



## Beyond Pay: How Organizational Support and Job Satisfaction Drive Employee Retention

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### Abstract

**Research Aim:** This study aims to develop an integrative model by examining the role of job satisfaction as a mediating mechanism in the relationship between compensation, Perceived Organizational Support (POS), and employee retention in travel agencies.

**Design/Methods/Approach:** This research uses a quantitative descriptive approach. Data were collected from 128 travel agency employees in Kediri, East Java, and analyzed using Structural Equation Modeling with the Partial Least Squares (PLS) method.

**Research Findings:** The results show that compensation does not have a significant direct effect on employee retention, while POS has a positive and significant effect. Job satisfaction is proven to mediate the relationship between compensation, POS, and employee retention.

**Theoretical Contribution / Originality:** This study contributes by highlighting job satisfaction as a key mediating variable and strengthening the social exchange theory perspective, emphasizing that perceived organizational support plays a more critical role than financial compensation in influencing employee retention.

**Practical/Policy Implications:** Organizations should prioritize strengthening POS through supportive policies, fair treatment, and employee welfare. Enhancing job satisfaction should become a strategic focus to improve retention.

**Research Limitation:** This study is limited to travel agencies in one region with a cross-sectional design, which may restrict generalizability. Future research should include broader sectors and longitudinal approaches.

### Abstrak

**Tujuan Penelitian:** Mengembangkan model integratif dengan menempatkan kepuasan kerja sebagai variabel mediasi dalam hubungan antara kompensasi dan Perceived Organizational Support (POS) terhadap retensi karyawan pada agen perjalanan.

**Pendekatan:** Penelitian menggunakan pendekatan kuantitatif deskriptif. Data dikumpulkan dari 128 karyawan agen perjalanan di Kediri, Jawa Timur, dan dianalisis menggunakan Structural Equation Modeling berbasis *Partial Least Squares (PLS)*.

**Temuan Penelitian:** Kompensasi tidak berpengaruh signifikan terhadap retensi karyawan, sedangkan POS berpengaruh positif dan signifikan. Kepuasan kerja terbukti memediasi pengaruh kompensasi dan POS terhadap retensi karyawan.



**Kontribusi Teoritis/Orisinalitas:** Penelitian ini menegaskan peran kepuasan kerja sebagai mekanisme mediasi serta memperkuat relevansi teori pertukaran sosial, bahwa persepsi dukungan organisasi lebih menentukan retensi dibandingkan imbalan finansial semata.

**Implikasi bagi Praktisi/Kebijakan:** Perusahaan perlu memperkuat POS melalui dukungan organisasi, perhatian terhadap kesejahteraan, dan hubungan kerja yang baik. Peningkatan kepuasan kerja harus menjadi prioritas strategis untuk mendorong retensi karyawan.

**Keterbatasan Penelitian:** Penelitian terbatas pada agen perjalanan di satu wilayah dan menggunakan desain cross-sectional, sehingga generalisasi masih terbatas. Penelitian selanjutnya disarankan memperluas konteks dan menggunakan pendekatan longitudinal.

**Kata kunci:** Retensi Karyawan; Kepuasan Kerja; Kompensasi; Dukungan Organisasi.

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## Introduction

Travel agents are companies that provide services such as tour packages, MICE (Meeting, Incentive, Conference and Exhibition), gatherings, event planning, and ticket booking (hotels, flights, trains, and travel) with high-quality service. Travel agents help reserve tourism facilities and handle administrative documents for travel. According to the UNWTO (UN-World Tourism Organization), travel agents are companies that play an important role in promoting tourism as a driver of economic growth, inclusive development, environmental sustainability, and providing leadership and support in advancing tourism knowledge and policies worldwide.

