

The Role of Compensation on Leadership Style and Job Satisfaction

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ABSTRACT

Job satisfaction is an important factor in employee performance and productivity, so it needs a leader who is able to direct and motivate in order to increase employee job satisfaction. This study aims to examine the effect of leadership style on job satisfaction with compensation as a mediating variable. This research was conducted on employees of PT Asuransi Raksa Pratikara, with a total of 84 respondents involved. This research used primary data collected through questionnaires distributed to employees. This type of research is quantitative research with the analysis method using SEM-PLS with the help of the SmartPLS 3 program. The results of this study indicate that leadership style had a significant effect on job satisfaction and compensation. Likewise, compensation had a significant effect on job satisfaction. Thus, it is proven that compensation is able to mediate the effect of leadership style on job satisfaction.

Keywords: Leadership Style, Job Satisfaction, Compensation

INTRODUCTION

A company is an entity or institution that is formed to generate sustainable profits and can survive in the future. In carrying out the company's operational activities, several factors are needed, including business capital, production of raw materials, and human resources.

Human resources as a driving force in a company, have an important role in achieving company goals. Although the production equipment used in a company is very sophisticated, it cannot guarantee the achievement of effective and efficient production levels if the human resources do not meet the criteria. Therefore, there needs to be more attention in managing human resources in the company, because managing Human Resources (HR) in a company is very important in order to achieve the goals and targets set by management effectively and efficiently. Of course, this cannot be separated from the many factors that affect the quality of human resources, one of which is satisfaction.

Job satisfaction is one part of the employee's assessment of the company based on several factors such as the work environment, job characteristics and work experiences that occur in the workplace (Fitriani, 2021). Job satisfaction can affect employee work behavior, such as craft levels, productivity, compliance levels, and laziness levels.

Employee job satisfaction can be influenced by a leader's leadership style. Leadership can be an important part of any organization, often the foundation of

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authoritative operations and a key driver of change. Deciding which leadership model is most helpful for developing leaders and achieving the organization's desired results can be a complex endeavor. Effective leadership significantly influences job satisfaction, motivation, and performance (Jeeva & Radha, 2025). Positive leadership cultivates a collaborative and inclusive environment, underpins proficient advancement, and gives recognition and clear communication. Leaders who prioritize differences and value make inviting work environments, benefiting both staff and users. Research by Brown and Treviñ (2006) in (Ahmad & Umrani, 2019) shows that ethical leaders are honest, trustworthy, fair, and moral leaders who embody the leader's personality traits, character, and good intentions. So to increase employee job satisfaction, dreamers must be able to direct, motivate, and create a positive work environment. This is in accordance with the findings (Jeeva & Radha, 2025) that supportive leadership can increase job satisfaction. The same findings in research (Mufti et al., 2020; Papakonstantinou et al., 2025).

In addition, compensation is another factor that plays an important role in determining the extent to which employees feel valued for their contributions. (Winda et al., 2017) found that compensation has a significant effect on job satisfaction. The same findings in research (Abadi & Renwarin, 2017; Suprpto et al., 2022). However, different findings in research (Sriadmitum et al., 2023) found that compensation has no significant effect on job satisfaction. The inconsistent research results related to leadership style and employee job satisfaction show that leadership style has a significant role in shaping employee satisfaction, but this relationship is not always direct. One factor that can mediate this relationship is compensation. Fair and competitive compensation can strengthen the positive impact of leadership on employee job satisfaction, especially a compensation system designed in accordance with the values and leadership strategies implemented in the organization.

Compensation can be influenced by providing good and appropriate compensation, the attitude of a leader in leading (Astuti et al., 2023). When compensation is good and fair, employee job satisfaction is good. Compensation is very important in achieving satisfaction, because it shows the reward or appreciation given to employees for services that have been carried out in order to achieve company goals fairly, well, and properly. Compensation consists of direct compensation and indirect

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compensation. Direct compensation is in the form of salary and incentive pay, while indirect compensation is in the form of awards, leave, insurance, and benefits. Research shows a positive relationship between incentives and compensation, and performance (Patiar & Wang, 2020). Eijkenaar (2013) revealed that if employees perceive the reward system as unfair, it can cause employee performance to decline (Puspitaria & Hendarsjah, 2022). There is still inconsistency in previous findings related to the influence of leadership style on employee job satisfaction. So this study uses Herzberg's dual-factor theory to identify compensation as a mediating variable in testing how leadership style affects job satisfaction, because a good leader will ensure that employees receive appropriate compensation, which in turn increases employee job satisfaction.

