

Reward System, Employee Engagement, and the Role of Employee Satisfaction as Mediating Variable

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Abstract

A good reward system is believed to be a determinant in achieving organizational goals. When employees are satisfied with the applied reward system, employee engagement will manifest, which can encourage the achievement of organizational goals. This study aims to determine the correlation between the reward system and employee engagement mediated by employee satisfaction at PT. X, a company engaged in the property sector. The research is based on a survey collected from 41 employees working at PT. X. Data analysis was carried out using the PLS-SEM model suitability test technique with SmartPLS 3. The results of data analysis show that employee satisfaction partially mediates the correlation between the reward system and employee engagement (T-statistics 2.257, p-values 0.024).

Keywords: Reward System; Employee Engagement; Employee Satisfaction; Property Industry.

1. Introduction

The property business is a type of business with good potential in Indonesia. The term 'property' in Indonesia is often associated with land and buildings, while in other parts of the world, it is commonly referred to as Real Estate. According to the Indonesian Dictionary (2021), the property is wealth in the form of land and buildings as well as facilities and infrastructure, which are inseparable parts of the intended land and/or building. This research was conducted in the Commercial Estate industry, a type of housing or commercial buildings such as offices that are rented out to companies of various sectors. This includes retail companies that rent the property as stores, restaurants, and shops. Based on data sources from Indonesia Property Market Overview and Outlook by Coldwell Banker Commercial regarding the development of the office industry (2019), the office rental market in Jakarta during 2019 showed better performance, with total annual demand reaching 182,000m², or increased by 23.8% from the previous year's demand. In cities that are considered established, such as Surabaya, Bali, and Medan, the retail market indicates better development. This is in line with other cities, such as Bogor, Depok, Bekasi, Semarang, and Batam.

This has resulted in high demand for investors interested in the office business, especially in Surabaya. Thus, companies are required to build a competitive advantage;

organizations must achieve a favored position compared to their competitors or carry out their internal business activities in a unique, valuable, and hard to imitate by competitors. This condition can improve organizational performance to compete by establishing a competitive advantage over its competitors (Cummings & Worley, 2009).

Employees as company assets certainly need to be considered for their performance. One indicator of employee performance is their exposure quality (Annisa 2015). Employee quality can be seen from their contribution to running the company. The contribution rises to a maximum when each employee has a high level of engagement with the company. Engaged employees will feel motivated to strive to achieve good performance. Employee engagement is defined as a positive, satisfying, work-related state of mind characterized by vigor, dedication, and absorption (Schaufeli & Bakker, 2010).

One of the factors that may influence engagement is employee satisfaction. Several previous studies have indicated that employee satisfaction specifically refers to employee engagement at work (Alagarsamy et al., 2020; Barakat et al., 2016; Eskildsen & Nüssler, 2000; Harter et al., 2002; Hsin-Hsi Lai, 2011). Bustamam et al. (2014) stated that the reward system is one of the most preferred factors in creating employee satisfaction. The non-financial rewards and job satisfaction is positively and significantly related. When there is an increase in financial and non-financial rewards, there is also a corresponding

increase in job satisfaction.

The correlation between these variables is an interesting topic to study at PT. X, where there is a change in the reward system, and the employee engagement survey results show a decrease in the index. In addition, the observations show that there are behaviors allegedly causing a decrease in engagement for some employees, such as coming late, lower work motivation, and the sign of objections when tasked out of their job descriptions. Therefore, based on the issues mentioned above, it is deemed necessary to observe and prove empirically how the reward system influence can determine the level of employee engagement at PT. X, in which employee satisfaction is a mediating variable.

2. Literature Review

2.1. Reward System

A reward is a central concept of the working relationship. Therefore, the reward management system plays an important role in attracting and retaining employees. The employees tend to work more effectively if their pay is adjusted to performance. However, financial rewards are not the only way to motivate employees to achieve higher levels of performance (Mosquera et al., 2020).