Several advantages of using a travel agent include: Exclusive Access: Travel agents have access to information and exclusive offers not available to the public, such as hotel discounts, flight tickets, and tour packages. Expert Consultation: Their services include travel consultation that can help in choosing destinations, arranging schedules, and providing relevant information, such as weather, political situations, and safety. Peace of Mind: Customers using a travel agent can feel more relaxed and confident that their vacation will run smoothly and as planned. Problem Resolution: Travel agents help solve problems that may arise during a trip, such as flight cancellations, accommodation issues, or lost luggage. Local Knowledge: They have extensive knowledge of local culture, customs, and languages in various destinations, allowing them to provide the right recommendations and advice for a more memorable and engaging travel experience. With the increasing demand for travel services, companies in this sector are required to provide optimal service to all customers. In Kediri, East Java, there are a recorded 65 travel agent businesses.

One key factor influencing the success of a travel agency business lies in employee performance. The challenge faced by travel agency owners in Kediri is the high employee turnover rate, which leads to low employee retention. In general, travel agency employees are required to possess the skills and abilities to provide excellent service to all customers. Employees must understand their agency's travel services to be able to provide detailed information and explanations to customers. Furthermore, travel agency employees must be skilled in communication, promotion, and organizing travel activities. Skilled and competent



employees are valuable assets that influence business progress and sustainability. Many travel agency companies face challenges in retaining their employees. Travel agency management needs to understand the factors influencing employee retention so that recruited employees can perform optimally for the company's progress.

Employee retention is a company's ability to retain its employees. Employee retention is a practice and policy designed to create a work environment that encourages employees to stay with the organization, thereby reducing employee turnover. Employee retention is a strategy used by travel agency management to retain competent employees for a specific period of time. Employee retention is the condition of employees who are motivated to remain with an organization or company for a longer period [1]. Employee retention is considered a crucial resource for achieving competitive advantage amidst increasingly fierce competition in the travel agency business. High turnover rates in travel agencies are not merely administrative issues, but rather detrimental strategic issues. The loss of employees, especially skilled and experienced ones, this can lead to service discontinuity, decreased productivity, and financial losses due to recurring recruitment and training costs. Furthermore, the loss of "knowledge workers" can reduce a company's competitiveness. Employee retention is crucial for organizations because the cost of replacing and retraining new employees is very expensive, especially for those who are highly talented and possess specialized skills that are difficult to acquire. Experienced and well-trained employees play a crucial role in maintaining customer satisfaction and business continuity. Several studies have shown that several factors influence employee retention, such as compensation [2]; [3]; [4], perceived support from the organization [5]; [6]; [7], and employee job satisfaction. High employee turnover rates in travel agency businesses can result in financial losses and decreased service quality. Several factors that contribute to an employee's decision to stay or leave a company are compensation received, perceived support from the organization, and job satisfaction.

Compensation is a key factor in retaining employees for longer periods. When companies don't provide adequate compensation, employees tend to leave and move to companies that offer higher compensation. Employees' attitudes toward their jobs tend to compare the amount of compensation they receive with the amount they deserve. This involves subjective evaluations of aspects of the job, including the tasks performed, the work environment, working conditions, rewards received, and relationships with coworkers and superiors. Fair and competitive compensation, whether in the form of salary, bonuses, or benefits, is a key motivator for employees to stay with a company. Compensation that doesn't meet expectations or market standards can trigger dissatisfaction and encourage employees to seek other employment opportunities.

Several academics have conducted research demonstrating the importance of increasing employee retention through career development activities, organizational commitment, and perceived organizational support [8]. Perceived organizational support plays a crucial role in fostering employee belonging and loyalty to the company. Employee job satisfaction refers to the level of satisfaction and happiness employees feel about their work. Job satisfaction is an employee's perception of whether their work is enjoyable or not. Employee job satisfaction is typically measured by the compensation they receive during their time as an employee. High job satisfaction can have positive impacts on employees and

