

What Do Explore Employee Retention Factors: The Mediating Role of Job Satisfaction

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ABSTRACT

This research examines various factors that influence employee retention, with an emphasis on job satisfaction as a mediating. This research applied quantitative research and a non-probability sampling approach. The data were analyzed using Smart PLS 3.0. The research sample was conducted on employees in the manufacturing industry in Batam with a total of 320 respondents. The results found that leadership, compensation, and work environment influence job satisfaction, but these three variables do not influence employee retention. At the same time, the indirect effects showed that job satisfaction as a full mediation influences the relationship between leadership, compensation, and work environment on employee retention. Today, employee retention has become increasingly urgent in a dynamic job market, where low retention rates not only strain organizational resources but also jeopardize continuity, innovation and overall business performance, thereby underscoring the importance of effective retention strategies. This research showed how the organization carries out employee retention strategies and can be used as evaluation material and guidance for the industry in increasing employee retention within the organization.



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Keywords: Employee retention; Job satisfaction; Leadership; Work environment; Compensation

INTRODUCTION

In the globalization era, companies are faced with many challenges in achieving success, so proper human resource management is needed to retain the talent to achieve company goals (Tambak et al., 2022). Employee retention is a challenge for companies today, especially in terms of how to retain high-potential employees to ensure they will not be leaving the company. It will be an important role for the company, and it will not affect the financial burdens that could harm the company. Based on research and the report by Global Talent Predictions 2021, 40% of manufacturing companies have faced new business transformations, while another 40% are expected to experience new business transformations in the next three years. The global talent study has shown that there is projected growth in the worldwide workforce, with an expected rise of 60% in Asia, 33% in Eastern Europe, and 24% in Western Europe. The manufacturing sector has significantly contributed to the economic progress of emerging nations. In European countries, this sector has a prominent position, accounting for around 14.5% of the GDP (Horobet et al., 2021).

The economic growth of the Riau Islands in the second quarter of 2023 increased by 0.72% when compared to the first quarter of 2023. The economic growth of the Riau Islands in the second quarter of 2023 was dominated by the manufacturing industry (38.23%), construction (19.26%), and mining and digging (12.53%), where one of the industries involved, the manufacturing industry has contributed to improving the economy of the Riau

Islands (Badan Pusat Statistik Provinsi Kep. Riau, 2023). The growth of the manufacturing company will have an impact on the increase of the number of resources and the skill of employees.

Employee retention is one of the strategies companies use to manage human resources and retain employees in the long term. In this particular instance, job satisfaction emerges as a salient determinant of employee retention, a notion substantiated by empirical investigations highlighting the substantial influence of job satisfaction on employee retention. Prior scholarly inquiries have posited that heightened employee satisfaction engenders a heightened sense of loyalty toward the organization (Adil et al., 2020; Asri, 2021; Tambak et al., 2022; Wirayudha & Adnyani, 2020). Job satisfaction is not just derived from financial compensation or rewards; rather, employees also need motivation, recognition, and appreciation (Tj et al., 2021). Work environment factors are also needed to maintain employee retention levels. In previous research, the work environment has a significant influence if every need for the work environment is met properly, which will increase and create employee job satisfaction related to working conditions such as complete equipment, environmental conditions, safety, and comfort, as well as providing the facilities needed by employees (Idris et al., 2020).

Furthermore, compensation factors can influence employee retention. Companies give compensation to appreciate the achievements that employees have achieved. Mardhani and Dewi (2022) found that compensation has a significant influence on retention; if the compensation provided is good, employees will feel more at home and stay in the company. Leadership factors can also influence the continuity of an employee in a company, where every action and direction given can influence his subordinates, the leader through ongoing activities that can influence his followers, and leadership that is appropriate to subordinates will create job satisfaction for employees (Ratnasari et al., 2020). The reality shows that leadership in the form of leadership types leading personally, non-personally, democratically, authoritarian, paternalistically, and talentedly organizations need certain elements to enhance job happiness among their workforces (Paais & Pattiruhu, 2020).

