

ANALYSIS OF FINANCIAL COMPENSATION AND WORK FLEXIBILITY ON EMPLOYEE LOYALTY THROUGH EMPLOYEE JOB SATISFACTION WEST JAVA GAS STEAM POWER PLANT

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Abstract

This study aims to analyze the influence of financial compensation and work flexibility on employee loyalty and examine the role of job satisfaction as a mediating variable. The study focused on employees of the West Java Gas and Steam Power Plant (PLTGU) to understand how these factors influence levels of loyalty to the company. This study uses a quantitative approach with a census method, where the entire population consisting of 49 employees of the West Java PLTGU Operations Division was sampled. The data analysis technique used was Partial Least Squares (PLS) to test the direct and indirect relationships between variables in the research model. The results of the study indicate that financial compensation has a positive and significant effect on employee loyalty. Work flexibility was also shown to have a positive effect on loyalty, although this effect was not mediated by job satisfaction. Meanwhile, job satisfaction acted as a significant mediator in the relationship between financial compensation and employee loyalty. These findings suggest that employee loyalty can be enhanced through both increased compensation and direct provision of work flexibility.

Keywords: Financial Compensation, Work Flexibility, Job Satisfaction, Employee Loyalty

1. INTRODUCTION

Rapid economic development and the era of disruption require every organization to adapt and develop innovative strategies, particularly in human resource management. Human resources are key to organizational success because the contribution of employee energy, thought, and loyalty is crucial to achieving goals (Pauji & Nurhasanah, 2022). One important contribution from employees is work loyalty, which is loyalty and dedication to the organization. This loyalty is not formed instantly but requires company attention to employee needs, including through the provision of adequate compensation. Lack of attention to employee basic needs can reduce morale, loyalty, and productivity (Kusmana et al., 2024).

Employee loyalty is an indicator of successful HR management and can be seen from low turnover rates, consistent attendance, and work discipline. A low turnover rate reflects high loyalty and positively impacts company sustainability and performance (Dewi et al., 2024). In this regard, compensation plays a crucial role. Financial compensation such as

salary, benefits, and bonuses directly impact job satisfaction and motivation. When employees perceive their compensation as fair and appropriate, loyalty naturally grows. Compensation also reflects the extent to which a company values employee contributions, ultimately strengthening long-term working relationships (Maharani & Sumarni, 2024).

Financial compensation is a form of appreciation for employee contributions, whether in the form of salary, bonuses, allowances, or facilities. Fair and competitive compensation plays a crucial role in increasing employee motivation and loyalty. Furthermore, work flexibility is also a crucial factor in the modern era because it helps employees achieve work-life balance, which impacts satisfaction and loyalty (Widowati & Rahayu, 2023). Job satisfaction reflects the extent to which employees feel valued and comfortable at work. Satisfied employees tend to be more loyal, productive, and motivated (Herlambang et al., 2023; Amavisca & Sukarno, 2023), while dissatisfaction can decrease motivation and encourage the desire to change jobs.

The West Java Gas and Steam Power Plant (PLTGU) uses combined cycle technology for high efficiency and utilizes LNG as a fuel source. Performance assessment of this PLTGU is crucial to ensure operational reliability, energy efficiency, and the fulfillment of emission and sustainability targets, given its vital role as the backbone of electricity supply in the Java-Bali region and part of the commitment to low-carbon energy. Performance assessment is crucial for evaluating productivity improvements. In the last three years (2021–2023), employee performance has fluctuated. Several departments, such as Engineering and O&M, have shown consistent performance, while Supply Chain and HR have experienced a decline, particularly in 2023, when the average performance also declined.

This decline is believed to be driven by less competitive compensation, limited work flexibility, and low employee satisfaction and loyalty. An uncondusive work environment increases the risk of decreased morale and productivity. Turnover rates have also increased, reaching 14% in 2023—the highest level in the past three years. This indicates a decline in employee loyalty, likely caused by a lack of recognition, limited career prospects, and an unbalanced workload.