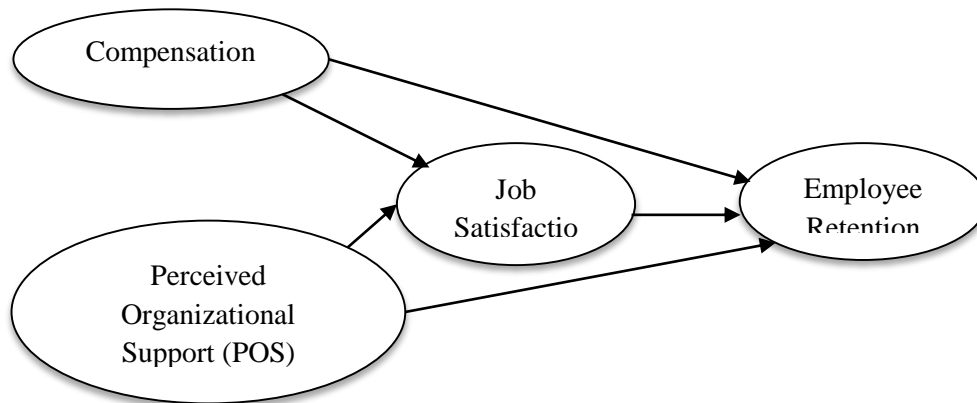


organizations, including increased productivity, better work quality, higher employee retention, and lower absenteeism. Employees who are satisfied with their compensation and feel supported by their company tend to be happier and more motivated, ultimately increasing their desire to remain with the company. Furthermore, job satisfaction can also contribute to employee mental and physical well-being. Previous research has examined the impact of compensation on employee retention. Compensation did not have a positive and significant effect on employee satisfaction [9]. This contrasts with the results of research by [10], which found that compensation had a significant effect on employee retention. Furthermore, this study also concluded that employee satisfaction had a significant positive effect on employee retention.

Although the human resource management literature widely positions compensation as a primary determinant of employee retention, empirical findings show inconsistent results, particularly in the dynamic, customer-experience-driven service sector. From a Social Exchange Theory (SET) perspective, an employee's decision to stay is not solely determined by financial rewards, but by the quality of the reciprocal relationship between the employee and the organization [11]. However, most research still emphasizes the role of compensation as a form of economic exchange and has not adequately distinguished the influence of economic exchange and social exchange in explaining employee retention.

Furthermore, although perceived organizational support (POS) is often viewed as a proxy for social exchange within the SET framework, previous research tends to examine its direct influence on retention without elaborating on the psychological mechanisms underlying this process. Consequently, there are still limitations in understanding how employees interpret organizational support and how this process translates into decisions to stay. This gap highlights the need for a mechanism-based explanation that can explain how financial and non-financial factors operate simultaneously within the social exchange framework. In this regard, job satisfaction has the potential to act as a psychological mechanism reflecting employees' evaluations of the quality of the exchange between themselves and the organization. Based on this gap, this study integrates the perspective of Social Exchange Theory by positioning job satisfaction as a psychological mechanism that bridges the influence of compensation (as economic exchange) and perceived organizational support (as social exchange) on employee retention, while also reexamining the relevance of financial factors in the context of a competitive and digitalized service industry. The hypotheses are formulated as follows:

1. Compensation has a positive and significant effect on employee retention.
2. Perceived organizational support has a positive and significant effect on employee retention.
3. Compensation has a positive and significant effect on employee job satisfaction.
4. Perceived organizational support has a positive and significant effect on employee job satisfaction.
5. Employee job satisfaction has a positive and significant effect on employee retention.
6. Compensation has a positive and significant effect on employee retention, mediated by job satisfaction.
7. Perceived organizational support has a positive and significant effect on employee retention, mediated by job satisfaction.



**Figure 1. Research Model**

## Methodology

This study employs a quantitative descriptive approach using a survey method to examine the effect of compensation and Perceived Organizational Support (POS) on employee retention, with job satisfaction as a mediating variable. The population consists of employees working in travel agency service businesses in the Kediri area, with a total sample of 128 respondents selected using a purposive sampling technique. Respondents were chosen based on specific criteria, namely employees who are actively working in travel agencies and have sufficient understanding of their work environment. This sampling technique was used to ensure that the data collected are relevant to the research objectives. Data were collected through questionnaires and analyzed using Structural Equation Modeling (SEM) with the Partial Least Square (PLS) approach, implemented through SmartPLS software version 4.0.

