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Green Compensation: Sustainable Salary and Welfare Benefit on Employee Performance in Waste Management Social Entrepreneurship

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ABSTRACT

Green compensation, reward system for employee performance, is crucial for sustainability in organizations requiring human resources, including waste management social entrepreneurship. Social entrepreneurship, built on social intentions and goals, represents an innovative approach to addressing social problems while creating business opportunities. Social enterprises that empower surrounding communities, rewards are implemented through salaries and welfare benefits. Relationship between compensation, benefits, and employee performanced in waste management social entrepreneurship varies, with evidence showing that adequate compensation significantly enhances productivity and motivation. Particularly relevant in waste management, where employee engagement is essential for effective operations. Quantitative research aims to determine whether salary and welfare benefits influence employee performance in a waste management social enterprise. Research sample consists of 103 staff members who have been empowered by the organization, which has been in operation for over 12 years. Data were collected using a structured questionnaire distributed to all employees in the sample. Data were processed using statistical analysis software (such as SPSS) determine strength and significancy relationships between variables. Findings reveal salary and welfare benefits significancy impact on employee performance. However, magnitude influence falls within the moderate category, suggesting that other factors not examined in this study also affect performance. Additional factors warrant further investigation to provide a more comprehensive understanding of employee performance drivers.

Keywords: green compensation; sustaianble salary; employee performance; social entrepreneurship; waste management

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INTRODUCTION

Indonesia faces a complex challenge of high population density, currently ranking as the fourth most populous country globally according to the 2023 World Population Review (WPC, 2023). This demographic pressure creates significant social and environmental issues, as natural resources are increasingly exploited to meet basic human needs for food, shelter, clean water, and air (Junus et al, 2025) Without proper conservation efforts, continuous resource exploitation threatens environmental sustainability. One critical environmental problem stemming from high population density is improperly managed waste. The Ministry of Environment and Forestry defines waste as solid remnants from daily human activities or natural processes (Permen LHK, 2022), with household waste specifically referring to non-sewage and non-specific waste from household activities. As population increases, waste generation inevitably rises, making effective waste management essential to prevent environmental degradation.

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Waste mismanagement has severe consequences, particularly water pollution, which directly impacts public health by contaminating a vital resource (Rahmah, Sari, & Amrina, 2021). Clean water is a fundamental human need that requires urgent protection from contamination (Hasibuan, 2016). Despite various government prevention and mitigation efforts, these initiatives have been suboptimal due to multiple factors. In response, the Indonesian government enacted Law No. 18 of 2008 on Waste Management, which distributes waste management responsibilities between the government and communities (Presiden, 2008). This approach aims to leverage the large population as part of the solution through economic empowerment via waste management.

In densely populated Malang Regency, authorities have implemented this policy by promoting and establishing community-based, self-sufficient waste management facilities. This development aligns with poverty reduction goals through social

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entrepreneurship (Tenrinippi, 2019), transforming social problems into opportunities for community welfare (Mulia, 2020). The 3R (Reuse, Reduce, Recycle) Waste Processing Sites are community-operated facilities that extract remaining economic and utilitarian value from waste, aiming to improve community welfare while reducing waste volumes sent to final disposal sites (Qodriatun, 2014).

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The primary asset of any organization is its human resources assessing an organization's overall performance, placing emphasis on retaining a skilled and productive workforce direct correlation between higher wages, comprehensive benefits, and improved employee performance (Putra, 2024; Ampong, 2024; Lin and Chang, 2023). Employee compensation positively correlate with productivity and company performance across various sectors. Employees play a key role in the existence and growth of any organisation, therefore their welfare is essential (Jaikumar, 2023). Additionally (Haque, 2017) reported a significant relationship between compensation and employee performance, emphasizing the need for effective compensation management to enhance work motivation.