Based on group forum discussions with several human resource practitioners in Batam, employee retention is one of the human resource strategies as a priority in talent management. The high number of employees who choose to quit their jobs is due to the failure of the companies to manage their strategies to retain their employees. In this study, employee retention was chosen as the dependent variable, where employee retention is a strategic endeavor undertaken by organizations to mitigate the departure of highly skilled and competent employees. It is achieved through the implementation of suitable compensation and rewards systems, the cultivation of a supportive work environment, the provision of career development opportunities, and the fostering of interpersonal relationships among employees (Hassan, 2022).

Several previous studies support research on employee retention which is influenced by work environmental factors (Aleem & Bowra, 2020; Naz et al., 2020; Xuecheng et al., 2022) compensation (Candra, 2022; Ngazo & Putranti, 2022; Sukmadewi & Dewi, 2020) and leadership is mediated through job satisfaction (Aleem & Bowra, 2020; Halim et al., 2021; Ratnasari et al., 2020; Tanuwijaya & Jakaria, 2022; Tj et al., 2021; Zainal et al., 2022). Job satisfaction concerns employee feelings about this study and examines the relationship

between employees' impressions of their jobs and their intention to remain with the business. Specifically, it compares the actual work outcomes with the intended ones and explores good situations in which employees express their thoughts about their work. The findings suggest that these factors have a causal role in fostering a happy psychological state, which in turn motivates employees to stay with the firm (Xuecheng et al., 2022). The leadership's guidance toward employees has a significant role in shaping the long-term prospects of a firm, as it tries to cultivate a workforce characterized by a strong feeling of loyalty to the organization (Aleem & Bowra, 2020). In addition, previous research has proven that there are many significant positive relationships with leadership (Paais & Pattiruhu, 2020; Ratnasari et al., 2020; Tanuwijaya & Jakaria, 2022). However, there is a scarcity of research pertaining to the impact of leadership on employee retention, especially in relation to its mediation via work satisfaction. Based on the findings of Pancasila et al. (2020), Hajjali et al. (2022), and Sukmadewi and Dewi (2020) proved that effective leadership could positively influence and direct subordinates in a manner that is both prudent and astute, hence fostering a work environment characterized by contentment and gratification.

This research fills the gap in examining the direct influence of work environment, compensation, and leadership on employee retention by using job satisfaction variables as mediation. Previous research only discussed the direct influence of leadership on employee retention through job satisfaction as mediation (Ratnasari et al., 2020; Tanuwijaya & Jakaria, 2022), the relationship between the work environment and employee retention (Aleem & Bowra, 2020; Zainal et al., 2022) the relationship between compensation and employee retention is mediated by job satisfaction (Mardhani & Dewi, 2022; Tj et al., 2021; Wirayudha & Adnyani, 2020). Another gap in this research is where the method of research used mix method, collecting data with a combination between interviews of human resource practice and using questioner for the sample of data where the method mixing quantitative and qualitative data (Hirose & Creswell, 2023), another gap related to the object of research carried out, where in previous research the research objects were universities, hospitals, and network companies in Indonesia, but in the research taken by the author was a manufacturing, where in 2021 40% of manufacturing companies have faced new business transformations (Oxford Economics, 2012), the author take a manufacture company in the Riau Islands, Batam. Based on this explanation, the authors were interested in conducting research on employee retention in manufacturing companies in the Batam, Riau Islands.

LITERATURE REVIEW

Job Satisfaction and Work Environment

The work environment can be said to be something that surrounds the employees, both in physical and non-physical form, directly or indirectly. Both in psychological form, which will influence them and affect the work they do (Ishak & Pratama, 2021). A work environment that is appropriate and meets the employee's desired needs will provide job satisfaction. A comfortable work environment will have a good impact on employees' confidence about work and work situations. The correlation between the workplace environment and job happiness is substantial, necessitating management's efforts to enhance the organizational climate to promote employee contentment. It is essential that employees

working under non-standard circumstances feel as content as those in typical work settings. (Halim et al., 2021).

Job satisfaction refers to an individual's emotional attitude characterized by contentment and affection for their occupation. The perspective above is evident in the levels of motivation, adherence to rules and regulations, and overall job effectiveness, as seen by Sukmadewi and Dewi (2020). According to research done by Pratiwi et al. (2021), the work environment has a substantial influence on job satisfaction. The work environment greatly influences employees at work because a comfortable work environment will have a good impact, such as employees' trust and happiness about work and work situations.

H1: Job satisfaction is affected significantly and positively by the work environment.