The compensation variable in this study was measured using indicators according to [12], namely compensation paid directly to employees and paid in a consistent time can be in the form of: 1) salary, 2) Incentives/Bonuses, 3) allowances, 4) Awards/Recognition. The POS variable in this study was measured using indicators. According to [13], there are 4 dimensions to increase organizational support, namely: 1) Justice, 2) Organizational rewards, 3) Support from superiors, 4) Working conditions. Job satisfaction variables in this study were measured using indicators according to [14] such as 1) salary, 2) the work itself, 3) coworkers, 4) superiors, 5) promotions, and 6) the work environment. Employee retention variables in this study were measured using indicators according to [15], namely: 1) Organizational components, 2) Organizational career opportunities, 3) Rewards, 4) Task and job design, 5) Employee relations.

## Results and Discussion

### Result

#### Respondent Description

The following is a summary of the results of the respondents' descriptions:



Table 1. Respondent Characteristics

Category	Item	Frequency	Percentage (%)
Gender	Male	70	54,7
	Female	58	45,3
Working Period	< 1 year	13	10,2
	2 – 5 years	80	62,5
	6 – 10 years	25	19,5
	> 10 years	10	7,8
Education Level	High School	50	39,1
	Diploma (D3)	40	31,3
	Bachelor's Degree (S1)	30	23,4
	Master's Degree (S2)	8	6,2
<b>Total</b>		<b>128</b>	<b>100</b>

Based on the characteristics of the respondents, it can be concluded that the majority of respondents were male 54.7% (70 respondents), with 62.5% (80 respondents) having worked for 2-5 years, and 39.1% (50 respondents) having a high school education.

In this study, inferential analysis measurements were conducted using SmartPLS software version 4.0. Three tests used to evaluate outer loadings in SmartPLS include Convergent Validity, Discriminant Validity, Composite Reliability, Average Variance Extracted (AVE), Cronbach's Alpha, and the Fornell-Larcker Criterion. The model can be further analyzed, with factor loadings (outer loadings) being an important consideration.

Based on the figure below, all indicators meet the criteria with outer loadings above 0.7. This indicates convergent validity has been met, as no indicator has a value below 0.7. Therefore, the model is worthy of further analysis, demonstrating its validity and reliability.

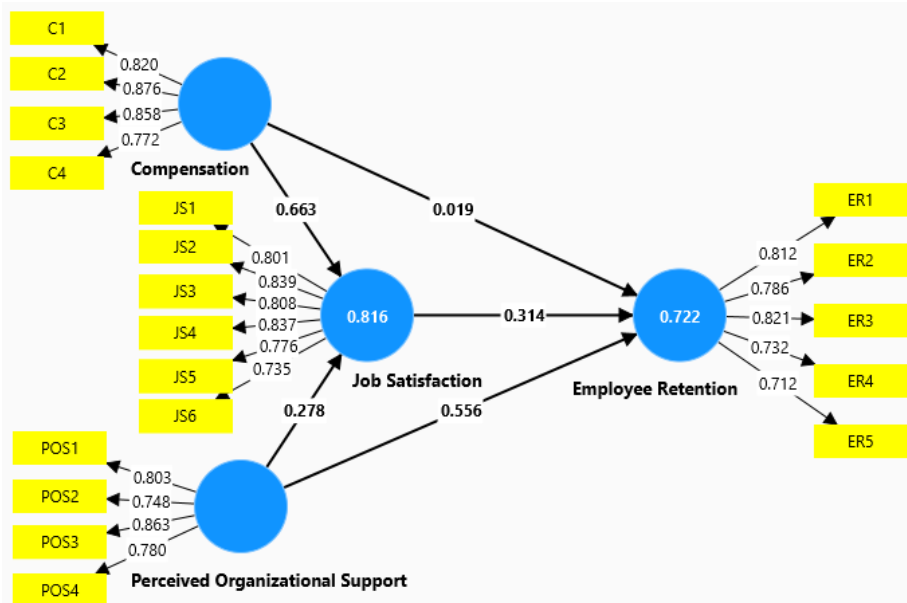


Figure 2. PLS Algorithm Research Model



### Measurement Model Test Results (Outer Model)

After examining factor loadings and ensuring model adequacy, the next step is to evaluate the results of the data quality test. The results of this data quality test will be used in the outer model analysis to describe the relationship between the latent variables and their indicators, essentially explaining how each indicator relates to the latent variable.