The concept of Green Compensation has emerged as particularly relevant in environmental contexts. (Puspitasari et al, 2024) highlight the role of Green Compensation in promoting pro-environmental behaviors among employees, which is especially important in waste management where environmental sustainability is a priority. The effectiveness of compensation strategies is influenced by employees' perceptions of fairness and alignment with personal values, which can enhance their commitment to organizational goals (Puspitasari et al., 2024). Beyond compensation, emphasize that employee performance, alongside community participation, significantly impacts waste management effectiveness. This suggests that while salary and benefits are crucial, fostering a sense of community involvement can further enhance performance outcomes.

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This research aims to examine the influence of salary systems and welfare benefits on employee performance within social entrepreneurship contexts, specifically at TPS 3R Mulyoagung Bersatu and its business group, which has successfully employed 103 individuals. By investigating the relationship between compensation practices and employee performance in green waste management, critical gap in understanding how socially-oriented organizations can maintain financial sustainability while promoting environmental goals (Putra, 2024). The research employs a mixedmethods approach to analyze both quantitative correlations between compensation perceptions and performance metrics, and qualitative factors affecting system effectiveness, including perceived fairness and value alignment. employee benefits is to increase the economic security of staff members, and in doing so, improve worker retention across the organization (Jayapriya & Hibli, 2023). This work contributes to Green Human Resource Management literature by demonstrating how properly designed compensation systems can simultaneously enhance employee performance and promote pro-environmental behaviors, providing practical guidance for creating transparent, fair systems that align with organizational sustainability objectives.

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LITERATURE REVIEW

The concept of Green Compensation has emerged as particularly relevant in environmental contexts. (Puspitasari et al, 2024) Green Compensation and Benefits (GCB) menunjukkan adanya hubungan positif yang signifikan antara persepsi karyawan terhadap praktik GCB dan peningkatan kinerja mereka. Karyawan yang merasa bahwa insentif ramah lingkungan diberikan secara adil dan bermakna cenderung menunjukkan produktivitas yang lebih tinggi dan perilaku kerja yang mendukung tujuan keberlanjutan organisasi (Ampong, 2024). Efektivitas GCB sangat dipengaruhi oleh tiga faktor utama, yaitu persepsi keadilan, komunikasi yang jelas, dan

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kesesuaian antara insentif dengan nilai pribadi karyawan. Studi ini memberikan kontribusi penting dalam literatur Green Human Resource Management (GHRM) dengan menyoroti peran spesifik GCB dalam mendorong perilaku pro-lingkungan di tempat kerja dan meningkatkan kinerja individu. Eksplorasi interaksi antara GCB dan praktik GHRM lainnya. Pendekatan GHRM yang holistik diyakini mampu mendorong perilaku ramah lingkungan karyawan dan mendukung pencapaian keberlanjutan organisasi secara lebih efektif.

Social entrepreneurship can be simply defined as the development of a business with a social mission, where profit is pursued primarily to sustain operational needs, while the core purpose is to solve pressing social issues within communities. As model offers a long-term approach to alleviating poverty by empowering underprivileged populations through continuous engagement rather than temporary aid (Annisa et al,2025). Social entrepreneurship is grounded in four key elements: social value, civil society, innovation, and economic activity (Jaikumar, 2023). These pillars underline the dual purpose of this model-to generate economic value while addressing societal challenges through innovative resource use. A notable example is waste management, often categorized as a form of social enterprise due to its environmental benefits and its role in creating employment opportunities for marginalized groups (Mustika et al, 2023). (Tenrinippi, 2019) identifies four types of social enterprises: community-based organizations, socially responsible enterprises, social service professionals, and socioeconomic or dualistic enterprises. Among these, socio-economic enterprises stand out for their ability to operate as commercial ventures driven by social values. For instance, a recycling business that employs local unemployed residents exemplifies how such enterprises address both economic and social goals. The success of social entrepreneurship is therefore measured not only in financial performance but also in its social impact, seen through social inclusion, environmental protection, and economic empowerment (Lin and Chang, 2023).