Job satisfaction and compensation

Compensation is income, which refers to the monetary or material compensation received by employees as a recognition for the services they provide to the organization. This compensation often takes the form of extrinsic rewards, including salaries, wages, benefits, and promotions, which are determined based on evaluations and assessments (Sihotang, 2022). The provision of compensation has been found to have a favorable impact on employee job satisfaction. One way in which compensation can be provided is by creating a comfortable work environment, which facilitates collaboration among employees in addressing organizational challenges, attributed to the sense of satisfaction and contentment experienced by employees as a result of the compensation they receive (Maryani et al., 2022).

Based on the findings of Adil et al. (2020), it can be inferred that there exists a notable positive correlation between compensation and job satisfaction. Expert opinions further support this notion, indicating that job satisfaction is influenced by four key factors: psychological, social, physical, and financial. Notably, compensation emerges as a crucial element in facilitating the attainment of job satisfaction for employers. Numerous prior investigations have similarly asserted that remuneration exerts a substantial impact on work satisfaction, as it facilitates the augmentation of employees' subjective well-being and their confidence in the organization (Mardhani & Dewi, 2022; Permana et al., 2021; Rosalia et al., 2020; Saman, 2020; Tj et al., 2021; Wirayudha & Adnyani, 2020).

H2: Job satisfaction is affected significantly and positively by compensation.

Job Satisfaction and Leadership

Leadership is a process of exerting influence on ongoing actions, particularly in the context of organizing individuals into groups with the aim of accomplishing predetermined objectives (Paais & Pattiruhu, 2020). In the practice of human resource development, a leader must be able to be an agent of change, empowering team members' decision-making, and at the same time as a reliable and capable coach (Setyawan & Munawaroh, 2021). Leadership can have a positive and significant effect on job satisfaction, influenced by how a leader can guide subordinates correctly and wisely, which will bring a sense of satisfaction and pleasure at work so that employees are able to carry out their duties and responsibilities in accordance with general directions (Sari & Hasyim, 2022). According to Paais and Pattiruhu (2020), leadership has a positive and significant effect on employee job

satisfaction. The reality shows that leadership in the form of leadership types, such as leading personally, non-personally, democratically, authoritarian, paternalistically, and talentedly, is needed by organizations to increase job satisfaction.

H3: Job satisfaction is affected significantly and positively by leadership.

Employee Retention and Work Environment

Employee retention is mentioned as an important human resource management activity for an organization in its efforts to achieve its goals and objectives, practices, and processes used in managing valuable employees so that they do not leave their position in the organization (Ishak & Pratama, 2021). According to Ishak dan Pratama (2021), The work environment has a positive effect on employee retention. A good work environment can be supported by dimensions such as all the work tools used by employees, the surrounding environment they encounter every day, good facilities and workspace, and others. Social exchange theory (SET) provides a view of the relationship between employers and employees, especially in employee retention. Social exchange theory itself can be provided by facilitating employees and creating mutually beneficial relationships so that employees will feel responsible for providing good feedback in a mutually beneficial, conducive work environment (Xuecheng et al., 2022). Frimayasa (2021) stated that the work environment does not affect employee retention, meaning that if the work environment is repaired or improved, it will not increase employee retention because several things are considered low by employees related to the work environment, namely the responsibilities given are not in accordance with the capacity and abilities they have, communication between employees and superiors are not yet well connected.

H4: Employee retention is affected significantly and positively by the work environment.

Employee Retention and Compensation

Compensation has a significant effect on employee retention. The better and bigger a company manages its compensation, the more employee retention will increase (Mardhani & Dewi, 2022). Ensuring equitable remuneration for employees serves as an indication of their recognition and value both as professionals and individuals. To formulate an effective employee retention strategy centered on pay, organizational leadership must possess the capacity to establish a comprehensive system of incentives that extends beyond just financial remuneration, such as benefits and profitable compensation to retain employees. Employees have high value in a company (Zainal et al., 2022).

H5: Employee retention is affected significantly and positively by compensation.

Employee Retention and Leadership

Leadership affects employee retention greatly. The factors that can make employees leave the company are the leader's attitude, communication, behavior, and toxic environment. The leader's direction towards employees will greatly influence how to create valuable and loyal employees in the long term (Aleem & Bowra, 2020). However, previous studies by Frances et al. (2022) did not find a positive relationship between leadership and employee retention. Many factors can influence someone to remain in the company, but

leadership cannot be a good strategy for retaining employees, according to the research found.