**Table 2. Outer Loading, Cronbach's Alpha, Composite Reability, AVE**

<b>Measurement Variables and Indicators</b>	<b>Outer Loading</b>	<b>Cronbach's Alpha</b>	<b>Composite Reability (rho_a)</b>	<b>AVE</b>
Compensation		0,851	0,852	0,693
C1	0,820			
C2	0,876			
C3	0,858			
C4	0,772			
Perceived Organizational Support		0,811	0,814	0,639
POS1	0,812			
POS2	0,786			
POS3	0,821			
POS4	0,732			
Job satisfaction		0,887	0,890	0,641
JS1	0,801			
JS2	0,839			
JS3	0,808			
JS4	0,837			
JS5	0,776			
JS6	0,735			
Employee Retention		0,832	0,834	0,599
ER1	0,803			
ER2	0,748			
ER3	0,863			
ER4	0,780			
ER5	0,803			

### Convergent Validity

Based on Table 2 above, the loading factor value indicates the level of correlation between the indicator and the latent construct. In the PLS model, an indicator is considered valid if its loading factor value is greater than 0.7, while values between 0.4 and less than 0.7 can still be maintained without affecting the calculation. Table 4 shows that all items have convergent validity above 0.7, thus it can be concluded that all items are valid.

### Discriminant Validity

After ensuring there are no issues with convergent validity, the next step is to test discriminant validity. This test is conducted by analyzing the cross-loading table, which shows how well a construct can predict its indicators compared to other constructs. If the correlation between the construct and the main measurement (each indicator) is higher than the correlation with other constructs, then discriminant validity is considered met. The results of discriminant validity can be seen in Table 3, which shows that the cross-loading value for the indicators of one construct is higher than that of indicators from other constructs. The method used to measure discriminant validity is by comparing the root of the AVE (Average Variance Extracted) of each variable with the correlation between that variable and other variables in the model. If the root of the AVE is greater than the correlation with other latent variables, then the variable is considered valid.

**Table 3. Discriminant Validity**

	Compensation	Employee Retention	Job Satisfaction	Perceived Organizational Support
Compensation				
Employee Retention	0,892			
Job Satisfaction	1,019	0,909		
Perceived Organizational Support	0,984	1,006	0,963	

### Average Variance Extracted (AVE)

The Average Variance Extracted (AVE) test aims to evaluate the extent to which a variable can represent the original data obtained from its indicators. If the AVE value is greater than 0.5, this indicates that the variable's convergent validity is good. In this test, the AVE value of each research variable is analyzed to ensure the homogeneity of indicator variance within each variable. Based on the results listed in Table 4, all variables have met the validity criteria with AVE values above 0.5. Thus, it can be concluded that there are no convergent validity issues in the tested model, because each construct has a sufficient AVE value to accurately represent the latent variable.

### Reliability

The final stage in evaluating the outer model is testing the model's unidimensionality. This test was conducted using Composite Reliability and Cronbach's Alpha, with a cutoff value set at more than 0.7. Based on Table 4, the results show that both Composite Reliability and Cronbach's Alpha for each construct have values above 0.7. This indicates that all variables meet the reliability criteria in this study, and there are no reliability or unidimensionality issues in the developed model.

### Inner Model

The results of the model structure test used to analyze the inner model describe the relationships between latent variables based on relevant theory. The structural model is



evaluated using R-square for the dependent construct. The results are explained in the context of the dependent variable, where the R-square value should be greater than 0.10 (the higher the value, the better), indicating good quality for the dependent construct. In addition, there is also an f-square used to measure the effect size and the relevance of Q<sup>2</sup> predictions.