Yoon et al. (2015) stated that extrinsic rewards can make employees work creatively. The correlation between the reward system and performance will be stronger when employees more value an award. Providing intrinsic and extrinsic rewards for creativity can increase employees' creative efforts only if employees value those rewards. Salary and other forms of extrinsic rewards and social status can also signify personal achievement. Considering that people have different perceptions of rewards' value and emotional meaning, it stands to reason that employees may react differently to intrinsic and extrinsic rewards for their creativity. The more attractive a certain type of reward is to employees, the more motivated they are. Individuals who perceive extrinsic rewards as important in their careers or lives will be more sensitive and responsive to extrinsic rewards (Yoon et al., 2015). Furthermore, Yoon et al. (2015) indicated that extrinsic reward significantly and positively influence creative performance when employees' perceptions of the importance of extrinsic rewards are high. Extrinsic rewards significantly indirectly impact creative performance

through a commitment to creativity (Yoon et al., 2015).

In addition to creative performance, extrinsic rewards can also influence employee behavior. Employee behavior describes the actions of employees towards their goals and objectives. In this case, employee behavior is divided into job satisfaction and organizational commitment. Extrinsic rewards given to employees can significantly influence employee attitudes because job satisfaction factors are found to be active in employee motivation. Then, monetary rewards play an important role in increasing employee efforts toward work. Extrinsic rewards are calculated as compensation value, adding extra effort to employees' work and increasing their perceptions of organizational commitment and employee satisfaction. Employees' expectations of rewards must be similar to the awards given by the organization to employees because, otherwise, it will lead to dissatisfaction and conflicting attitudes towards their work (Ajmal et al., 2015). The results of research by Ajmal et al., (2015) show that extrinsic rewards have a major influence on employees' perceptions of organizational support, and as a result, loyalty and attachment of employees also increase.

2.2. Employee Engagement

Employee engagement is defined as a positive, satisfying, work-related state of mind characterized by vigor, dedication, and absorption (Schaufeli & Bakker, 2010). Engagement refers to a more persistent and pervasive cognitive-affective state. Vigor is characterized by a high level of energy and mental resilience at work, a willingness to invest effort in work, and perseverance even in facing adversity. Dedication refers to being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption is characterized by being fully concentrated and happily engrossed in work, in which time passes quickly, and a person has difficulty getting away from work. Therefore, work engagement is characterized by a high energy level and a strong identification with one's work. With strong engagement, employees will feel motivated, enthusiastic, and highly committed to advancing the company (Schaufeli & Bakker, 2010). In engagement, people use and express themselves physically, cognitively, and emotionally during role performances, for example, when performing

their job (Kahn, 1990). To be engaged, employees need to apply their whole self in terms of physical, cognitive, and emotional energy in their daily performance. Employees will consider three criteria to determine their engagement: meaningfulness, safety, and availability with regard to their work. These three criteria determine the level of employee engagement (Akingbola & van den Berg, 2019).

2.3. Employee Satisfaction

Several previous studies found that employee satisfaction specifically refers to employee satisfaction at work (Alagarsamy et al., 2020; Barakat et al., 2016; Eskildsen & Nüssler, 2000; Harter et al., 2002; Hsin-Hsi Lai, 2011). Employee satisfaction is recognized as an important factor in the organization's success, which can be described as how happy an employee is with his job position. The achievement of employee satisfaction in an organization is a means to avoid problems or to support work productivity, based on the assumption that happy employees are productive (Riratanaphong & Chairasien, 2020). Employee satisfaction is a measure of how happy employees are with their jobs and work environment. Employee satisfaction refers to the positive emotions they feel after evaluating their work situation. Employee satisfaction is a combination of affective reactions to differences in perceptions of what they want to receive compared to what they actually receive. Employee satisfaction can be described as how happy an employee is with their position at work (Sageer, 2012). Employee satisfaction also refers to employees' general attitude towards work, reflecting one's work cognitions, emotions, and evaluations. Factors that determine employee satisfaction can be divided into two basic categories such as work events and behavior. The terms of work include the work itself, compensation, and work environment. At the same time, behavioral categories are actors and other people who enter and leave the organization concerned (Hsin-Hsi Lai, 2011).