Employee loyalty is a crucial factor for a company's sustainability and productivity, reflected in its turnover rate. To understand why employees left the West Java Steam-Fired Power Plant in 2023, the authors distributed a questionnaire to 15 former employees. The results showed that dissatisfaction with financial compensation was the primary reason for resignation: 55% of respondents were dissatisfied with their salary, and 47% with the reward system. This demonstrates the importance of fair financial compensation for maintaining employee loyalty (Azhari et al., 2024). Beyond compensation, work flexibility also significantly impacts employee satisfaction and loyalty. Flexible work policies help employees balance work and personal life, reduce stress, and improve psychological well-being (Cazes et al., 2019). Although not explicitly mentioned in the survey, flexibility proved crucial—especially in relation to health, which was cited as a motivation for retention by 60% of respondents.

Job satisfaction is also a crucial variable that bridges the influence of compensation and flexibility on loyalty. Factors such as career path, relationships with coworkers, and communication with superiors also contribute. Career ambiguity (a 32% motivation for

leaving) and lack of recognition from leadership can decrease satisfaction and loyalty, while good compensation and working relationships strengthen both (Bimantoro & Swasti, 2023).

The research gap regarding the effect of work flexibility on employee loyalty arises from significant differences in findings across various previous studies. Some studies indicate that work flexibility can increase employee loyalty, while others show a low or even insignificant effect. Research conducted by Stefanie et al. (2020) revealed that work flexibility positively contributes to employee loyalty. This is due to an increased sense of appreciation among employees who are given flexibility in determining their work time and location. With this flexibility, employees feel they have a better work-life balance, thus being more motivated to remain with the organization long-term. However, a study by Hermawan (2023) found different results, indicating that work flexibility has only a very low effect on employee loyalty. This study revealed that while work flexibility can provide convenience for employees, other factors such as organizational culture, leadership, and career development opportunities play a more significant role in building loyalty. In some cases, high levels of work flexibility can even lead to a lack of emotional attachment to the organization due to reduced direct interaction with coworkers and superiors.

The research gap for the influence of financial compensation on work loyalty, shown by Sarasaty's (2020) research shows that financial compensation directly has a significant effect on employee loyalty, and Sari's (2023) research also shows that financial compensation has a positive and significant effect on employee loyalty at PT. Gersindo Minang Plantation West Pasaman. However, different results are found in Anthonis' (2020) research, which shows that financial compensation does not have a positive and significant effect on employee loyalty at PT. PLN ULP Tagulandang, because the financial compensation provided by the company may have been considered standard or sufficient by employees, so it is no longer the main motivator to increase employee loyalty.

Based on previous research, the relationship between financial compensation and work flexibility on employee loyalty is not direct, but rather mediated by other factors, particularly job satisfaction (Baharsyah et al., 2023). Therefore, further research is needed that adds the intervening variable of job satisfaction to analyze the effect of compensation and flexibility on loyalty. Job satisfaction is individual and influenced by various factors, including financial compensation. Satisfied employees tend to have better attendance, performance, and loyalty than dissatisfied ones. This satisfaction reflects a positive attitude toward work and the work environment, which impacts increased productivity and improved work attitudes (Lumbantobing & Priansa, 2018; Wiliandari, 2019; Astuti & Artini, 2019).

According to Herzberg's Two-Factor Theory (1959), compensation is a hygiene factor it doesn't directly increase satisfaction, but its absence leads to dissatisfaction. In contrast, motivational factors such as recognition and career development are more effective in increasing satisfaction and loyalty. This means that fair compensation is important for preventing dissatisfaction, but employee loyalty also requires other motivational factors.

2. LITERATURE

Herzberg's Two Factor Theory

Herzberg's Two-Factor Theory explains that job satisfaction is influenced by two categories: motivational factors and hygiene factors. Motivational factors—such as achievement, recognition, responsibility, and rewards drive satisfaction and better performance. Conversely, hygiene factors such as company policies, working conditions, and work relationships do not lead to satisfaction if they are met, but their absence leads to dissatisfaction.

In the context of this research, work flexibility is seen as a motivating factor because it gives employees control over when and how they work, which can increase satisfaction and loyalty. Meanwhile, financial compensation also plays a significant role as a form of reward that can boost satisfaction if it is provided fairly and proportionally to employee contributions.

This theory serves as a conceptual basis for understanding that employee satisfaction and loyalty can be built through the appropriate implementation of work flexibility and a fair compensation system. If these two factors are not optimized, the risk of dissatisfaction and decreased loyalty increases. This study aims to further examine the relationship between work flexibility, financial compensation, job satisfaction, and employee loyalty based on Herzberg's Theory framework, to support more effective HR management strategies.