H6: Employee retention is affected significantly and positively by leadership.

Job Satisfaction and Employee Retention

Job satisfaction affects employee retention significantly. Job satisfaction pertains to an employee's assessment of their work, wherein they compare actual work outcomes to desired ones and consider positive circumstances where they can express their sentiments about their work. The effect of this element on employees' intentions to stay with the business is causal since a positive psychological state promotes employee loyalty and commitment to the firm (Xuecheng et al., 2022). According to Ishak and Pratama (2021), there exists a relationship between job happiness and employee retention. Specifically, employees who experience pleasure in their work are more likely to remain with the organization and exhibit higher levels of productivity.

H7: Employee retention is affected significantly and positively by job satisfaction.

Employee Retention and Work Environment Mediated by Job Satisfaction

Work environment and employee retention are entirely mediated by job satisfaction, exhibiting a positive and statistically significant association. The establishment of a positive and nurturing work environment has been shown to contribute to employee satisfaction significantly, hence fostering a greater inclination among employees to remain employed with the organization for an extended duration, ultimately leading to the development of a favorable employee retention rate (Halim et al., 2021).

Past research has indicated that work environment and employee retention are mediated by job satisfaction. Previous study links employment satisfaction, work environment, and retention. Research shows that job happiness mediates work environment-retention. The work environment's impact on employee retention relies on job satisfaction (Prastya & Fu'ad, 2022).

H8: Employee retention is affected significantly and positively by the work environment, mediated by job satisfaction.

Employee retention and compensation mediated by job satisfaction

Compensation given in accordance with contributions in carrying out responsibilities as an employee will have an impact on increasing job satisfaction, which will directly or indirectly affect the company's retention rate (Hernawan & Srimulyani, 2021). Aman-Ullah et al. (2023) stated that positive job satisfaction mediated compensation and retention, where when the work environment considers worker comfort and satisfaction, it will create a sense of engagement through work intentions and retention levels. Employee compensation and retention are linked to work satisfaction due to providing appropriate compensation that can increase employee retention, which gives rise to a sense of employee job satisfaction (Tj et al., 2021). According to Sarkar et al. (2023), satisfaction provides a positive relationship from compensation to retention. When employees receive adequate compensation for the performance they have carried out, they feel job satisfaction, which makes them have no intention of leaving the company (Wirayudha & Adnyani, 2020).

H9: Employee retention is affected significantly and positively by compensation, mediated by job satisfaction.

Employee Retention and Leadership Mediated by Job Satisfaction

Employee retention is affected significantly AND positively by leadership and mediated by job satisfaction. Leaders must provide direction and involve each member in carrying out activities within the company's activities, which, of course, will increase the sense of satisfaction of employees (Paais & Pattiruhu, 2020). When leaders successfully implement servant leadership, employees' desire to contribute increases (Ozturk et al., 2021). Good leadership can grow employees' self-confidence in carrying out their respective duties (Pancasila et al., 2020).

Job satisfaction is accompanied by increased employee retention with the role of a leader who can influence and guide subordinates correctly and wisely and bring a sense of satisfaction and pleasure at work so that employees are able to carry out their duties and responsibilities in accordance with directions appropriately and effectively (Sari & Hasyim, 2022). Job satisfaction can be a mediator of leadership and employee retention, finding a significant relationship between leadership and retention, depending on the conditions faced by employees, whether the company has good environmental conditions, and what goals the company wants to achieve so that employees feel capable. They have a clear goal (Waseem et al., 2023).

H10: Employee retention is affected significantly and positively by leadership, mediated by job satisfaction.

Based on the discussion above, a research framework can be drawn in Figure 1.