2.4. Reward system – Employee Engagement

Reward and recognition are highly important for employees in every organization to perform their duties efficiently. Attractive rewards and recognition represent high levels of cognitive engagement and have been associated with positive organizational functioning. In the

research done by Ali et al. (2019), rewards and recognition specifically refer to the financial reward system, including compensations, payroll systems, salary increases, and benefits offered by the company. The reward and recognition are substantial determinants of employee engagement, which directly or indirectly improve employee performance. When employees receive appreciation and recognition from their company, they feel obligated to react with a higher number of engagements. The reward and recognition have a significant influence on performance in their main roles and extra roles. The most important objective of organizational reward schemes is to maintain their employees' motivation to carry out their duties effectively (Ali et al., 2019). This study shows that rewards and recognition significantly influence employee engagement. These two aspects are important elements that motivate and engage employees in improving their performance. Imbalance in these aspects slows down business, increases employee turnover, and decreases employee engagement, which consequently leads to lower employee performance (Ali et al., 2019). Besides, the study by Rai et al. (2019) found that total reward's monetary, non-monetary, and material components influence employees' happiness and engagement. Perceptions of total reward significantly influence work engagement and happiness at work (Rai et al., 2019). Thus, a positive correlation between total reward and engagement was also found in this study.

H₁: Reward system influences employee engagement.

2.5. Reward System – Employee Satisfaction

A Reward system is often applied in organizations as a key management tool that can contribute to company effectiveness by influencing employee behavior, motivating them at work, and creating their satisfaction. The research results by Bustamam et al. (2014) show that financial rewards are positively and significantly related to job satisfaction. When employees are satisfied at work, they are likely to be more stable and productive and able to achieve organizational goals. These results are also supported by research by Arokiasamy et al. (2013), which shows a significant correlation between salary, promotion, benefits, and job satisfaction. The purpose of wage and salary programs in organizations is to attract and retain qualified employees, provide equal pay for equal

work, reward good performance, control labor costs, and maintain cost balance with direct competitors. An efficient system shall be considered to produce satisfied employees who are productive and committed to the organization. Research conducted by Samatha Anku et al. (2018) explains the influence of the reward system on improving performance and job satisfaction. The study concluded that there is a positive correlation between rewards (extrinsic and intrinsic) on job performance and satisfaction. Appropriate rewards are important in every organization since they can improve job performance and satisfaction and retain employees. It is a natural thing based on motivation, where motivation can be increased by reward.

H₂: Reward system influences employee satisfaction.

2.6. Employee Satisfaction - Employee Engagement

Kari (2014) stated that job satisfaction has a significant correlation with employee engagement. Employees with job satisfaction have great potential to experience employee engagement. The influence of the level of job satisfaction on the level of employee engagement is positive, meaning that the higher the level of job satisfaction, the higher the level of their engagement. The study also stated that satisfied and motivated employees would pay attention, feel belonging, or devote themselves to the organization's business to the fullest and work as a team to improve performance for the company. Garg et al. (2018) stated that if employees are satisfied in their place of work, then they will feel more engaged. Satisfied employees will be more involved in their work. The results of Kar's (2014) and Garg et al. (2018) research indicated that if employees are satisfied in their place of work, then their feeling of belonging (engaged) will grow. Thus, they will work optimally for the company. Employees who are engaged in their organization will be more likely to experience job satisfaction (Akingbola & van den Berg, 2019).

H₃: Employee satisfaction influences employee engagement.

2.7. Reward System, Employee Engagement, and Employee Satisfaction as Mediating Variable

Elrehail et al. (2020) research indicated the alleged role of employee satisfaction as a mediator between rewards and compensation for

competitive advantage. Professionally designed compensation and reward systems can increase satisfaction, and also attract and retain talented employees, leading to an organization's competitive advantage. Compensation and reward practices in companies can increase employee job satisfaction, which in turn improves organizational performance. The greater the performance of an organization, the more likely the organization will achieve a competitive advantage. The results of this research suggest that employee satisfaction can mediate the correlation between compensation, human resource (HR) rewards, and competitive advantage. In this study, the independent variable has a significant correlation with the mediator, but not with the dependent variable.