Financial compensation

Financial compensation is a form of appreciation provided by companies to employees for their contributions to achieving organizational goals. This compensation includes various forms of rewards such as base salary, allowances, bonuses, incentives, and other work facilities (Ariskha et al., 2020; Setyawan & Bagasworo, 2020). Providing fair and competitive compensation not only meets employees' economic needs but also serves as a key driver in increasing their motivation, job satisfaction, and loyalty to the company. In general, compensation is divided into two main types: direct compensation (such as salary, incentives, and bonuses) and indirect compensation (such as health benefits, pension plans, and training facilities). These two forms of compensation complement each other. Direct compensation provides instant and concrete gratification, while indirect compensation demonstrates the company's long-term concern for employee well-being (Kainde et al., 2022).

According to several studies, fair and proportional compensation can create a sense of appreciation in employees, which encourages them to improve their performance and stay with the company longer (Guspa & Rahmi, 2019). Besides recognizing hard work, compensation also serves as a symbol that the company values and recognizes individual contributions. Employees who feel the rewards they receive are commensurate with their

work responsibilities will have higher loyalty and strong intrinsic motivation to continue performing well.

Work flexibility

Work flexibility is a regulatory system that gives employees the freedom to adjust their work time, place, and method to suit their personal and professional needs. In the digital age of rapid change, flexibility is key to increasing satisfaction, reducing stress, and maintaining a balance between work and life. According to various studies, such as those by Yusuf et al. (2023) and Altindag & Siller (2014), work flexibility encompasses three main aspects: time flexibility, scheduling flexibility, and work location flexibility. Examples include flexible working hours and job sharing, which allow employees to work more independently and focus on results. The benefits of flexibility extend not only to employees, who can better manage their work and family life, but also to companies, as it can reduce absenteeism, increase productivity, and enhance employee loyalty (Gunawan & Franksiska, 2020). Furthermore, flexibility also positively impacts employees' mental and physical health, reducing sleep disturbances and work stress (Marten et al., 1999).

Employee loyalty

Employee loyalty is the commitment and dedication of employees to the company, reflected in their attitudes, behavior, and emotional involvement in carrying out their duties (Riyanti, 2019). Loyalty involves the use of time, energy, and thought to actively support organizational goals (Hasibuan, 2021). Factors that influence loyalty come from the individual, such as work values and attitudes, as well as the organizational environment, including company culture and recognition of achievement (Suhendi, 2019). Loyalty also encompasses social and psychological aspects, where employees feel connected to the company's values and goals and see their work as part of their identity (Kadarwati, 2019). True loyalty means loyalty that persists even in difficult situations, demonstrating deep responsibility and dedication to the company (Robbins & Judge, 2018). Furthermore, loyalty is a commitment and devotion that encourages employees to make maximum contributions, both in routine work and innovation (Rasimin, 1988).

Employee loyalty is crucial to an organization's long-term success, as loyal employees tend to work harder and create a harmonious work environment (Tommy, 2010). The positive attitudes and behaviors of loyal employees also contribute to improved individual and team performance, as well as organizational stability (Kasmirudin, 2019).

Job satisfaction

Job satisfaction is a crucial factor influencing productivity and harmony in the workplace. According to Kustini and Purwanto (2022), job satisfaction reflects employees' positive feelings about their jobs, including working conditions, relationships with colleagues, and compensation received. Sutrisno (2019) states that job satisfaction is related to employee attitudes toward various aspects of the job, such as teamwork and reward systems. Wibowo (2016) emphasizes that this satisfaction significantly impacts work productivity. From an organizational perspective, creating a pleasant work environment, a fair reward system, and good communication can increase employee satisfaction. Conversely, job dissatisfaction can lead to negative impacts such as absenteeism, resignation, and even sabotage. Therefore, job satisfaction is crucial for maintaining employee motivation, loyalty, and commitment, which ultimately helps organizations retain a quality workforce and build a positive and sustainable work culture.