**Table 4. R Square**

	R-square	R-square adjusted
<b>Employee Retention</b>	0,722	0,720
<b>Job Satisfaction</b>	0,816	0,815

Table 4 shows that the adjusted R-Square value for employee satisfaction is 0.816, indicating that compensation and Perceived Organizational Support (POS) variables can explain 81.6% of the variation in job satisfaction. Meanwhile, the adjusted R-Square value for employee retention is 0.722, indicating that compensation and Perceived Organizational Support (POS) variables together can explain 72.2% of the variation in employee retention. These results indicate that the dependent construct has a value above 0.10, indicating good quality.

**Table 5. f Square Value**

	Compensation	Employee Retention	Job Satisfaction	Perceived Organizational Support
<b>Compensation</b>		0,000	0,797	
<b>Employee Retention</b>				
<b>Job Satisfaction</b>		0,065		
<b>Perceived Organizational Support</b>		0,325	0,140	

Based on data analysis, the f<sup>2</sup> value is used to measure the effect size. The f<sup>2</sup> value categories of 0.02, 0.15, and 0.35 can be interpreted as weak, moderate, and strong influences, respectively, on the latent variable predictors at the structural level. Table 5 shows that the compensation variable has a strong influence on job satisfaction, as indicated by the f<sup>2</sup> value of 0.797. The compensation variable has a weak influence on employee retention, as indicated by the f<sup>2</sup> value of 0.000. Furthermore, the job satisfaction variable has a weak influence on employee retention, as indicated by the f<sup>2</sup> value of 0.065. The Perceived Organizational Support variable has a strong influence on Employee Retention, as indicated by the f<sup>2</sup> value of 0.325. And the Perceived Organizational Support variable has a moderate influence on job satisfaction, as indicated by the f<sup>2</sup> value of 0.140.



**Table 6. Hypothesis Test Results**

Hypothesis	Description Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Description
1	Compensation -> Employee Retention	0,019	0,023	0,091	0,213	0,831	Not accepted
2	Compensation -> Job Satisfaction	0,663	0,662	0,048	13,794	0,000	Accepted
3	Job Satisfaction -> Employee Retention	0,314	0,313	0,085	3,689	0,000	Accepted
4	Perceived Organizational Support -> Employee Retention	0,556	0,554	0,061	9,175	0,000	Accepted
5	Perceived Organizational Support -> Job Satisfaction	0,278	0,278	0,049	5,682	0,000	Accepted
6	Perceived Organizational Support -> Job Satisfaction -> Employee Retention	0,087	0,088	0,031	2,779	0,005	Accepted
7	Compensation -> Job Satisfaction -> Employee Retention	0,208	0,206	0,055	3,780	0,000	Accepted

## Discussion

In hypothesis testing, the relationship between constructs is evaluated based on path coefficients and their significance levels using a 5% significance threshold. The bootstrapping procedure in SmartPLS was applied to assess the statistical significance, where a t-value greater than 1.96 and a p-value less than 0.05 indicate a significant relationship [9]. Based on the results, the discussion of each hypothesis is presented as follows.

### The Impact of Compensation on Employee Retention

The findings of this study reveal that compensation does not have a significant direct effect on employee retention, indicating that financial rewards alone are not sufficient to



ensure employees remain in the organization. Although compensation is often considered a primary factor in retaining employees, the results suggest that employees in the travel agency sector evaluate their decision to stay based on broader considerations. In this context, compensation tends to function as a basic requirement rather than a determining factor. When non-financial aspects such as work environment, relationships with supervisors and colleagues, and career development opportunities are perceived as unfavorable, competitive compensation alone may not be enough to prevent employees from leaving [16].