Further, research conducted by Ting (2010) showed that the variables of job satisfaction and job involvement partially mediate the correlation between internal marketing and organizational commitment. Based on observations, employee satisfaction is an important matter to achieve, thus, employee engagement can be achieved. Next, Mainardes et al. (2019) also showed the role of job satisfaction variables that mediate the correlation between the reward system (financial and psychological rewards) on work engagement and intention to leave. The results of research by Mainardes et al., 2019 showed that financial and psychological rewards have a positive and significant influence on job satisfaction. Furthermore, job satisfaction has a positive and significant influence on work engagement and has a negative and significant influence on the intention to leave.

H₄: Employee satisfaction mediates the correlation between the reward system and employee engagement.

3. Methods

This research is applied research conducted at PT. X, a company running a commercial estate business in Surabaya, uses a quantitative method. The population in this study comprised PT. X's employees with a minimum working period of 5 years and aged over 20 years old, while the sample of this study amounted to 41 employees of PT. X in Surabaya.

This study's data was collected using a questionnaire. The researchers adapted the questionnaire by dividing it into three sections for each variable. The reward system variable section consists of three items (Mosquera et al.,

2020) followed by 17 items in the employee engagement section using three dimensions: vigor, dedication, and absorption. In addition, two items in the employee satisfaction section consist of two dimensions: job performance and satisfaction (Mosquera et al., 2020).

To test the reliability and validity, the researchers distributed questionnaires to 30 respondents. The reliability test result for the reward system variable was 0.904; the employee engagement variable was 0.954, and employee satisfaction was 0.959. Reliability testing results on all variables indicate that Cronbach's Alpha value is greater than 0.7 thus it passes the reliability test, and the results of the validity test produced an *r* value greater than 0.4, which indicates that all empirical indicators are valid.

After the questionnaire items were declared valid and reliable, the researchers distributed them to employees of all divisions at PT.X. The scale used in the questionnaire is a 5-point Likert scale with responses ranging from 1 (strongly disagree) to 5 (strongly agree) for the three tested variables. The questionnaire was distributed through an online form (Google form) from the 2nd to 4th June 2021.

Respondent data collected in this study were 41 employees from various divisions at PT. X is over 20 years old and has a minimum of 5 years of service. The data were grouped into three categories based on age, gender, and years of service, as follows:

- a. Based on age data, the largest number of respondents have aged above 30-40 years old with 22 respondents (53.7%) of the total respondents. It is followed by 14 respondents (34.1%) aged over 40 years old and five respondents (12.2%) aged between 21-30 years old.
- b. Based on gender: It was found that the majority of respondents were male amounting to 34 respondents (82.9%) of the total respondents. In comparison, the other seven respondents (17.1%) were female.
- c. Based on years of service: It was found that the most respondents were those who have a working period of more than ten years, with 28 respondents (68.3%) of the total respondents.

Then, it is followed by 13 respondents (31.7%) who have a period of service of 5-10 years.

Furthermore, the respondent survey data was analyzed using SPSS 25 software before performing a model fit test using SmartPLS3. The analysis consisted of the outer model test which assesses the composite reliability, convergent validity, and discriminant validity. Further analysis assesses the inner model test, including coefficient of determination, cross-validated redundancy, and path coefficient). The hypothesis is examined by looking at T-Statistics and P-Value (Hair et al., 2014).

4. Results

Descriptive analysis shows that most respondents agreed with the presented questionnaire items. The respondents agreed that the company's reward system is meaningful for employees (RS1), and it is able to change employee behavior towards their duties (RS3). The assumption on the reward system will refer to employee satisfaction, where employees were satisfied with their work (ES1) and the type of work performed in their profession (ES2). This satisfaction ultimately drew them to engage with pride (DE4) and feeling inspired by their work (DE3).

This study used a structural equation model (SEM) with partial least square (PLS). The test results in table 1 show that all empirical variables and indicators have passed the evaluation of the outer model, which consists of composite reliability, convergent validity, and discriminant validity tests. The inner model test suggests that the R² value for the employee engagement variable is 0.770, which means the magnitude of the influence of this variable can be explained by the independent variable of 77%, and the R² value for the employee satisfaction variable is 0.329, which means the magnitude of this variable can be explained by the independent variable of 32.9%, and the rest is explained by other variables. Furthermore, the results of the Q² values are 0.259 and 0.457, indicating that the quality of the model's predictions is acceptable.