The Influence of Financial Compensation on Employee Loyalty

Financial compensation, such as salary, benefits, bonuses, and other incentives, plays a crucial role in fostering employee loyalty to the company. According to Herzberg's Two-Factor Theory, compensation is a hygiene factor. Although it doesn't directly increase motivation, its unmet needs can lead to dissatisfaction. Therefore, providing fair and competitive compensation can reduce dissatisfaction and lower turnover rates, thereby increasing workforce stability.

Various studies, such as those conducted by George et al. (2020), Nugroho (2021), and Hidayati et al. (2018), consistently demonstrate a positive and significant effect of financial compensation on employee loyalty. Adequate financial rewards not only increase job satisfaction but also strengthen employees' emotional attachment and commitment to the company. In the context of human resource management, financial compensation is considered a key strategy for retaining qualified employees and motivating them to contribute maximally to achieving organizational goals. Based on this description, the following hypothesis can be formulated:

H1: It is suspected that financial compensation has a positive effect on the performance of employees at the West Java Steam Gas Power Plant.

The Impact of Flexible Work on Employee Loyalty

Flexible work arrangements allow employees to adjust the time, amount, and location of work to suit their personal needs, improving work-life balance. Based on Herzberg's Two-Factor Theory, work flexibility is a motivating factor that can strengthen employee satisfaction and loyalty. Policies such as flexible work hours make employees feel more

valued and have control over their work, thereby increasing motivation and emotional attachment to the company.

Furthermore, work flexibility is particularly attractive to millennials who prioritize work-life balance. Research shows that employees who enjoy work flexibility tend to be more satisfied and loyal, ultimately contributing to increased productivity and workforce retention. Flexible work arrangements also strengthen relationships between managers and employees and create a positive work environment. Based on this explanation, the following hypothesis can be formulated:

H2: It is suspected that work flexibility has a positive effect on employee loyalty at the West Java Steam Gas Power Plant.

The Influence of Financial Compensation on Loyalty through Job Satisfaction

Financial compensation is an important form of reward in human resource management, playing a role in creating a balance between employee satisfaction and achieving organizational goals. Financial rewards, such as bonuses, salary increases, and benefits, have a positive psychological effect, increasing a sense of appreciation and motivating employees to improve their performance. Research shows that fair and adequate financial compensation directly increases job satisfaction, which in turn strengthens employee loyalty to the company.

Job satisfaction acts as a mediating variable linking financial compensation to employee loyalty. Employees who are satisfied with the rewards they receive tend to have a stronger emotional attachment and a stronger commitment to remaining and contributing optimally to the organization. Furthermore, the balanced implementation of rewards and punishments can create a conducive work environment, strengthening employee job satisfaction, loyalty, and overall productivity. Based on this description, the following hypothesis can be formulated:

H3: It is suspected that financial compensation has a positive effect on employee loyalty through job satisfaction at the West Java Steam Gas Power Plant.

The Influence of Work Flexibility on Loyalty through Job Satisfaction

Job satisfaction describes the extent to which employees feel satisfied with their jobs, including aspects of work quality, work environment, and rewards received. This satisfaction plays a crucial role in increasing motivation and productivity, thus contributing to the

achievement of organizational goals. Work flexibility—such as adjusting work hours and locations to suit employee needs—is an effective strategy for increasing job satisfaction.

Various studies indicate that flexible work practices help employees achieve work-life balance, reduce stress, and increase their sense of appreciation. This, in turn, strengthens employees' emotional attachment and loyalty to the organization. However, the implementation of flexible work requires careful consideration to ensure optimal benefits for both the company and employees. Based on the above description, the following hypothesis is proposed:

H4: It is suspected that work flexibility has a positive effect on employee loyalty through job satisfaction at the West Java Steam Gas Power Plant.

3. RESEARCH METHOD

According to Sugiyono (2016), a population is all objects or subjects that have certain characteristics to be studied and concluded, not limited to humans, but also includes other objects or phenomena. In this study, the population is all employees of the West Java Steam Gas Power Plant Operations Division, totaling 49 people. The sample is a representative part of the population, but this study uses a census method, namely making the entire population as a sample. Thus, the number of samples used is 49 employees of the West Java Steam Gas Power Plant Operations Division.