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Integration of sustainability indicators into the business model of social enterprises is essential in addressing environmental and social challenges. Wastesavers serves as a compelling example of such an enterprise. It operates as a hybrid organization, combining elements of both charity and nonprofit business models, with the goal of developing, managing, and expanding a range of community recycling services. (Darby& Jenkins, 2006). These services focus on the collection and resale of post-consumer waste and are designed not only to promote the environmental benefits of recycling, waste reduction, and minimization, but also to provide social value. Specifically, Environmental-social-governance-based compensation was found to have a positive relationship with carbon reduction initiatives. Corporate boards and executive management tend to focus on a company's process-oriented carbon performance (Haque, 2017). Wastesavers actively involves unemployed individuals, volunteers, and people with special needs in its recycling operations, thereby fostering inclusion and empowerment. The organization is guided by the fundamental principles of the 3Rs-reduce, reuse, and recycle-which are central to its mission of creating a more sustainable and equitable society.

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Employee welfare becomes a vital component of success. Salary, as a form of compensation, plays a significant role in maintaining employee motivation and overall organizational performance. According to (Seto & Merdja, 2020), salary is the monetary reward granted to employees for their work and serves as material recognition of their contributions. The amount and fairness of salary are crucial in determining employee well-being, and companies must ensure equitable distribution based on job complexity and individual capabilities, adhering to principles of distributive justice (Ndruru et al, 2024). Complementing salary, welfare benefits are another important aspect of employee compensation. These benefits are non-financial rewards given to improve job satisfaction and enhance overall quality of life (Samsu, 2019). Welfare benefits can include health insurance, retirement plans, education allowances, transport subsidies,

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housing support, paid leave, childcare assistance, meal provisions, and flexible working hours, among others (Indriyani, 2014). The specific types of benefits vary depending on the company's policy and socio-cultural context. Beyond financial and non-financial compensation, employee performance remains a central factor in the success of any social enterprise (Obeidat & Abdalla, 2022).

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Performance is typically measured by the quantity and quality of output, job knowledge, and feedback (Marjaya et al., 2019). Additional performance indicators include timeliness, attendance, and the ability to collaborate effectively within teams (Aji et al., 2016). A structured and evolving performance evaluation system ensures that employees remain aligned with organizational goals, facilitating ongoing development and impact. Delmas and Pekovic (2018) reported that companies implementing GHRM, including Green Compensation and Benefits, experienced an increase in employee productivity of 16-21%. Thus, in the landscape of social entrepreneurship, financial incentives, welfare benefits, and performance management are interconnected elements that collectively determine the sustainability and effectiveness of the organization (Hameed et al., 2020; Saeed et al., 2020).

METHOD

This study employs a saturated sampling method, using the entire population as the sample. The research approach adopted is explanatory research, which aims to explain the cause-and-effect relationships between the variables and test the research hypotheses. In addition, an associative approach is used to investigate the relationships between two or more variables. The population, which also serves as the sample for this study, consists of 103 employees from TPS 3R Mulyoagung Bersatu and its affiliated business group. Data is collected through a structured questionnaire, which is designed to measure the relevant variables. The data analysis technique employed is quantitative analysis, utilizing statistical software to perform several tests, including multiple linear

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regression, normality tests, multicollinearity tests, heteroscedasticity tests, hypothesis tests (t-test and f-test), and the coefficient of determination. The data collection procedure begins with conducting validity and reliability testing to ensure that the questionnaire items are accurate and consistent. Afterward, classical assumption tests are conducted, which include the normality test to check the data distribution, multicollinearity test to assess correlations between independent variables, and heteroscedasticity test to ensure constant variance in errors.