Table 1. Descriptive Analysis of Respondent Answers towards Research Variables

Variable	Empirical Indicators	BTB	TTB	Mean of Empirical Indicators	SD	Category
<i>Reward system</i>	RS1	0.02	0.88	4.15	0.79	Agree
	RS2	0.02	0.78	4.05	0.77	Agree
	RS3	0.02	0.85	4.24	0.77	Strongly Agree
Mean of Variable Reward System		0.02	0.84	4.15	0.78	Agree
<i>Employee engagement</i>	VI1	0.02	0.73	4.00	0.81	Agree
	VI2	0.02	0.83	4.10	0.83	Agree
	VI3	0.05	0.88	4.02	0.79	Agree
	VI4	0.12	0.76	3.93	0.96	Agree
	VI5	0.02	0.85	4.10	0.70	Agree
	VI6	0.07	0.76	3.88	0.90	Agree
	DE1	0.05	0.88	4.15	0.76	Agree
	DE2	0.05	0.85	4.15	0.79	Agree
	DE3	0.05	0.90	4.27	0.78	Strongly Agree
	DE4	0.05	0.85	4.22	0.91	Strongly Agree
	DE5	0.05	0.83	4.12	0.81	Agree
	AB1	0.05	0.90	4.20	0.93	Agree
	AB2	0.27	0.34	3.07	1.03	Neutral
	AB3	0.02	0.83	4.02	0.69	Agree
	AB4	0.22	0.37	3.15	0.94	Neutral
	AB5	0.07	0.59	3.63	0.89	Agree
	AB6	0.22	0.51	3.39	1.02	Neutral
	Mean of Variable Reward System		0.08	0.74	3.91	0.85
<i>Employee satisfaction</i>	ES1	0.07	0.78	3.90	0.97	Agree
	ES2	0.07	0.88	4.00	0.92	Agree
Mean of Variable Employee Satisfaction		0.07	0.81	3.95	0.95	Agree

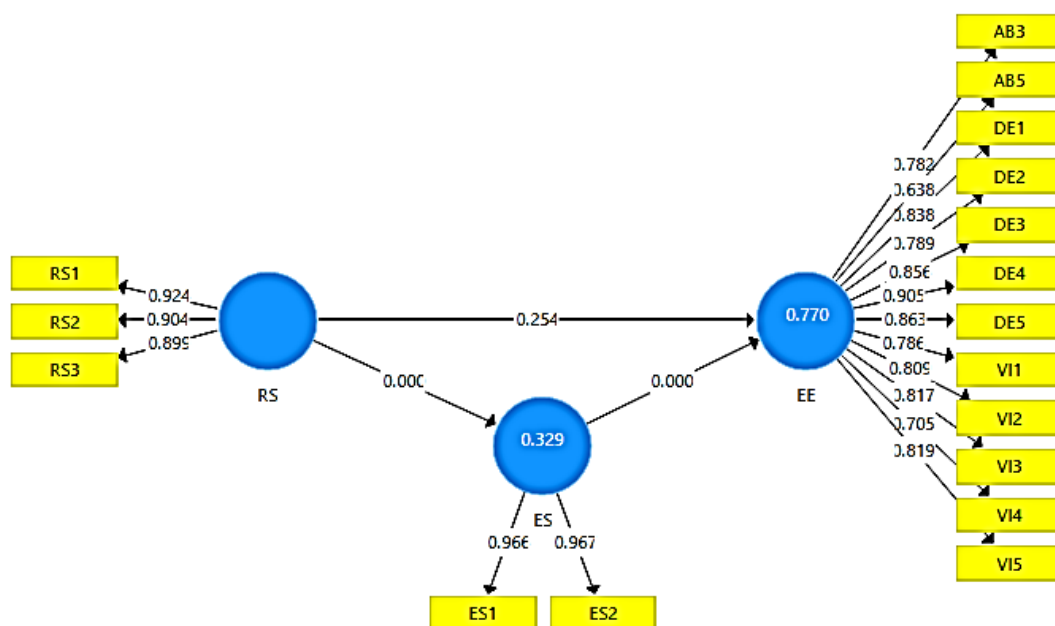


Figure 1. Research Structural Model and T-statistics Value

Table 2. Composite Reliability and Cronbach's Alpha Test Results

Variable	Composite Reliability	Cronbach's Alpha	Category
Reward system	RS → EE	0.545	0.525
Employee engagement	RS → ES	0.573	0.558
Employee satisfaction	ES → EE	0.442	0.465