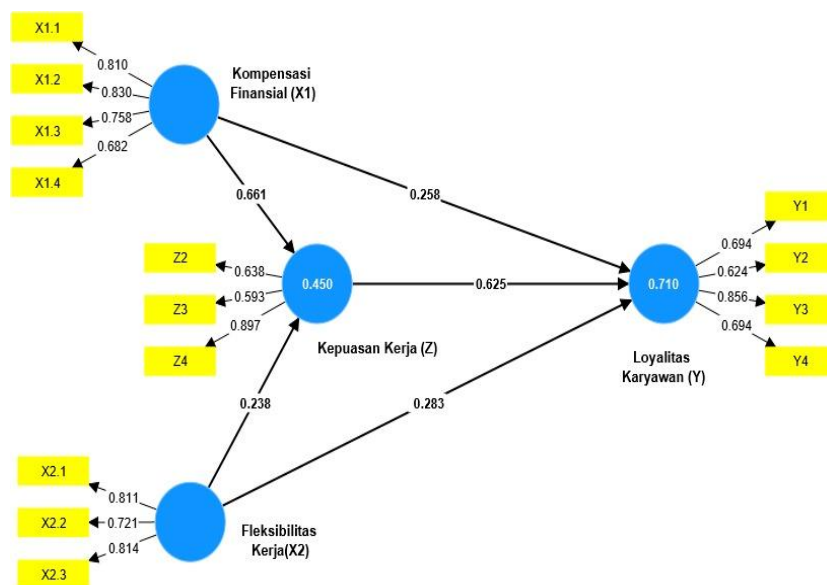
In this study, the analysis technique used is the Partial Least Square (PLS) model, an analysis method used to build and test predictive models when the number of indicators is large and the theory is still weak. Developed by Herman Wold, PLS is suitable for use in research with small samples, data that does not have to be normally distributed, and varying measurement scales. In this study, PLS was chosen because of its ability to handle complex causal-predictive models and is suitable for theory development. PLS consists of two main models: a structural model (inner model) that describes the relationship between latent variables based on hypotheses, and a measurement model (outer model) that explains the relationship between latent variables and their indicators, both reflective and formative. This study examines the relationship between Job Rotation (X1), Job Satisfaction (X2), and Employee Performance (Y) using the PLS approach with a sample size of 49 people.

4. RESULT AND DISCUSSION

Hypothesis Testing

This study used two independent variables: Financial Compensation and Work Flexibility, one dependent variable, and one moderating variable, Job Satisfaction, with reflective indicators. This examination was conducted to identify the most important and dominant indicators, or those that fit in forming or reflecting each independent variable.

Figure .1. PLS Model



Hypothesis Testing – Direct Effect

Table 1. Path Coefficients

Path coefficients					
Mean, STDEV, T values, p values					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Kompensasi Finansial (X1) -> Loyalitas Karyawan (Y)	0,258	0,228	0,124	2,085	0,037
Fleksibilitas Kerja(X2) -> Loyalitas Karyawan (Y)	0,283	0,295	0,127	2,225	0,031

Source :Data processing results

Based on the path analysis results in the figure above, it can be explained that all relationship paths between variables in the research model show significant results at the 95% confidence level (P value <0.05). The following is an explanation of each relationship between variables:

Financial Compensation (X1) also has a direct effect on Employee Loyalty (Y), with an original sample value of 0.258, T-statistic of 2.085, and P value of 0.037.

Work Flexibility (X2) also has a significant effect on Employee Loyalty (Y), indicated by the original sample of 0.283, T-statistic 2.225, and P value 0.031.

2. Hypothesis Testing – Indirect Effect

Table 2. Specific Indirect Effects

<u>Specific indirect effects</u>					
<u>Mean, STDEV, T values, p values</u>					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Fleksibilitas Kerja(X2) -> Kepuasan Kerja (Z) -> Loyalitas Karyawan (Y)	-0,024	-0,045	0,082	0,293	0,769
Kompensasi Finansial (X1) -> Kepuasan Kerja (Z) -> Loyalitas Karyawan (Y)	0,413	0,429	0,078	5,308	0,000

Based on the results of the specific indirect effects test in the table above, it can be concluded that there is a significant difference in the mediating influence of Job Satisfaction (Z) in the relationship between the independent variables and Employee Loyalty (Y). The following is a detailed explanation:

Job Flexibility (X2) → Job Satisfaction (Z) → Employee Loyalty (Y). This indirect path shows an original sample of -0.024, with a T-statistic value of only 0.293 and a P value of 0.769 (> 0.05), which means it is not significant. This means that Job Satisfaction does not act as a mediating variable in the relationship between Job Flexibility and Employee Loyalty. In other words, job flexibility has a more direct influence on loyalty, not through job satisfaction.