THEORETICAL BACKGROUND

Herzberg's Two-Factor Theory

Herzberg's two-factor theory, also known as Herzberg's Motivator Theory, was first proposed by Frederick Herzberg in 1959. This theory focuses on the factors that influence job satisfaction and dissatisfaction, by dividing two factors, namely motivator factors and hygiene factors. Motivator factors are elements that contribute directly to job satisfaction and increased motivation, such as achievement, recognition, responsibility, advancement opportunities, and challenging work. Meanwhile, hygiene factors are elements that, if not met, can cause job dissatisfaction but do not directly increase job satisfaction if met, such as company policies, relationships with supervisors, working conditions, salary and benefits, and relationships with peers. This theory can explain the variables in this study, namely leadership style and compensation as factors that influence employee job satisfaction.

Job Satisfaction

According to Sutrisno (2019), job satisfaction is defined as an employee's attitude towards his job, which includes work conditions, cooperation, compensation received, and physical and psychological factors. Job satisfaction is often related to the feelings that employees have towards work and all things that are felt in the work environment,

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such as employee ownership and loyalty as well as a reflection of employees' feelings towards the organization. This can be influenced by salary, job security, advancement opportunities, company and management, working conditions, communication, facilities, and social and intrinsic factors at work. On the other hand, (Mangkunegara, 2017) stated that the factors that influence job satisfaction include: 1) Employee factors, involving aspects such as IQ intelligence, special skills, age, gender, physical condition, education, work experience, length of service, personality, emotions, way of thinking, perception, and work attitude. 2) Job factors, which include type of job, organizational structure, rank (group), position, quality of supervisor, financial security, job promotion opportunities, social interaction, and work relationships. Indicators used to measure job satisfaction include: 1) Job, 2) Salary, 3) Promotion, 4) Supervisor, and 5) Co-workers (Santoso et al., 2023).

Compensation

Hasibuan (in Santoso et al., 2023) states that compensation includes all income, either in the form of money or goods received by workers in return for their services to the company. Meanwhile, according to Rivai (in Santoso et al., 2023) compensation is a substitute for service wages provided by a company or organization to employees. There are two types of compensation, namely 1) direct compensation, such as basic salary and wages, and so on. 2) indirect compensation, such as training, working holidays, and so on. (Mangkunegara, 2017) identified six factors that influence compensation policy, namely: 1) government factors, 2) joint offers between companies and employees, 3) employee standards and costs of living, 4) comparative wage size, 5) demand and supply, and 6) ability to pay. According to a research report by the Society of Human Resource Management (2012), 6 out of 10 employees indicated that compensation was very important to their overall job satisfaction, putting it only three percentage points below opportunities that use skills and abilities and only one percentage point below job security in 2012 (Mugungo et al., 2015). Indicators used to measure compensation include: 1) Salary and Wages, 2) Incentives, 3) Facilities, and 4) Allowances (Santoso et al., 2023).

Leadership Style

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Leadership style is all the characteristics used by leaders to influence employees so that organizational goals are achieved, this was conveyed by Rivai (in Anggria et al., 2024). This definition is also supported by Thoha (Sinaga & Tarigan, 2024) who defines leadership as an effort to change the way other people behave. A leader with a leadership style that suits his abilities and personality will be used in achieving his goals. In leading an organization, leadership also involves facilitating individual and collective efforts to achieve common goals, this is stated by Yulk (Sinaga & Tarigan, 2024). Most leaders adapt their leadership style in accordance with the demand and working environment of an organization (Asghar & Oino, 2018). Researchers in the area of leadership suggest that no one leadership style is better than the other but that styles are dependent on some factors (Armstrong, 2012; Adair, 2003). These factors include the kind of organization, task nature, the characteristics of the individuals in the leadership team, the group the leader leads as a whole, and more significantly, the leader's personality. Therefore, no one leadership style is considered best at all times because certain situations will call for one or a combination of different leadership styles (Akpapere et al., 2019). Indicators used to measure leadership style include: 1) Innovator 2) Communicator 3) Motivator 4) Controller (Sinaga & Tarigan, 2024).