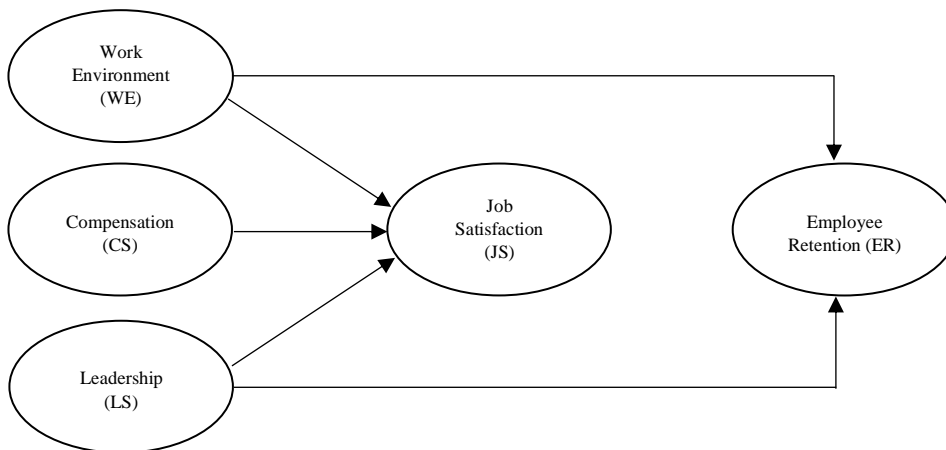


Figure 1. Research Framework

RESEARCH METHOD

This research used quantitative methods, and this research used numbers to collect the data (Yuliawan, 2021), and qualitative methods with description, classification, and interconnection of phenomena with the researcher's concepts (Rofiah, 2022). The researchers used a cross-sectional design to collect data on the sample. Collection is carried out in one measurement at a time (Ryan et al., 2023). The sample for this research was the manufacturing industry in Batam, which consisted of 320 respondents. In collecting data,

researchers used a questionnaire which was distributed to respondents. This research was analyzed using primary data and secondary data. Primary data was collected through respondents' answers to questionnaires that were distributed, where the number of respondents who filled in was 320. Secondary data was acquired from a diverse range of scholarly journals and publications within the academic domain.

To test the hypothesis, researchers used the Structural Equation Model (SEM) method based on Partial Least Square (PLS). The SEM analysis method is statistical data whose object of study has two or more variables, most of which are useful for covering an analysis method. Therefore, the researchers chose to use PLS as the analysis method because the type of technique used is more than two variables. PLS was helpful. The research also uses a non-probability sampling technique. The sample was not taken randomly, and not all factors in the population were sampled because the size of an element selected as a sample is unknown due to limited information (Sumargo, 2020).

The variables in this research were characterized by their independent nature: work environment (WE), compensation (CS), and leadership (LS). There were also dependent variables: employee retention (ER) and a mediating variable called job satisfaction (JS). This research has a total of 26 indicators, where the work environment (WE) variable uses statements based on research (Frimayasa, 2021). The compensation variable (CS) uses statements based on research (Biason, 2020). The leadership variable (LS) used statements based on research (Jacqueline & Nafula, 2021), and the employee retention (ER) variable used statements based on research (Hassan, 2022). The mediating variable job satisfaction (JS) used statements based on research (Tanuwijaya & Jakaria, 2022). The measuring scale used for all statement items in this study was a five-point Likert scale. The scale is as follows: 5 represents "Strongly Agree," 4 represents "Agree," 3 represents "Neutral," 2 represents "Disagree," and 1 represents "Strongly Disagree."

RESULTS AND DISCUSSION

Demographic Characteristics of Respondents

After the data was collected, the demographic was found as follows: female respondents had a total of 189 people with 59.1%, and male consisted of 131 people with 40.9%, female respondents seemed to dominate. The latest educational demographics were dominated by high school equivalent at 86.3%, followed by S1 at 11.9% and D3 at 1.9%. The length of time employees have worked was: < 1 year had a rate of 28.1%, 1-3 years was 56.5%, 4-6 years was 12.2%, 7-10 years was 2.5%, 11 -15 years was 0.3%, >16 years was 0.3%, showing that employees who have worked for 1-3 years dominated.

Outer Loadings

Chin and Marcoulides (1998) stated that a loading value of 0.6 on the outer level is deemed satisfactory in fulfilling the criteria for convergent validity (Table 1). From the results for each variable, it was found that it met the requirements, where the value tested met the requirements by passing 0.6 and was declared valid.

