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The Effect of Compensation and Work Environment on Employee Loyalty with Job Satisfaction as an Intervening Variable on Employees in Gondang District, Mojokerto City

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Abstract: This study aims to analyze employee loyalty in Gondang sub-district, Mojokerto city using compensation and work environment variables as independent variables, and job satisfaction as an intervening variable. The type of sample used is total sampling with a total population of 70 employees, data collection using questionnaires, while data analysis techniques using Partial Least Square analysis. The results of the hypothesis test concluded that compensation has no significant effect on employee job satisfaction, the work environment has no significant effect on employee job satisfaction, compensation has a significant effect on employee loyalty, the work environment has no significant effect on employee loyalty, job satisfaction has a significant effect on employee loyalty, compensation has no significant effect on employee loyalty, the work environment has a significant effect on employee loyalty through job satisfaction.

Keyword: Compensation, Work Environment, Loyalty, Job Satisfaction, Partial Least Squares

INTRODUCTION

Employee loyalty is very much needed by the company and it is very difficult for a company to grow if it does not have very loyal employees. As stated by Kertiyasa & Irbayuni (2022) Loyalty is a reciprocity given to the workplace by employees. According to research from Safrida, et al. (2023) and Maharena, et al. (2019) which states that job satisfaction, compensation and work environment have a positive and significant effect on employee loyalty.

According to Sudaryo, Agus, and Nunung (2018) job satisfaction is a feeling of pleasure or displeasure regarding work based on expectations with rewards given by the agency. Job satisfaction is one of the quite important elements in a company. This is because job satisfaction can affect employee work behavior. According to research from Raditya, et al. (2018) and

Indrasari, et al. (2017) which states that job satisfaction, compensation and work environment have a positive and significant effect on employee loyalty.

According to Yuliati & Hidayati (2021), compensation is the main reason why people work, because they expect rewards or compensation received from the company where they work. According to Kertiyasa & Irbayuni (2022), compensation is an award or reward for workers who have contributed and their abilities in realizing goals through activities called work. This makes compensation influential on employee loyalty.

A good and comfortable working environment is thought to be one of the considerations of employees in working. According to Sari & Karnadi (2019) A good working environment makes employees work optimally, healthily, safely and comfortably. Conversely, a bad environment makes employees uncomfortable and the work they do will not be optimal.

METHOD

Population and Sample

The population in this study was all Employees of Gondang District, Mojokerto City totaling 70 employees. The sampling technique uses saturated or census sampling. Saturated or census sampling is a sampling technique when all members of the population are used as samples. Therefore, the number of samples in this study is 70 Employees of Gondang District, Mojokerto City.

Analysis Method

The data analysis method used is Partial Least Squares (PLS). PLS is a new method analysis technique pioneered by Herman World, PLS is commonly referred to as soft modeling. With PLS, structural equations with relatively small sample sizes can be modeled and multivariate normal assumptions are not required. The measurement model is used in testing the validity and reliability of measuring instruments, and the structural model is used in testing causal relationships. PLS path modeling was developed as an alternative to Structural Equation Modeling (SEM) with a weak theoretical basis.

RESULTS AND DISCUSSION

Structural Model Testing (Structural Model / Inner Model): Significance Test

	R-Square Value	
	R Square	R Square Adjusted
Employee Loyalty	0.734	0.713
Job satisfaction	0.596	0.571

Source: Partial Least Square (PLS) Data Processing Results

Based on the Adjusted R Square value, known value *r-square* is 0.734, which means that the variables Compensation (X1), Work Environment (X2), Work Motivation (X3), Work Commitment (X4) and Job Satisfaction (Z) are able to explain variance from the Employee Loyalty variable (Y) of 73.4%. Meanwhile, the Job Satisfaction variable (Z) can be explained variance from the variables Compensation (X1), Work Environment (X2), Work Motivation (X3), Work Commitment (X4) of 59.6%.

Hypothesis Testing

The results of hypothesis testing are carried out by looking at the P-value and comparing the calculated t value with the t table value, if the calculated t value is greater than the t table and has a P-value below 0.05 then the relationship between the variables is significant and can be

analyzed further. With 35 data, the t table value ($\alpha = 5\%$) is 2,030. The results of hypothesis testing are presented in the following table:

	<i>Path Coefficients</i>			Hypothesis Results
	Original Sample (O)	T Statistics	P Values	
Compensation (X1) -> Job Satisfaction (Y)	0.068	0.609	0.542	H1 Rejected
Work Environment (X2) -> Job Satisfaction (Y)	-0.011	0.100	0.921	H2 Rejected
Compensation (X3) -> Employee Loyalty (Y)	0.254	2,437	0.015	H3 Accepted
Work Environment (X4) -> Employee Loyalty (Y)	0.247	1,857	0.064	H4 Rejected
Job Satisfaction (Z) -> Employee Loyalty (Y)	0.449	2,818	0.005	H5 Accepted
Compensation (X1) -> Job Satisfaction (Z) -> Employee Loyalty (Y)	-0.094	1.184	0.237	H6 Rejected
Work Environment (X2) -> Job Satisfaction (Z) -> Employee Loyalty (Y)	0.172	2.105	0.036	H7 Accepted

Source: Partial Least Square (PLS) Data Processing Results.