The results of testing composite reliability and Cronbach's Alpha with PLS-SEM are shown in Table 2; all research variables have passed the composite reliability test. The results of the outer loading test with PLS-SEM found that the AB5 indicator has an outer loading below 0.7, but the indicator is maintained. The deletion of indicators does not increase composite reliability, and the AVE exceeds the minimum threshold (Hair et al., 2016).

Table 3. Outer loading and Average Variance Extracted (AVE) Test Results

Variable	Empirical Indicators	Outer Loading	AVE	Category
Reward system	RS1	0.924	0.827	Valid
	RS2	0.904		Valid
	RS3	0.899		Valid
	VI1	0.786		Valid
	VI2	0.809		Valid
Employee engagement	VI3	0.817	0.646	Valid
	VI4	0.705		Valid
	VI5	0.819		Valid
	DE1	0.838		Valid
	DE2	0.789		Valid
	DE3	0.856		Valid
	DE4	0.905		Valid
	DE5	0.863		Valid
	AB3	0.782		Valid
	AB5	0.638		Unvalid
Employee satisfaction	ES1	0.966	0.933	Valid
	ES2	0.967		Valid

The results of the outer loading test using PLS-SEM described in Table 3 found that the AB5 indicator has an outer loading below 0.7, but the indicator is maintained. Removing indicators does not increase composite reliability, and AVE exceeds the minimum limit (Hair, Hult, Ringle, and Sarstedt, 2017).

Table 4. Discriminant Validity Test Results (*Fornell-Larcker Criterion*)

	EE	ES	RS
Employee engagement	0.804		
Employee satisfaction	0.755	0.966	
Reward system	0.799	0.573	0.909

The results of the Fornell-Larcker Criterion value shown in Table 4 indicate that all empirical indicators making up the research variables have a greater correlation with the parent variable itself compared to other variables. Therefore, all research variables have met discriminant validity.

The results of the cross-loading test with PLS-SEM in Table 5 show that all the indicators making up the research variables have a higher loading value than the cross-loading values of other variables. Therefore, all variables in this study have met discriminant validity.

Table 5. Cross-Loading Test Results

	EE	ES	RS
ES1	0.736	0.966	0.532
ES2	0.724	0.967	0.576
RS1	0.715	0.510	0.924
RS2	0.748	0.535	0.904
RS3	0.715	0.519	0.899
VI1	0.786	0.526	0.701
VI2	0.809	0.615	0.655
VI3	0.817	0.678	0.620
VI4	0.705	0.465	0.520
VI5	0.819	0.652	0.595
AB3	0.782	0.537	0.557
AB5	0.638	0.441	0.500
DE1	0.838	0.549	0.687
DE2	0.789	0.717	0.646
DE3	0.856	0.637	0.702
DE4	0.905	0.735	0.766
DE5	0.863	0.650	0.695

Table 6. R Square (R^2) Test Results

Variable	R Square (R^2)
Employee engagement	0.770
Employee satisfaction	0.329

The R^2 value for the employee engagement variable shown in Table 6 is 0.770, which means that an independent variable of 77% can explain the magnitude of the influence of employee engagement, and other variables explain the rest. The value of R^2 for the employee satisfaction variable is 0.329, where the magnitude of the influence of employee satisfaction which the independent variable can explain, is 32.9%, and other variables explain the rest.

Table 7. Q Square (Q^2) Test Results

Variable	SSO	SSE	Q^2
Employee engagement	492.000	281.732	0.427
Employee satisfaction	82.000	60.742	0.259
Reward system	123.000	123.000	

Based on the results of the PLS-SEM test in Table 7, the Q^2 value of the employee satisfaction

variable is 0.259, which indicates that the diversity of data in the study described by the research model is 25.9%, while the rest is explained by other variables not examined in this study. The Q2 value of the employee engagement variable is 0.427 or indicating that the diversity of the data in the study described by the research model is 42.7%, while the rest is explained by other variables not examined in this study.