Construct Reliability and Validity

CCR and AVE values may be used to calculate the model reliability test. Trustworthy variables have CCR (composite reliability) values of 0.70 or higher and AVE values of 0.50 or higher (Hair et al., 2019). Based on Table 2, the value of each variable has met the minimum requirement above 0.5. The variable considered was valid because it meets the rule of thumb criteria. Composite reliability also meets the minimum criteria value exceeding 0.70. The value of each variable meets discriminant validity because the correlation between the constructs is > 0.70 .

Table 1. Outer Loadings

Variable	Sample Mean	Variable	Sample Mean
WE 1	0.748	JS 1	0.718
WE 2	0.729	JS 2	0.734
WE 3	0.830	JS 3	0.679
WE 4	0.837	JS 4	0.719
WE 5	0.830	JS 5	0.644
WE 6	0.645	JS 6	0.784
CS 1	0.808	JS 7	0.752
CS 2	0.779	ER 1	0.813
CS 3	0.765	ER 2	0.686
CS 4	0.708	ER 3	0.845
CS 5	0.804	ER 4	0.813
LS 1	0.682	ER 5	0.835
LS 2	0.905		
LS 3	0.924		

Table 2. Construct Reliability and Validity

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
WE	0.797	0.880	0.598
LS	0.845	0.882	0.713
JS	0.832	0.882	0.518
CS	0.866	0.898	0.599
ER	0.858	0.899	0.641

Hypothesis Test Results

Standardized Root Mean Square Residual (SRMR)

The SRMR test is the connection of the correlation matrix in the research model. According to Hu and Bentler (1999), the correct SRMR value is less than 0.1. The SRMR results get 0.047 (Table 3), which means less than 0.1, which shows that the model is appropriate and fit.

Table 3. The Standardized Root Mean Square Residual (SRMR)

	SRMR
Saturated Model	0.047
Estimated Model	0.047

Normed Fit Index (NFI)

The NFI value is in the range 0–1, and a very suitable model will produce an NFI value of 1 (Hair et al., 2010). Based on the data obtained, it is 0.709 (Table 4), which means the

model is suitable for the research carried out, but Bentler and Bonett (1980) recommended an NFI value of more than 0.90 for a good fit.

Table 4. The Normed Fit Indeks (NFI)

	NFI
Saturated Model	0.709
Estimated Model	0.709

Direct Effect

Significant influence from the T-statistics column and P-values where the data is processed after bootstrapping, according to the conventional criterion, a T-statistic above 1.96 suggests a substantial effect (Table 5). A variable has no significant influence if its P-value is greater than 0.05 and its T-statistic is less than 1.96 (Hair et al., 2011).

Table 5. Test the direct effect model

Variable	T-statistics (O/STDEV)	P Values	Conclusion
WE → JS	2.632	0.009	Significant
CS → JS	7.591	0.000	Significant
LS → JS	3.189	0.001	Significant
WE → ER	1.550	0.121	Not Significant
CS → ER	1.839	0.066	Not Significant
LS → ER	1.052	0.293	Not Significant
JS → ER	4.770	0.000	Significant

Hypothesis 1: work environment has a significant positive effect on job satisfaction

The data test results revealed a statistically significant positive correlation between the work environment and job satisfaction. This conclusion is backed by a T value of more than 1.96 or 2.632 and a P-value of 0.05 or 0.009. Both from a physical and non-physical perspective, the workplace environment can increase employees' enjoyment of the tasks they complete, and the office atmosphere is strongly correlated with job satisfaction (Halim et al., 2021). This finding is similar to previous research, proving that the work environment has a significant effect on job satisfaction (Ishak & Pratama, 2021; Ratnasari et al., 2020).

Hypothesis 2: compensation has a significant positive effect on job satisfaction

The test findings indicated a favorable correlation between compensation and work happiness. The statistical T value of 7.591 and P value of 0.000 both matched the established significance criteria. This study aligns with previous research that has shown a favorable and statistically significant relationship between remuneration and employee job satisfaction. According to Maryani et al. (2022), three distinct categories of compensation exist, namely direct financial compensation, indirect financial compensation, and non-financial compensation. Significance was also found in previous research, where compensation can trigger employees' feelings of happiness and satisfaction with what they do (Hernawan & Srimulyani, 2021; Pratama et al., 2021; Violetta & Edalmen, 2020).