Hypothesis Development

Job satisfaction is an assessment of job characteristics that occur in the workplace. Leadership style is a series of attitudes from leaders that influence employees at work. Decreased employee job satisfaction can be seen from the increase in errors made by employees accompanied by attitudes that tend to be emotional and become lazy due to leadership style (Astuti et al., 2023). The results of the study (Suprpto et al., 2022) state that leadership style has a positive impact on job satisfaction. In line with the findings (Daud et al., 2024), leadership style has a positive and significant effect on employee job satisfaction, so this study formulates the following hypothesis:

H1: Leadership style affects job satisfaction

Compensation is one of the main factors that influence motivation, productivity, and employee welfare in an organization. The leadership style in an organization will determine how compensation policies are designed and implemented. Effective leaders

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not only ensure fair and competitive compensation, but also create a reward system that improves employee performance and loyalty. Organizations that want to increase the effectiveness of compensation must adapt the leadership style to the corporate culture and the needs of employees. So this research formulates the following hypothesis:

H2: Leadership style affects compensation

Job satisfaction is a feeling that supports employees, both related to work and their personal conditions, as expressed by Mangkunegara (Sinaga & Tarigan, 2024). Compensation is a term related to the financial benefits received by employees through their working relationship with the organization (Fitriani, 2021). The compensation received by employees can be classified according to differences in responsibility, experience, skills, and position. However, often the compensation received is not in accordance with the workload that has been given by the company, causing employee job satisfaction to decrease. Similarly, the results of research (González et al., 2021) found that compensation in the form of salary satisfaction is positively related to job satisfaction only for groups of employees aged 40 years or younger. Managers should encourage work flexibility, career development, and supervisor support policies and include these elements as part of total pay. It is further stated attractive compensation packages will be one of the strategies organizations competing for talent will use to recruit and retain the best employees. Then the results of research from (Suprpto et al., 2022) state that compensation has a positive and significant effect on employee job satisfaction, so this study formulates the following hypothesis:

H3: Compensation affects job satisfaction

Leadership style has a significant role in shaping employee satisfaction, but this relationship is not always direct. One factor that can mediate this relationship is compensation. Fair and competitive compensation can strengthen the positive impact of leadership on employee job satisfaction, especially if the compensation system is designed in accordance with the values and leadership strategies implemented in the organization. A good leader will ensure employees receive proper compensation, which ultimately increases job satisfaction. Research (Muguongo et al., 2015) determined that base salary, benefits, and work environment significantly affect job satisfaction. This means that fair and competitive compensation can increase employee job satisfaction. Similarly, leadership style can influence employee compensation (Astovi et al., 2016)

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and job satisfaction (Akpaprep et al., 2019; Asghar & Oino, 2018; Jahandar et al., 2018). Leadership style is a factor that plays an important role in determining how compensation policies are given to employees. Effective leaders can create a productive work environment and improve employee performance, which ultimately has an impact on the compensation policies received. So this research formulates the following hypothesis:

H4: Compensation mediates the effect of leadership style on job satisfaction.

