinerja Perusahaan. *Community Development Journal*
- Priyandana, S. (2022). *Analisis Human Capital Dengan Menggunakan Metode Hcroi (Human Capital Return On Investment) Di Pt. Socfindo Kebun Bangun Bandar*. Universitas Islam Sumatera Utara.
- Rianto, F. F., & Tanuwijaya, J. (2023). Determinants of Company Employee Performance PT. Kilang Pertamina International (PT. KPI). *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, 6(2), 501–523. <https://doi.org/10.31538/IIJSE.V6I2.3136>
- Rubiyanto, Wicaksono, Musawwa, Yulirohyami, Fitri, & Isnaini. (2023). *Pengembangan UMKM Berbasis Minyak Atsiri Dan Bahan Alam*. Deepublish.
- Sarstedt, M., Ringle, C. M., Cheah, J. H., Ting, H., Moisescu, O. I., & Radomir, L. (2020). Structural model robustness checks in PLS-SEM. *Tourism Economics*. <https://doi.org/10.1177/1354816618823921>
- Sitio, V. S. S. (2020). Pengaruh Program Kesejahteraan Terhadap Semangat Kerja Karyawan

- Outsourcing Pada Pt Arina Multikarya. *Jurnal Ilmiah M-Progress*, 10(1), 35–44. <https://doi.org/10.35968/m-pu.v10i1.366>
- Sugiyono. (2017). Metode Penelitian Bisnis (Pendekatan Kuantitatif, Kualitatif, Kombinasi dan R&D). In *Metodelogi Penelitian*.
- Toha, M., & Habibah, N. J. (2023). MSME Empowerment And Development Program To Increase Consumer Satisfaction. *Sahwahita: Community Engagement Journal*, 1(1), 26–39. <https://e-journal.bustanul-ulum.id/index.php/Sahwahita/article/view/24>
- Wahyuni, S. F., Hafiz, M. S., & Pradesyah, R. (2023). The Effect of Contribution, Role, and Capital on MSMEs Business Development in Islamic Banks with Human Resources Quality as A Moderation Variable. *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, 6(1), 222–231. <https://doi.org/10.31538/IIJSE.V6I1.3044>
- Widiastuti, A. T. (2023). *Pengaruh Pemberdayaan Sumber Daya Manusia (Sdm) Berbasis Ekonomi Kreatif Dan Lingkungan Kerja Terhadap Kesejahteraan Karyawan Ditinjau Dari Perspektif Ekonomi Islam (Studi Pada Karyawan Toko Keripik Pisang Di Gang Pu Kedaton, Bandar Lampung)*. Universitas Indonesia.
- Wujarso, R. (2022). Peran Human Capital Dalam Pertumbuhan Ekonomi. *Journal of Information System, Applied, Management, Accounting and Research*.
- Yuniarsih, N., Rohmalia, Y., Saleh, A. R., Nijomi, S. R., Septianti, A., & Farida, A. N. (2022). Penerapan Human Capital Manajemen dalam Meningkatkan Kualitas SDM Terhadap Kinerja Perusahaan. *Diversity: Jurnal Ilmiah Pascasarjana*. <https://doi.org/10.32832/djip-uika.v2i2.5880>
- Zulkarnaen, W., & Herlina, R. (2018). Pengaruh Kompensasi Langsung Dan Kompensasi Tidak Langsung Terhadap Kinerja Karyawan Bagian Staff Operasional Pt Pranata Jaya Abadi Banjaran. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*. <https://doi.org/10.31955/jimea.vol2.iss2.pp90-114>
- Zurnali, C., & Sujanto, A. (2020). Pentingnya Green Human Resource Management pada Perusahaan di Indonesia. *Jurnal Infokam*.