Hypothesis 3: leadership has a significant positive effect on job satisfaction

The presented data exhibits a statistical T value of 3.189 and a P value of 0.001. These values enable the examination of the hypothesis that a substantial positive correlation exists between leadership and job satisfaction. The statement aligns with the findings of a study

done by Paais and Pattiruhu (2020), which asserts that leadership has a favorable and statistically significant impact on job satisfaction. Becoming a good and effective leader cannot be achieved by shortcuts or instantaneously; it requires a process and challenges that must be faced as part of learning (Setyawan & Munawaroh, 2021). Leadership that is carried out appropriately and well will be a factor that influences employee satisfaction in the company. Leadership has a significant contribution to increasing employees' sense of job satisfaction, according to Sari and Hasyim (2022). However, Francess et al. (2022) found that leadership does not influence job satisfaction.

H4: work environment does not affect employee retention.

Based on the statistical analysis, whereby the T statistic is calculated to be 1.550, and the corresponding P value is determined to be 0.121, there is insufficient evidence to support a substantial association between the work environment and employee retention. The impact of the work environment on employee retention has been a subject of study. Contrary to previous research conducted by Aleem and Bowra (2020), which did not find a significant relationship between the work environment and employee retention, recent findings by Zainal et al. (2022) indicate a strong positive effect of the work environment on employee retention.

Hypothesis 5: compensation does not have a significant effect on employee retention

The T value obtained from the statistical analysis is 1.839, while the corresponding P value is 0.066. According to the conventional standards for significance, which require a T value of more than 1.96 and a P value of less than 0.05, the findings did not indicate a significant association between pay and employee retention. Tj et al. (2021) mentioned that employee retention is not affected by compensation. Even though compensation increases, employees' desire to stay in the company for a long time is not directly influenced by compensation. Otherwise, factors other than compensation can directly influence employee retention. However, Zainal et al. (2022) discovered a significant relationship between compensation and employee retention, which was different from the findings. In this study, compensation did not influence employee retention because it was seen from the population studied and the type of industry used as research, where each research object produced different research results. Also, in the research, job satisfaction was necessary for the relationship between employee compensation and retention.

Hypothesis 6: leadership does not have a significant effect on employee retention

The presented data reveals a T value of 1.052 and a corresponding P value of 0.293, suggesting that there is no statistically significant association between leadership and employee retention. This study aligns with the findings of Francess et al. (2022), which indicated that leadership had no discernible impact on staff retention. However, it diverges with the research conducted by Aleem and Bowra (2020), which identified a substantial association between leadership and employee retention. In this research, leadership cannot be a determining factor in whether employees survive because it depends on each respondent and the research object, where each answer received will be different and have different results.

Hypothesis 7: job satisfaction has a positive effect on employee retention

The test data revealed a statistically significant and positive correlation between work satisfaction and employee retention. The obtained T statistic of 4.770 and the associated P value of 0.000 indicate a statistically significant relationship between job satisfaction and employee retention, suggesting that retention methods influence the former. This finding aligns with empirical data that demonstrates a positive and significant correlation between job satisfaction and employee retention (Nurmalitasari & Andriyani, 2021).

Indirect Effect

In indirect influence testing, it is carried out to determine the magnitude of the indirect relationship between variables.

Table 6. Indirect effect

Variable	T Statistics (O/STDEV)	P Values	Conclusion
WE -> JS -> ER	2.116	0.035	Significant
CS -> JS -> ER	4.202	0.000	Significant
LS -> JS -> ER	2.569	0.010	Significant

Hypothesis 8: work environment has a positive effect on employee retention, mediated by job satisfaction

Table 6 shows that the statistical T value is 2.116, and the P value is 0.035. Both values have met the existing criteria so that a significant relationship is produced. Job satisfaction can mediate between the work environment and retention. Prastya and Fu'ad (2022) stated that a better work environment would not necessarily support the success of employee retention by the company without realizing employee job satisfaction. A supportive work environment will produce employee satisfaction, which will make employees want to stay longer with the company in the sense of creating a better retention rate (Halim et al., 2021).

Hypothesis 9: compensation has a positive effect on employee retention, mediated by job satisfaction

Based on the test findings, job satisfaction can mediate compensation on retention because the T statistic is 4.202, and the P value is 0.000. This research was supported by (Mardhani & Dewi, 2022; Tj et al., 2021; Wirayudha & Adnyani, 2020). Hernawan and Srimulyani (2021) stated that job satisfaction serves as a complete mediator in the indirect influence of salary on employee retention. The impact of remuneration on employee retention is significant since it is closely intertwined with work satisfaction. Work satisfaction, in turn, plays a crucial role in influencing both retention and compensation.