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A quantitative approach will be used to examine the effect of Green Compensation and Benefits on employee performance. The sampling technique applied is purposive sampling, where companies that meet specific criteria (i.e., those that have implemented Green Compensation and Benefits) will be selected as the research sample. For the quantitative part of the study, the sample will consist of employees from the selected companies who will be invited to voluntarily participate in the survey. The sample size will be determined based on guidelines for appropriate sample sizes for planned statistical analysis, such as multiple regression analysis

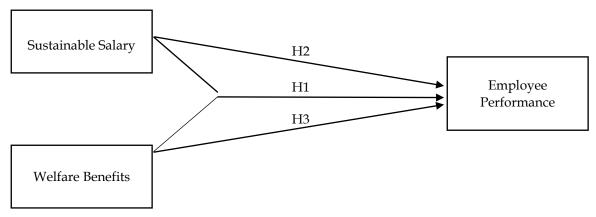
The conceptual framework in this study illustrates the relationship between the variables to be tested, namely the influence of salary, welfare benefits, and employee performance at TPS 3R Mulyoagung Bersatu. Salary and welfare benefits are considered potential factors that may affect employee performance in the organization. In this study, employee performance is measured based on productivity, motivation, and job satisfaction, all of which are influenced by the compensation received. Therefore, the conceptual framework of this research aims to examine whether the influence of salary and welfare benefits can improve employee performance, both individually and collectively. The hypotheses in this study are formulated as follows:

- H1: Sustainable Salary and Welfare benefits together are hypothesized to have a significant effect on employee performance at TPS 3R Mulyoagung Bersatu.

- H2: Sustainable Salary is hypothesized to have a significant effect on employee performance at TPS 3R Mulyoagung Bersatu.

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- H3: Welfare Benefits are hypothesized to have a significant effect on employee performance at TPS 3R Mulyoagung Bersatu.



Source: Data diolah peneliti, 2025

Figure 1. Framework Reseach Green Compensation

This conceptual framework and the associated hypotheses will be tested through a quantitative approach using multiple linear regression analysis to determine the extent to which salary and welfare benefits affect employee performance, both individually and collectively. Following this, multiple linear regression analysis is performed to examine the relationships between the independent and dependent variables. t-tests and f-tests are then applied to test the significance of the relationships, and finally, the coefficient of determination (R2) is calculated to measure the explanatory power of the model. This research method provides a comprehensive approach to understanding the relationships between the studied variables and testing the proposed hypotheses.

RESULT AND DISCUSSION

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The descriptive analysis reveals that the majority of respondents (59%) have a positive perception of the implementation of Green Compensation and Benefits in their company. The R-square value of 0.348 indicates that salary and welfare benefits account for 34% of the variance in employee performance, suggesting a moderate level of influence. The remaining 66% of the variance is attributed to factors not included in this study. This indicates that most employees value and consider the environmentally friendly compensation and benefits system important. However, 35% of respondents expressed neutral or negative perceptions, suggesting there is room for improvement in how the company communicates and implements Green Compensation and Benefits.

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Tabel 1. Result Determintation

Model Summary ^b						
Model	D	D Canara	Adjusted R	Std. Error of	Durbin-	
Model	Model R R-Square		Square	the Estimate	Watson	
1	0.590^{a}	0.348	3.237	2.081		
Dependen Variable : Employee Performance						
Predictor: (Constant), Sustainable Salary, Welfare Benefits						

Source: Data diolah peneliti, 2025

The validity and reliability tests confirm that the research instruments have good internal consistency ($\alpha > 0.8$) and adequate construct validity (factor loadings > 0.6). These findings ensure that the constructs in the study are measured accurately and reliably, reinforcing the validity of the research results. The multiple regression analysis results indicate that Green Compensation and Benefits has a significant positive impact on employee performance ($\beta = 0.42$, p < 0.001), even after controlling for demographic variables. The beta coefficient of 0.460 suggests that a one-unit increase in employees' perceptions of Green Compensation and Benefits is associated with a 0.460 unit improvement in employee performance. These findings support the research hypothesis and align with previous studies that show a positive impact of Green Compensation practices on employee performance (B. B. Saeed et al., 2019; Jayapriya, K., & Hibli, S. 2023; Ampong, I. 2024). This highlights the potential of Green Compensation Sustainable Salary and Welfare Benefits as an effective tool to motivate employees and

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enhance their performance, while also promoting environmentally-friendly Social Entrepreneurship behavior.