Furthermore, the findings indicate that the role of compensation in influencing retention is more indirect, particularly through job satisfaction. Employees who perceive their compensation as fair are more likely to experience higher job satisfaction, which subsequently strengthens their intention to stay. Conversely, when job satisfaction is low, the effect of compensation becomes insignificant. This result is consistent with previous studies [9]; [17], which suggest that compensation does not always directly influence employee retention, but interacts with other organizational factors. Therefore, employee retention should be understood as a multidimensional outcome influenced more strongly by non-financial factors such as work environment [18], career development opportunities [19], organizational culture [20], motivation, and work-life balance [21].

#### **The Effect of Compensation on Job Satisfaction**

The findings of this study indicate that compensation has a significant positive effect on job satisfaction, suggesting that financial rewards remain an important factor in shaping employees' attitudes toward their jobs. Compensation is not merely a monetary exchange, but also represents the organization's recognition of employees' contributions. When employees perceive their compensation as fair and competitive such as through salaries, bonuses, and other benefits they are more likely to feel valued and appreciated. This sense of appreciation enhances their self-worth and strengthens their positive evaluation of their job.

Furthermore, adequate compensation enables employees to meet their financial needs and achieve a sense of economic security, which contributes to higher levels of focus and motivation at work. This finding is consistent with previous studies [20]; [22], which suggest that fulfillment of employees' needs leads to higher job satisfaction and stronger organizational commitment. In addition, this study supports the view that job satisfaction is influenced by both internal and external factors [23], where compensation serves as a key external factor alongside work environment, supervision, and interpersonal relationships. Therefore, improving compensation systems can be an effective strategy for organizations to enhance employee job satisfaction.

#### **The Influence of Job Satisfaction on Employee Retention**

The findings of this study indicate that job satisfaction has a significant positive effect on employee retention, suggesting that employees who experience higher levels of satisfaction are more likely to remain in the organization. Job satisfaction reduces employees' intention to leave, as they feel comfortable, valued, and emotionally connected to their workplace. This emotional attachment fosters a sense of belonging, where employees no longer perceive themselves merely as workers, but as integral parts of the organization [24].

Furthermore, job satisfaction contributes to the development of organizational commitment, which strengthens employees' willingness to stay and support organizational goals. This finding is consistent with previous studies [1]; [10], which emphasize that job



satisfaction is a key determinant of employee retention and plays a crucial role in reducing turnover rates. Therefore, organizations should prioritize strategies that enhance job satisfaction, such as improving reward systems, providing career development opportunities, fostering a supportive work environment, and implementing effective leadership practices [25].

### **The Influence of Perceived Organizational Support (POS) on Employee Retention**

The findings of this study indicate that perceived organizational support (POS) has a significant positive effect on employee retention, suggesting that employees who feel supported by their organization are more likely to remain in the company. POS reflects employees' beliefs that the organization values their contributions and genuinely cares about their well-being. When employees perceive fair treatment, recognition, and support from the organization, they tend to develop stronger emotional attachments and a sense of loyalty, which ultimately reduces their intention to leave.

Furthermore, organizational support not only strengthens employees' emotional bonds but also reinforces their commitment to the organization. This finding is consistent with previous studies [7]; [8], which highlight the important role of POS in enhancing employee retention. In addition, higher levels of perceived support contribute to a sense of being valued and respected, which encourages employees to maintain long-term relationships with the organization [26]. Therefore, organizations are encouraged to enhance supportive practices, such as fair policies, recognition systems, and supportive leadership, as strategic efforts to improve employee retention.

### **The Influence of Perceived Organizational Support (POS) on Job Satisfaction**

The findings of this study indicate that perceived organizational support (POS) has a significant positive effect on job satisfaction, suggesting that employees who perceive higher levels of support from their organization tend to experience greater satisfaction in their work. POS reflects the extent to which employees believe that the organization values their contributions and cares about their well-being. When employees feel fairly treated, recognized, and supported, they are more likely to develop positive attitudes toward their job, which enhances their overall satisfaction.

Furthermore, organizational support contributes to employees' sense of appreciation, motivation, and emotional attachment to the organization. This finding is consistent with previous studies [27]; [28], which suggest that positive perceptions of organizational support lead to higher levels of job satisfaction. Therefore, organizations are encouraged to strengthen supportive practices such as fair policies, recognition systems, and supportive leadership in order to create a more satisfying work environment and improve overall employee well-being.