Financial Compensation (X1) → Job Satisfaction (Z) → Employee Loyalty (Y). This path shows an original sample of 0.413, with a T-statistic value of 5.306 and a P value of 0.000 (<0.05), which means significant. This indicates that Job Satisfaction significantly mediates the effect of Financial Compensation on Employee Loyalty. This means that good compensation will increase job satisfaction, which in turn increases loyalty.

Discussion

The Influence of Financial Compensation on Employee Loyalty

Based on the analysis, financial compensation has a positive and significant impact on employee loyalty. The better the compensation provided, the higher the employee loyalty. The strongest indicator is regular salary increases as a form of appreciation, which reflects the company's fair and appropriate compensation policy. At the West Java Steam Gas Power Plant, a standardized compensation system based on position, length of service, and performance evaluation provides clarity and a sense of fairness, thereby strengthening employee loyalty through a sense of financial security and long-term career clarity. The majority of respondents with a bachelor's degree and who are of productive age are more sensitive to compensation fairness, so appropriate compensation increases their motivation and loyalty.

These findings align with Herzberg's Two-Factor Theory, which positions compensation as a crucial hygiene factor for preventing job dissatisfaction. Fair compensation reduces turnover and increases workforce stability. Previous studies (George et al., Nugroho, Hidayati, Egal, Sarasaty, Sari & Andri, Caesariano) also show that fair and competitive financial compensation can increase employee satisfaction, appreciation, and loyalty.

Overall, sound compensation management is a key human resource management strategy for employee retention and development. Adequate compensation motivates employees to remain committed and contribute optimally, consistent with Mascho and Mao's findings, which emphasize the strategic role of financial rewards within the total remuneration system.

The Influence of Work Flexibility on Employee Loyalty

This study revealed that work flexibility has a positive and significant impact on employee loyalty. The higher employees' perceptions of the flexibility provided by the company such as the implementation of flexible working hours—the stronger their level of loyalty to the organization. This flexibility allows employees to have greater control over when and where they work, which contributes to increased job satisfaction and intrinsic motivation. Thus, employees not only feel more valued but also more emotionally attached to the company. The majority of respondents in this study were of productive age, had a bachelor's degree, and shouldered personal and family responsibilities. This condition makes the need for work flexibility very important, as they require a healthy balance between work and personal life demands. One of the main indicators that received the highest score was the ability to manage work time without the pressure of a rigid schedule, which was considered very helpful for employees in achieving work targets without excessive stress. This time flexibility is a key factor in shaping employees' positive perceptions of the flexible work system.

These findings align with Frederick Herzberg's Two-Factor Theory, which distinguishes between motivational and hygiene factors in job satisfaction. In this context, work flexibility is categorized as a motivational factor capable of actively increasing employee satisfaction and loyalty, in contrast to financial compensation, which is typically a hygiene factor and serves to prevent dissatisfaction. Employees who are given the freedom

to manage their time and place of work feel they have greater control over their professional and personal lives, resulting in a significant increase in their intrinsic motivation.

This finding is also supported by research by Shagvaliyeva and Yazdanifard (2014) and the ACAS report (2019), which show that flexible work policies play a significant role in increasing employee job satisfaction and engagement with the company. Employees who enjoy flexibility tend to be more satisfied with their jobs and have a stronger commitment to staying with the company, thus contributing to overall organizational productivity.

Job Satisfaction Moderates the Effect of Financial Compensation on Employee Loyalty

This study shows that job satisfaction acts as a mediating variable in the influence of financial compensation on employee loyalty at the West Java Steam Gas Power Plant. This means that financial compensation provided by the company not only directly increases employee loyalty, but also the effect is through increased job satisfaction. When the compensation received by employees is perceived as fair and commensurate with their contribution, this leads to high job satisfaction. This satisfaction then strengthens employees' emotional attachment to the company, thus increasing their loyalty. Employees who feel appreciated through appropriate compensation will be more motivated to stay and provide their best contribution to the organization. Conversely, inadequate or perceived unfair compensation can reduce job satisfaction and negatively impact loyalty. In other words, job satisfaction is a crucial link that explains how financial compensation can impact employee loyalty more effectively and significantly.