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Table 2. Multiple Linear Regression Analysis Result

C	oefficients		
Model	Unstandardized Coefficien		
Wodel	В	Std. Error	
1 (Constant)	9.131	2.984	
Sustainable Salary	0.629	0.168	
Welfare Benefits	0.362	0.181	

Source: Data diolah peneliti, 2025

Table 3. Significancy Test ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	403.272	2	201.636	15.143	0.000***
Residual	1301.516	97	13.317		
Total	1704.788	99			

Source: Data diolah peneliti, 2025

Significance levels: p < 0.05, p < 0.01, p < 0.001

Table 4. Regression Coefficients and t-Test Results

Variable	Coefficient (B)	Std. Error	Beta	t-value	Sig.	Decision
(Constant)	9.131	2.984	-	3.060	0.003**	Significant
Sustainable Salary	0.629	0.168	0.384	3.744	0.000***	Highly Significant
Welfare Benefits	0.362	0.181	0.205	2.000	0.048*	Significant

Source: Data diolah peneliti, 2025

Table Results

5. F-Test

F-value F-significance	R	R ²	Adjusted R ²	Decision
15.143 0.000***	0.487	0.237	0.221	Highly Significant

Source: Data diolah peneliti, 2025

Table 6. Model Summary and Diagnostic Statistics

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Std. Error of Est	imate Durbin-Wa	tson Collinearity	- Tolerance Collinearity - VIF
3.64782	1.827	0.782	1.279

Source: Data diolah peneliti, 2025

The analysis shows that both Sustainable Salary and Welfare Benefits have statistically significant positive effects on environmentally-friendly social entrepreneurship behavior. Sustainable Salary has a stronger impact (B = 0.629, p < 0.001) than Welfare Benefits (B = 0.362, p < 0.05). The model explains 23.7% of the variance in employee behavior ($R^2 = 0.237$) and is highly significant overall (F = 15.143, p < 0.001). No multicollinearity issues were found, as all VIF values are well below 5, indicating independent contributions of each variable.

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$$Y = 9.131 + 0.629X1 + 0.362X2 + e$$

- The constant value of 9.131 indicates that when salary and welfare benefits remain constant, employee performance will be 9.131.
- The salary regression coefficient of 0.629 suggests that an increase in salary will lead to a 0.629 increase in employee performance.
- The welfare benefits regression coefficient of 0.362 implies that welfare benefits have a 0.362 impact on employee performance.

The findings of this study indicate that sustainable salary and welfare benefit significant role in influencing employee performance, even within a social entrepreneurship environment focused on waste management. This aligns with the broader literature on compensation, which suggests that a well-structured salary system can have a considerable impact on employee motivation and performance (Tenrinippi, 2019) However, what sets the findings of this study apart is the unique compensation structure implemented by TPS 3R Mulyoagung Bersatu, which could have broader implications for understanding how compensation systems function in social enterprises.

The salary system at TPS 3R Mulyoagung Bersatu is divided into three components: Sustainable Salary and Welfare Benefits. This model is particularly

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noteworthy because it combines traditional elements of compensation with performance-based incentives, which is a feature that has been found to motivate employees to improve their performance (Puspitasari et al., 2024).). The Sustainable Salary is determined by the employee's length of service, reinforcing the importance of tenure and experience. The Incentives component ties employee performance to factors such as punctuality, discipline, compliance, and autonomy, reflecting the contemporary approach of linking compensation to work ethic and behavior (Lin, P., & Chang, Y.-H. (2023). Finally, the Welfare Benefits component rewards specific skills, such as driving or sorting waste, emphasizing the importance of skill development and specialization within the organization.