Discussion

The Influence of Compensation on Job Satisfaction

Path coefficient value (original sample) Compensation (X1) on Job Satisfaction (Z) is 0.068, which is positive, and t-statistic = $0.609 < 1.92$ while the value P-Values = $0.542 > 0.05$, it is concluded that Compensation (X1) does not have a significant effect on Job Satisfaction (Z). The results of this study are not in line with the findings of research conducted by Kertiyasa and Irbayuni (2022) and Wicaksono T (2019) which stated that compensation has a positive and significant effect on employee job satisfaction.

The Influence of Work Environment on Job Satisfaction

Path coefficient value (original sample) Work Environment (X2) on Job Satisfaction (Z) is -0.011, which is negative, and t-statistic = $0.100 < 1.92$ while the P-Values = $0.921 > 0.05$, it is concluded that the Work Environment (X2) does not have a significant effect on Job Satisfaction (Z). The results of this study are not in line with the findings of the research by Kertiyasa and Irbayuni (2022) and Rahmawati and Asmike (2022) which stated that the work environment has a positive and significant effect on job satisfaction.

The Influence of Compensation on Work Loyalty

Path coefficient value (original sample) Compensation (X1) to Employee Loyalty (Y) is 0.254, which is positive, and t-statistic = $2,437 > 1.92$ while the P-Values = $0.015 < 0.05$, then it is concluded Compensation (X1) have a significant impact on Employee Loyalty (Y). This result is in accordance with the research results of Rahmawati and Asmike (2022) and Meithiana Indrasari (2018) which state that if compensation increases, employee loyalty variables will also increase.

The Influence of Work Environment on Employee Loyalty

Path coefficient value (original sample) Work Environment (X2) to Employee Loyalty (Y) is 0.247, which is positive, and t-statistic = $1,857 < 1.92$ while the P-Values = $0.064 < 0.05$, then it is concluded Work Environment (X4) nohave a significant impact on Employee Loyalty (Y). The results of this study do not correspond to the research findings of Wicaksono T (2019) and Ruzikna

and Marfuah (2015) which stated that the work environment has a positive and significant effect on employee loyalty.

The Influence of Job Satisfaction on Employee Loyalty

Path coefficient value (original sample) Job Satisfaction (Z) to Employee Loyalty (Y) is 0.449, which is positive, and $t\text{-statistic} = 2,818 > 1.92$ while the $P\text{-Values} = 0.005 < 0.05$, then it is concluded that Job Satisfaction (Z) have a significant impact on Employee Loyalty (Y). Based on these results, the results obtained show that Job Satisfaction (Z) has a positive and significant effect on Employee Loyalty (Y). The results of this study are in line with the findings of research conducted by Wicaksono T (2019) which states that job satisfaction has a positive and significant effect on employee loyalty.

The Influence of Compensation on Employee Loyalty Through Job Satisfaction

Path coefficient value (original sample) Compensation (X1) against Employee Loyalty (Y) through Job Satisfaction (Z) is -0.094, which is negative, and the $t\text{-statistic} = 1.184 < 1.92$, while the $P\text{-Values} = 0.237 > 0.05$, it is concluded that Compensation (X1) does not have a significant effect on Employee Loyalty (Y) through Job Satisfaction (Z). Based on these results, the results obtained Compensation (X1) does not have a significant effect on Employee Loyalty (Y) through Job Satisfaction (Z). The results of this study are in accordance with the results of Safrida, et al. (2023) and M. Pratama et al. (2016) which show that compensation does not have a significant effect on employee loyalty through job satisfaction.

The Influence of Work Environment on Employee Loyalty Through Job Satisfaction

Path coefficient value (original sample) Work Environment (X2) against Employee Loyalty (Y) through Job Satisfaction (Z) is 0.172, which is positive, and $t\text{-statistic} = 2.105 > 1.92$ while the $P\text{-Values} = 0.036 > 0.05$, it can be concluded that the work environment (X2) has a significant influence on Employee Loyalty (Y) through Job Satisfaction (Z). Based on these results, the results obtained show that the Work Environment (X2) has a significant effect on Employee Loyalty (Y) through Job Satisfaction (Z).

CONCLUSION

The conclusions in this study are as follows:

1. Compensation does not have a significant effect on job satisfaction
2. The work environment does not have a significant effect on job satisfaction
3. Compensation has a significant effect on employee loyalty
4. Work environment does not have a significant effect on employee loyalty
5. Job satisfaction has a significant influence on employee loyalty
6. Compensation does not have a significant effect on employee loyalty through job satisfaction
7. The work environment has a significant influence on employee loyalty through job satisfaction.

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