These findings align with research by Sarasaty (2020) and Prahaski et al. (2024), which emphasized that fair and adequate financial compensation not only meets employees' economic needs but also enhances job satisfaction, which is key to building loyalty. Compensation is not just about salary or benefits, but also how employees assess the fairness and value of such compensation in the context of their work and contributions. Furthermore, well-maintained job satisfaction creates a strong sense of attachment to the company, motivating employees to stay long-term. This highlights the importance of companies designing compensation policies that are not only financially competitive but also capable of enhancing overall job satisfaction. Thus, companies can strengthen loyalty and retain quality human resources.

Job Satisfaction Moderates the Effect of Work Flexibility on Employee Loyalty

The analysis results show that job satisfaction does not play a significant role as a mediator in the relationship between work flexibility and employee loyalty at the West Java Steam-Fired Power Plant. In other words, employees' perceived work flexibility directly influences their loyalty without first increasing their job satisfaction. This may occur because employees perceive flexibility as a tangible form of trust and appreciation from management, which directly encourages commitment and loyalty to the company. This condition reflects the organizational culture at the West Java Steam-Fired Power Plant, which places a high value on autonomy and support through work flexibility. Although job satisfaction remains an important aspect of a healthy work relationship, in this context, its role as a link between flexibility and loyalty is apparently less strong. Therefore, companies can focus on increasing work flexibility as an effective strategy to strengthen employee loyalty without having to rely too much on increasing job satisfaction as a mediator.

This finding contrasts with research by Shagvaliyeva and Yazdanifard (2014) and ACAS (2019), which found that work flexibility increases job satisfaction, which in turn contributes to increased employee loyalty. They emphasized that flexibility policies help employees achieve a balance between work and personal life, thereby increasing their satisfaction and commitment to the organization.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the test results using PLS analysis, to test the influence of several variables on Employee Loyalty, the following conclusions can be drawn:

- Financial compensation has been shown to have a positive and significant impact on employee loyalty. These findings indicate that employees feel more loyal to the company when they receive fair, appropriate, and consistent compensation, particularly in the form of regular salary increases as a token of appreciation for work contributions.
- Work flexibility also has a positive and significant impact on employee loyalty. The greater the flexibility a company provides, such as setting working hours, the higher the employee's loyalty, as flexibility provides a sense of control and comfort in maintaining a work-life balance.
- Job satisfaction has been shown to mediate the effect of financial compensation on employee loyalty. Fair compensation increases job satisfaction, and high job satisfaction further strengthens employee loyalty to the company. This suggests that job satisfaction is a crucial link between a company's treatment of employees and employee loyalty.

However, job satisfaction did not mediate the effect of work flexibility on employee loyalty. This means that while work flexibility has a direct impact on loyalty, this influence does not flow through job satisfaction. This indicates that loyalty arising from work flexibility is driven more by comfort and freedom, rather than solely by job satisfaction.

Suggestion

As an implication of the results of this research, several suggestions can be put forward that can be considered or used as material in decision making, including:

- Companies are advised to continue developing fair, transparent, and competitive compensation policies, including providing regular salary increases as a form of

recognition for employee performance. This is crucial for maintaining and enhancing employee loyalty to the organization

- Companies should expand the implementation of flexible work systems, such as adapting working hours to meet employees' current needs and lifestyles. This flexibility can be an effective strategy for building loyalty without relying on traditional approaches.
- Companies need to create a supportive work environment, focusing on well-being, career development opportunities, and performance-based reward systems. Increasing job satisfaction will strengthen the positive effect of compensation on loyalty.
- Companies need to explore other factors that may be more relevant as mediators, such as work-life balance, trust in management, or perceptions of organizational fairness. This could serve as a basis for further research and the development of more targeted internal policies.

As a suggestion for further research, it is suggested to add other variables that have the potential to mediate or moderate the relationship between work flexibility and employee loyalty, such as emotional involvement, employee commitment, employee perception and others.

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