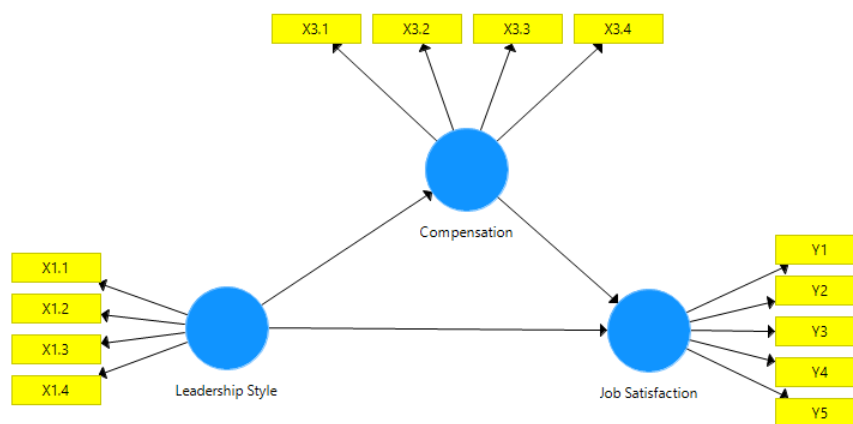


Figure 1. Model Test

METHOD, DATA AND ANALYSIS

This research used quantitative research, with primary data distributed to respondents, namely employees. The population in this study were employees of PT Asuransi Raksa Pratikara, using the slovin formula obtained a sample of 84 employees. The criteria used as a sample using purposive sampling, namely employees with a work period of more than 3 months. This study used Structural Equation Modeling (SEM) analysis with the help of SmartPLS 3, which includes an outer model an inner model, and hypothesis testing with Structural Equation Modeling (SEM). In this study, three variables were created, namely the independent variable, namely Leadership Style, the mediating variable, namely Compensation, and the dependent variable, namely Employee Job Satisfaction.

RESULTS

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The research object to be studied is PT Asuransi Raksa Pratikara in all branches spread across Indonesia. The sample unit used is the national employees of PT Asuransi Raksa Pratikara. With the number of employees of PT Asuransi Raksa Pratikara who were sampled as many as 84 respondents.

Table 1. Descriptive Respondents

Gender	Quantity	Percent
Male	39	46%
Female	45	54%
Total	84	100%

Source: Primary data processed (2025)

Based on table 1 above, the largest number of respondents are women, namely 45 respondents or 54% while the rest are men as many as 39 respondents or 46%. This is because PT Asuransi Raksa Pratikara is an insurance service company whose most work is marketing and customer service employees, so it is dominated by female employees, while male employees are positioned as surveyors, and other parts.

Table 2. Respondents' Responses Regarding Leadership Style

No	Indicator	Score					Amount	Average
		STS	TS	KS	S	SS		
1	Inovator	10	10	12	28	24	84	4,12
		10	20	84	112	120	346	
2	Comunicator	7	8	7	39	23	84	4,89
		7	16	117	156	115	411	
3	Motivator	7	13	11	28	25	84	4,21
		7	26	84	112	125	354	
4	Controllor	6	11	6	32	29	84	4,73
		6	22	96	128	145	397	
Total						1844	17,95	

Source: Primary data processed (2025)

According to table 2, the total score of respondents' answers to the leadership style variable is 1844 with an average questionnaire score of 17.95. This shows that the

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average respondent agrees with the innovator, communicator, motivator and dicker indicators. Of the 4 indicators above, it can be seen that the “Communicator” indicator gets the highest score with an average of 4.89 so that the communicator attitude of the leader affects employee job satisfaction at PT Asuransi Raksa Pratikara.

Table 3. Respondents' Responses Regarding Compensation

No	Indicator	Score					Amount	Average
		STS	TS	KS	S	SS		
1	Salary and Wages	4	13	15	30	22	84	4,17
		4	26	90	120	110	350	
2	Incentive	8	10	12	24	30	84	4,12
		8	20	72	96	150	346	
3	Facilities	4	11	21	24	24	84	3,74
		4	22	72	96	120	314	
4	Allowances	5	11	12	30	26	84	4,37
		5	22	90	120	130	367	
Total							1713	16,39

Source: Primary data processed (2025)

Based on table 3, the total score of respondents' answers to the compensation variable is 1713 with an average questionnaire score of 16.39. This shows that the average respondent agrees with the indicators of salary and wages, incentives, facilities, and benefits. From the 4 indicators above, it can be seen that the “allowance” indicator received the highest score of 4.37 so that to increase employee job satisfaction at PT Asuransi Raksa Pratikara is to provide good benefits to make employees feel satisfied with their work.