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This model differs from more traditional compensation structures in two key ways: first, the differentiation between Sustainable Salary and Welfare Benefits allows for a more comprehensive and tailored approach to employee compensation. Second, the hourly wage system, based on a cumulative total of all components and adjusted for working hours, introduces a level of flexibility and fairness that traditional salary systems may lack. This approach is designed to promote fairness and encourage employees to work more diligently and efficiently by rewarding actual hours worked rather than fixed salary amounts. The use of electronic attendance systems, such as fingerprint-based timekeeping, further ensures that employee hours are accurately tracked and remunerated, adding an element of transparency and accountability to the system.

While the impact of salary on employee performance has been widely recognized in the literature (Seto & Merdja, 2020) this study highlights an interesting nuance. The innovative salary system in TPS 3R Mulyoagung Bersatu not only promotes fairness but also motivates employees to arrive early and work longer hours, which may be particularly valuable in a social enterprise setting. In comparison to previous studies that typically associate financial compensation with job satisfaction and performance

(Annisa et al,2025), this study suggests that the way compensation is structured, with an emphasis on fairness, transparency, and skill-based rewards, could be even more important in driving employee performance.

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This finding is particularly relevant when considered alongside other studies in social entrepreneurship and waste management (Hameed et al., 2020). Social enterprises often face unique challenges, such as limited resources and a focus on social impact rather than profit maximization. Thus, creating an environment where employees feel fairly compensated and motivated by clear performance metrics is crucial for ensuring high performance and achieving organizational goals. The findings in this study provide valuable insight into how innovative compensation systems can be utilized to enhance employee performance, particularly in the context of social enterprises where traditional profit-driven incentives may not be as applicable.

In conclusion, the results of this study present a compelling argument for the effectiveness of a well-structured and transparent compensation system that sustainable salary to both effort (hours worked) and performance (skills, discipline, and work ethic). This approach welfare Benefit seems to enhance employee motivation and performance, which, in turn, supports the goals of the social enterprise. The study also suggests that the hourly wage system, combined with incentives and skill-based rewards, could serve as a model for other organizations in similar sectors to implement fair and motivating compensation systems.

The study highlights the importance of developing Green Compensation (that align with the values of employees, ensuring fairness, transparency, and consistency. It suggests that HR managers need to create such systems that not only incentivize employees but also encourage their involvement in pro-environmental behavior. This involves clear communication from the company regarding their sustainability goals and actively engaging employees in environmentally-friendly initiatives. In addition, providing training and support for employees is crucial to enhance their capabilities

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and motivation to contribute to these goals. The research further implies that developing Green Compensation should be integrated with practices to create a holistic approach to environmental management within the organization. This comprehensive strategy can not only drive employee performance but also promote long-term sustainability in the workplace. With Green compensation system designed to approach fairness Sustainable salary and welfare benefits that focus on the needs of employees, TPS 3R Mulyoagung Bersatu and its business group are committed to empowering employees from lower-middle-class communities. The hope is that with this system, employee performance will improve, enabling them to work in line with the set targets. When employee performance meets the targets, the organization will be able to achieve its desired goals and create a more productive and sustainable work environment.

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CONCLUSSION

Sustainable salary and welfare benefits on employee performance, with all employees of TPS 3R Mulyoagung Bersatu and its business group serving as respondents, it can be concluded that both salary and welfare benefits significantly affect employee performance, both partially and simultaneously. However, the level of influence is moderate, accounting for 34% of the variation in employee performance, leaving 66% of the variance attributed to other factors not included in this study. This highlights that while salary and welfare benefits play an important role in enhancing employee performance, other variables may also contribute significantly to performance outcomes. Employee performance in waste management is critical for addressing environmental issues related to waste, making it essential for waste management practices to benefit not only the employees but also the surrounding communities. This is a core objective for organizations involved in this field, as it ensures the broader impact of their work on society.

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Given the limitations of the study in uncovering other factors that could influence employee performance in social enterprises focused on waste management, the researcher suggests that future studies explore additional elements such as work motivation, job satisfaction, and leadership. These factors could provide a more comprehensive understanding of the variables that affect employee performance in this sector, thus contributing to more effective strategies for improving employee outcomes in the waste management industry.

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