The path model and significance test results using $\alpha=5\%$ in Table 8 indicate that all path models have T-statistical values of more than 1.96 and P values less than 0.05, suggesting that H1, H2, and H3 are accepted.

The mediating role of mediating employee satisfaction is examined by looking at a specific indirect impact test. The results show that the path model of the correlation between the reward system and employee engagement through employee satisfaction, as shown in Table 9, has a T statistic value of 2.257 and a p-value of 0.024. These results suggest that employee satisfaction partially mediates the correlation between the reward system and employee engagement. Therefore, H4 is accepted.

5. Discussion

The results of hypothesis testing with PLS-SEM show that the reward system variable positively and significantly influences the employee engagement variable. This study's results align with the results of previous studies, according to McCoy (2012), which show that the reward system influences employee engagement. The right reward system for the right employees is a means for these employees to be more motivated and engaged with their work. When employees receive appreciation and recognition from their company, they feel obligated to react

with a higher number of engagements. The interview results show that the provision of a reward system that is in accordance with employee expectations, such as bonuses based on company and employee performances that makes employees feel appreciated by the company for their performance. When employees feel valued by the company, they will give more effort to completing their work, which is related to changes in employee behavior towards their work.

The results of hypothesis testing with PLS-SEM indicate that the reward system variable positively and significantly influences the employee satisfaction variable. The more employees agree on the importance of the reward system, the greater the influence on employee satisfaction. The results of this study are in line with the results of previous studies according to Taba (2018), which show that a reward system that is considered appropriate and fair by employees will result in greater employee satisfaction because of the employee's feeling that the rewards received are following the performance they provide. The results of an interview with one of the employees revealed that they hope that a reward system in the form of dealing fees would be applied to their team. Thus, they could be more motivated and foster creativity in finding clients. The reciprocal relationship between the company and employees, namely the provision of rewards based on the dealing, will encourage employees to feel satisfied with their work.

The results of hypothesis testing with PLS-SEM reflect that the employee satisfaction variable positively and significantly influences the employee engagement variable. The higher the employee satisfaction with the job, the higher their engagement with the company will be.

Table 8. Path Model and Significance Test Results

Hypothesis	Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
H1	RS → EE	0.545	0.525	0.113	4.819	0.000
H2	RS → ES	0.573	0.558	0.152	3.774	0.000
H3	ES → EE	0.442	0.465	0.115	3.840	0.000

Table 9. Specific Indirect Impact Test Results

Path Model	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values
RS → ES → EE	0.254	0.263	0.112	2.257	0.024

The results of this study are in line with the results of previous studies, according to Kari (2014), which shows that employees who get job satisfaction have great potential to experience employee engagement in their company. The study also stated that satisfied and motivated employees will pay attention, feel belonging, or devote themselves to the organization's business to the fullest and work as a team to improve performance for the company. Based on the results of interviews, employee satisfaction with their work (ES1) makes employees more enthusiastic and feels valued. By feeling appreciated, employees feel that their performance results are in line with company expectations. Suppose it is associated with employee engagement indicators. In that case, the results of this interview are the following employee engagement indicators on the vigor dimension, for example, indicators VI2 (At my work, I feel full of energy), VI3 (When I wake up in the morning, I feel like leaving work), and VI5 (At my job, I'm very mentally tough). Satisfied employees will devote more energy and give their best when working. In addition to being enthusiastic, satisfied employees will feel that the work they are currently doing is challenging for them (DE5).

The Specific Indirect Impact test results show that the employee satisfaction variable partially mediates the correlation between the reward system and employee engagement. The more employees agree on the importance of the reward system, the greater the influence on employee engagement, followed by an increase in employee satisfaction. The more employees agree on the importance of the reward system, the more its influence on employee engagement will increase, followed by an increase in employee satisfaction. A reward system considered appropriate and fair by employees will result in greater employee satisfaction because the employees feel that the rewards they obtain follow the performance they provide (Taba, 2018). Furthermore, the right reward system for the right employees is also a means for them to become more motivated and thus become more engaged with their work. (McCoy, 2012) From the correlation between each of these variables, it can be said that employee satisfaction can be a mediator between the reward system and employee engagement.