### **The Influence of Perceived Organizational Support (POS) on Employee Retention through Job Satisfaction**

The findings of this study indicate that job satisfaction significantly mediates the relationship between perceived organizational support (POS) and employee retention. This suggests that organizational support does not only influence employees' intention to stay directly, but also indirectly by enhancing their level of job satisfaction. When employees perceive that the organization values their contributions and cares about their well-being, they



are more likely to experience positive emotions toward their work, which strengthens their attachment to the organization.

Furthermore, increased job satisfaction serves as a key mechanism through which organizational support translates into higher employee retention. Employees who feel supported tend to be more satisfied, develop a stronger sense of belonging, and build emotional connections with the organization, which ultimately encourages them to remain. This finding is consistent with previous studies [29]; [28], which emphasize that job satisfaction plays an important mediating role in strengthening the impact of organizational support on retention. Therefore, organizations should focus on enhancing both supportive practices and job satisfaction as integrated strategies to improve employee retention.

### **The Effect of Compensation on Employee Retention Through Job Satisfaction**

The findings of this study indicate that job satisfaction significantly mediates the relationship between compensation and employee retention. This suggests that compensation does not directly determine employees' decisions to remain in the organization, but rather influences retention through its impact on job satisfaction. When employees perceive their compensation as fair and appropriate, they are more likely to experience higher levels of satisfaction, which strengthens their intention to stay.

Furthermore, job satisfaction acts as a key mechanism that translates financial rewards into positive work attitudes and long-term commitment. Adequate compensation not only fulfills employees' financial needs but also enhances their sense of appreciation and motivation, leading to stronger attachment to the organization. This finding is consistent with previous studies [30]; [31], which emphasize that effective compensation management contributes to employee retention indirectly by increasing job satisfaction. Therefore, organizations should not only focus on providing competitive compensation but also ensure that such compensation contributes to overall job satisfaction in order to improve employee retention.

### **Conclusion**

This study concludes that compensation has no direct effect on employee retention, indicating that financial factors alone are insufficient to retain employees in the dynamic context of the service industry. However, compensation is shown to have a significant positive effect on job satisfaction, which in turn plays a significant role in increasing employee retention. These findings confirm that job satisfaction serves as a key psychological mechanism mediating the relationship between compensation and retention. Furthermore, perceived organizational support (POS) has been shown to have both direct and indirect effects on employee retention. POS not only increases retention directly but also through increased job satisfaction, reinforcing the importance of organizational support in shaping employee attitudes and decisions to stay. Overall, the results of this study indicate that employee retention is more effectively explained by a combination of financial and non-financial factors operating through psychological mechanisms.

From a theoretical perspective, this study contributes by strengthening the mechanism-based approach in the human resource management literature, specifically by positioning job satisfaction as a mediator reflecting employees' evaluations of the quality of



exchanges with the organization. These findings also confirm that the effectiveness of compensation is contextual and can be weakened when social factors, such as organizational support, become more dominant. Practically, the results of this study imply that organizations need to shift their retention strategies from a solely compensation-based approach to a more holistic one, emphasizing strengthening organizational support, creating a conducive work environment, and enhancing employee work experiences.

However, this study has several limitations. First, the use of a cross-sectional approach limits the study's ability to capture the dynamics of changes in employee perceptions and behaviors over time. Second, the data collected is self-reported, potentially introducing subjective perception bias. Third, the study's limited scope to travel agencies in one geographic region may limit the generalizability of the findings to other sectors or industry contexts.

Based on these limitations, future research is recommended to use a longitudinal design to more comprehensively understand the dynamics of the relationships between variables. Furthermore, future research could consider adding moderating variables, such as environmental uncertainty, leadership, or individual characteristics, to deepen understanding of the conditions under which compensation and organizational support become more or less effective. Expanding the research context to other service sectors or industries with varying levels of digitalization is also important to test the consistency of the findings and increase the generalizability of the research results.

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