Table 4. Respondents' Responses Regarding Job Satisfaction

No	Indicator	Score					Amount	Average
		STS	TS	KS	S	SS		
1	Job	1	14	18	29	22	84	4,07
		1	28	87	116	110	342	

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No	Indicator	Score					Amount	Average
		STS	TS	KS	S	SS		
2	Wages	3	16	12	32	21	84	4,33
		3	32	96	128	105	364	
3	Promotion	3	14	9	32	26	84	4,58
		3	28	96	128	130	385	
4	Supervisor	2	17	15	31	19	84	4,14
		2	34	93	124	95	348	
5	Coworkers	3	16	9	38	18	84	4,65
		3	32	114	152	90	391	
Total							2250	21,79

Source: Primary data processed (2025)

Based on table 4 above, the total score of respondents' answers to the employee job satisfaction variable is 2250 with an average questionnaire score of 21.79. This shows that the average respondent agrees with the indicators of work, wages, promotions, supervisors, and coworkers. From the 5 indicators above, it can be seen that the “coworkers” indicator received the highest score of 4.65 because the good job satisfaction of PT Asuransi Raksa Pratikara employees is embracing each other between employees, thus creating good relationships between coworkers and creating satisfaction at work.

Table 5. Loading Factor Value of Research Variables

Indicator	Leadership Style	Compensation	Job Satisfaction
X1.1	0.869		
X1.2	0.875		
X1.3	0.910		
X1.4	0.825		
Z1.1		0.870	
Z1.2		0.817	
Z1.3		0.854	
Z1.4		0.860	

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Indicator	Leadership Style	Compensation	Job Satisfaction
Y1.1			0.798
Y1.2			0.827
Y1.3			0.830
Y1.4			0.726
Y1.5			0.864

Source: Primary data processed (2025)

A factor loading value ≥ 0.7 means that the value is valid to test the construct it forms. The outer loading value of the retained indicators can be seen in Table 5, which shows that all indicators have a value > 0.7 , so the rule of thumb is fulfilled.

Table 6. Cronbach's Alpha and Composite Reliability

VBV	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Leadership Style	0.893	0.893	0.926	0.758
Compensation	0.868	0.873	0.905	0.657
Job Satisfaction	0.868	0.873	0.913	0.723

Source: Primary data processed (2025)

The results of the reliability test in this study indicate that the Cronbach alpha value and the Composite Reliability value for the research variables are worth > 0.6 , meaning that the model shows that the constructs are good.

Table 7. Path Coefficient and Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership Style -> Job Satisfaction	0.580	0.575	0.071	8.155	0.000
Leadership Style -> Compensation	0.831	0.830	0.052	15.921	0.000
Compensation -> Job Satisfaction	0.411	0.417	0.071	5.764	0.000

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	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership Style -> Compensation -> Job Satisfaction	0.342	0.347	0.068	5.049	0.000

Source: Primary data processed (2025)

Table 7 reveals that the leadership style variable is able to influence job satisfaction with a p-value of 0.000 <0.05 or H1 is acceptable. While the leadership style variable is able to influence compensation with a p-value of 0.000 <0.05 or H2 is accepted. Likewise, compensation is able to influence job satisfaction with a p-value of 0.000 <0.05 or H3 is accepted. H4 proves that compensation can mediate the effect of leadership style on employee satisfaction with a p-value of 0.000 <0.05 or H4 is accepted.

DISCUSSION

The Effect of Leadership Style on Job Satisfaction

The results of the analysis found that leadership style has an influence on job satisfaction with a p-value of 0.000 <0.05 H1 is accepted. This means that the better the leadership style, the better the employee job satisfaction. This is because job satisfaction is related to a person's positive feelings about their job on the evaluation of various aspects of the job, including the work environment, relationships with coworkers, organizational policies, and leadership style. Good leadership can improve a conducive work environment, increase employee motivation, and strengthen commitment to the organization. Which in turn will influence employee job satisfaction with effective leadership. These results support the findings (Mufti et al., 2020) that leadership style affects employee job satisfaction. Employees feel satisfied with leaders who are supportive, and the quality of the relationship between leaders and employees has a significant relationship with employee job satisfaction. So leaders should be able to know how their leadership skills influence their followers as it has an impact on the followers. This can have an impact on employee behavior to support their leaders;

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followers or employees who do not have support for their leaders can be prone to dissatisfaction which could arouse an employee's intention to leave (Akpapere et al., 2019). The same findings in research (Esther et al., 2018; Jeeva & Radha, 2025). In contrast to the findings of (Sriadmitum et al., 2023) who found that leadership style was unable to influence job satisfaction.