The results of this study are in line with previous studies. Devonish (2018) argued that there is a role for employee job satisfaction as a

mediating variable. It links the reward system with employee engagement, which assumes that job satisfaction. Effort-Reward Imbalance/ERI impacts health or work tension. The results show that job satisfaction partially mediated the correlation between ERI and three health impact factors or work tension: burnout, intention to leave, and mental health issue. In addition, research conducted by Mainardes et al. (2019) also indicated that financial and psychological reward positively and significantly influence job satisfaction. Furthermore, job satisfaction has a positive and significant influence on work engagement and has a negative and significant influence on intention to leave.

Study results suggest that financial incentives, promotions, and rewards that can be meaningful for me significantly influence employee engagement. The RS1 and RS2 indicators also significantly influence the ES2 indicator (in general, I am very satisfied with the type of work I have to do in my profession) from the employee satisfaction variable. The ES2 indicator significantly influences the employee engagement variable, especially the DE4 and DE5 indicators. The average values of the RS1 and RS2 indicators are 4.15 and 4.05, respectively, the respondents agree with the statements of these indicators. The average values of DE4 and DE5 indicators are 4.22 and 4.12, respectively, which means the respondents strongly agree with the statements of these indicators. As one of the indicators with the highest outer loading value, the RS2 indicator has the lowest average value based on the respondent's assessment result, and this clearly needs to be a concern for PT. X since it has the most influence on employee satisfaction and employee engagement variables.

Based on the results of additional observations and interviews conducted after the survey results were obtained, employees thought that the reward system provided by the company was very meaningful for them (RS1) and their families, and the right reward system made them work with more creativity (RS2) and tried to give extra effort in performing their work. When employees successfully solve problems, the right reward system gives them a sense of satisfaction with the profession in their work (ES2). This satisfaction then refers to employees' level of dedication at work, which leads to a sense of pride (DE4) and a feeling that their work is challenging (DE5). The perception of the reward system can then make employees more engaged

with the company through the sense of satisfaction in performing their work.

Considering that the reward system has a significant influence on employee engagement, it is necessary to evaluate the reward system in the company, which is then followed by restructuring the related reward system. As the reward system is very valuable for employees, it is necessary to implement thorough and intense socialization of the terms and conditions for distributing the reward system so the employees acknowledge and understand the background of the change in the reward system.

There are several limitations in this study; thus, in future research, it is necessary to examine the mediating variables other than employee satisfaction considering that the R2 value of this variable is only 0.329, indicating the weak model's prediction accuracy. Other mediating variables that can be used shall include organizational commitment, employee motivation, work performance, and so on. It is necessary to examine other dependent factors related to company performance, such as employee performance, to know the extent to which the reward system changes influence employee and company performances.

6. Conclusions

This study examines the mediating role of employee satisfaction on the reward system and employee engagement. The findings support that a meaningful reward system can change employee behavior and influence employee engagement, which encourages their involvement at work as a result of being proud and inspired by their work. In this study, employee satisfaction partially mediates the correlation between the reward system and employee engagement. In other words, the presence or absence of employee satisfaction is only control over the level of influence of the reward system on employee engagement, not as a determinant of influence between the two variables.

In the end, the three variables in this study are related. The more the employees agree on the importance of the reward system, the more the influence on employee engagement will increase, and an increase will follow this in employee satisfaction. Given that the reward system at PT. X significantly influences employee engagement; re-structurization of the system is necessary. For example, they are providing rewards based on employee performance, namely giving rewards

to employees who have creative ideas that can be applied and produce positive results, and considering dealing fees for marketing employees, which previously did not exist.

Furthermore, considering the R2 value of mediating variable in this study is only 0.329, it shows a weak prediction accuracy of the model. Hence, further research is expected to use other mediating variables such as organizational commitment, employee motivation, work performance, and so on (Ali Shurbagi & Zahari, 2014; Delastri & Pareke, 2011).

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