Hypothesis 10: leadership has a positive effect on employee retention, mediated by job satisfaction.

The results demonstrated that leadership had a substantial and favorable impact on employee retention by fostering work satisfaction, as shown by a T statistical value of 2.569 and a P value of 0.010. This finding proved how employee retention could be mediated by job satisfaction. Waseem et al. (2023) found that job satisfaction could be a mediator of

leadership and employee retention. The significance of leadership depends on the circumstances faced by members and what goals they want to achieve. However, this finding is contrary to research by Francess et al. (2022), which found that leadership cannot mediate the influence of job satisfaction on employee retention. However, the research conducted proves that job satisfaction can influence employee retention in a company.

CONCLUSION

This research proved that three direct hypotheses on job satisfaction had a positive effect. However, the direct hypothesis on employee retention showed no positive effect, while the variable job satisfaction had a direct effect on employee retention and a positive effect. The indirect influence hypothesis of the three variables had a positive effect, where job satisfaction is proven to mediate these three variables on employee retention fully.

The research fill the gap that emphasizes while leadership, compensation, and work environment directly impact job satisfaction, they do not directly influence employee retention in the manufacturing industry in Batam. However, the study reveals that job satisfaction fully mediates the relationship between these factors and employee retention. This finding underscores the importance of fostering a positive work environment and implementing effective leadership and compensation practices to enhance job satisfaction, thereby improving employee retention rates within organizations.

Theoretical Implications

This research provides contributions and new insights into existing social exchange theory (SET) regarding employee retention and the factors that can support retention levels in manufacturing companies. From a SET perspective, employee retention can be triggered through training and development offered by employers, which facilitates mutual benefits and creates reciprocal obligations (Xuecheng et al., 2022). This research presents a broad theoretical contribution to discussions carried out directly regarding the determinants of employee retention in a company. The research results open views on what can be done to maintain employee retention levels and provide quality resources. The research results reveal that if job satisfaction is provided, it will affect the retention rate itself.

This study enriches the literature and provides theoretical learning regarding employee retention by analyzing its relationship with the work environment, compensation, and leadership in the manufacturing industry, as well as the role of the three variables in influencing employee retention. This research adds a new contribution to the human resources perspective regarding what factors can increase retention in the long term to maintain the company's sustainability. In addition, this research contributes to the analysis of corporate management literature, presenting strategies for dealing with human empowerment factors to maintain the quality of human resources themselves.

Practical implications

This research has implications for practitioners in the Batam manufacturing industry in Indonesia, first by increasing employee retention, by improving work environment facilities so that employees can feel comfortable, by providing compensation in accordance with what they have done, and by providing leadership direction to subordinates by directing

without authoritative actions and embracing all employees to participate in the company, this is done so that the company can survive for a long period in the future. Second, job satisfaction needs to be an important concern.

From the results, job satisfaction has succeeded in being a full mediator of all the relationships between work environment variables, compensation, and leadership on employee retention, which means that employees will stay with the company if their sense of happiness and trust in the company will grow. The company makes efforts to increase the sense of satisfaction so that if the sense of satisfaction has been fulfilled, employees will choose to stay with the company and create a high sense of loyalty to the company. This condition can be used as an evaluation and guideline for the industry in increasing employee retention within the company.

Limitation

The limitation of the research is that data collection is in the form of a cross-sectional method, where data is taken from many samples at one time so that the conclusions given from the research results are difficult to balance between cause and effect because data collection is carried out in one measurement at a time as well as cross-sectional research. The sectional method only studies one moment in time (Ryan et al., 2023). Another limitation of this research is that it only presents the conclusions of the three variables that have been studied, though using other variables may produce more varied conclusions.

Further research on employee retention can be conducted for a company of a wider size. Future research may be able to use longitudinal research, perhaps explicitly discussing retention and its supporting factors, as discussed in the research, namely the work environment, compensation, and leadership. Apart from that, you can use this research in other manufacturing companies in the Riau Islands, such as Bintan Karimun, to understand employee retention conditions themselves.

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