The Effect of Leadership Style on Compensation

The results of the analysis show that leadership style affects compensation with a p-value of $0.000 < 0.05$, H2 is accepted. This means that the better the leadership style, the better the compensation. The leadership style applied in an organization will determine how compensation policies are designed and implemented. Effective leaders not only ensure fair and competitive compensation but also create a reward system that improves employee performance and loyalty. Organizations that want to increase the effectiveness of compensation must adapt the leadership style to the corporate culture and the needs of employees. The results of this study support the findings (Jeeva & Radha, 2025) that leadership style has an effect on compensation. The main challenge in the relationship between peace and leadership is finding the right balance (Yusbar, 2025). Compensation that is too low can lead to low commitment from leaders, while compensation that is too high can create pressure to achieve short-term results, which can sometimes be detrimental to the company's long-term strategy.

The Effect of Compensation on Job Satisfaction

The results of the analysis show that compensation affects employee satisfaction with a p-value of $0.000 < 0.05$, H3 is accepted. This means that the greater the compensation provided, the higher the employee job satisfaction. Compensation is the main factor that can affect employee job satisfaction. This finding is in line with Herzberg's Two-Factor Theory, compensation is included in the hygiene factor, which means that if compensation is inadequate, employees will feel dissatisfied. However, if compensation is provided properly and fairly, this can increase motivation and job satisfaction. Similar to the findings of (Wellem & Djawoto, 2022) optimal compensation has an impact on job satisfaction. In addition, Gyawali's (2020) findings

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also noted that employees who feel appreciated and recognized through appropriate rewards are more likely to show loyalty to their organization (Gulo & Waruwu, 2025). However, this finding is not in line with the findings of (Sriadmitum et al., 2023) who found that compensation was unable to affect job satisfaction.

Compensation Mediates the Effect of Leadership Style on Job Satisfaction

The results of the analysis show that compensation is able to mediate the effect of leadership style on employee satisfaction with a p-value of $0.000 < 0.05$, H4 is accepted. This means that a higher the good leadership style supported by good compensation will affect the high employee job satisfaction. This means that leadership style has a significant impact on the workplace, team morale, and corporate culture, compensation, which in turn will increase employee job satisfaction. This means that an effective leadership style can increase the compensation given to employees, which in turn increases employee job satisfaction. Research (Asghar & Oino, 2018) revealed that low compensation in the retail sector adversely affects employee satisfaction and turnover. Leadership style is important to motivate employees and increase their satisfaction level. Because the right leadership style used at certain times regardless of low remuneration can still motivate an employee to give their best in the organization (Akpapere et al., 2019). Tseng and Wu argue that ethical leadership and the fulfillment of psychological contracts can significantly enhance employee loyalty, suggesting that when employees perceive their compensation as fair and aligned with their contributions, their loyalty to the organization increases (Tseng & Wu, 2017).

CONCLUSIONS

Based on the results of research that has been conducted on the influence of leadership style, work environment, work discipline, and work motivation on employee performance of PT Asuransi Raksa Pratikara, the following conclusions can be drawn: 1) leadership style affects employee satisfaction, 2) leadership style affects compensation, 3) compensation affects employee satisfaction, and 4) compensation is able to mediate the effect of leadership style on employee satisfaction. In this study, the data collection technique is only based on data collected through questionnaires. The information analyzed is the respondent's perception of the answer which can cause

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problems if the respondent's answer does not reflect the actual situation. In addition, in this study, there are only 3 independent variables, namely leadership style, work environment, and compensation that affect employee job satisfaction. So, for further research, it is recommended to include interviews in data collection, to strengthen the data collected through questionnaires. Further research needs to be done on other factors besides leadership style, work environment, and compensation on employee job satisfaction, for example, employee training, work ethic, organizational culture, work stress, and other components.

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