

The Role of Job Satisfaction and Employee Motivation serves as a Mediating potency within the Remuneration System, Contributing to the Employee Loyalty. A Case Study in Hospitality Industry in Dili

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ABSTRACT

The objective of this research is to test and analyze the roles of job satisfaction and employee motivation in the remuneration system and employee loyalty. This study highlights the significance of recognizing and dealing with both internal and external motivations to boost employee performance and loyalty. Additionally, it stresses the importance of matching salary structures with educational backgrounds to enhance loyalty and dedication among employees, especially within the hotel sector in Dili. The research centers on employees in the hospitality sector, specifically hotels, in Dili. The study focuses on the population of the hospitality industry or hotels in the capital, Dili. A census or saturation sampling approach was employed, with a total sample of 205 employees from various hotels, and the data were analyzed using Smart PLS. The results indicate that the remuneration system influences employee loyalty through the mediation of job satisfaction and employee motivation. However, the remuneration system itself does not have a direct impact on employee loyalty within the hotel industry in Dili. Hospitality businesses in Dili should implement an effective remuneration system to enhance job satisfaction and employee motivation, ultimately increasing employee loyalty. This can be achieved by offering competitive salaries and incentives based on employee performance.

Keywords: *Remuneration, Job Satisfaction, Employee Motivation, Employee Loyalty.*

1. Introduction

Employee loyalty is a concept frequently discussed concerning the relationship between employees and employers in the workplace (Yao, Han, & Bi, 2023; Jordanian, 2023). As individuals who perform tasks, employees expect their employers to offer services, and therefore, loyal employees are those who faithfully fulfill their duties as staff members with a high level of responsibility and honesty (Dhir, 2020; Aristana et al. 2022 & Veloso et al. 2021). According to Soegandhi (2018), loyalty involves the willingness of an employee to contribute their skills, thoughts, and time to achieve organizational objectives, maintain organizational secrets, and refrain from actions that may harm the organization.

Employee loyalty posit that loyalty has a positive correlation with expected rewards and is strongly linked to intrinsic reward opportunities for achieving valuable outcomes (Linz et al. 2015; Lee et al. 2021; Albtosh, Ngah, & Yusoff, 2022). If the desired rewards and preferences are not taken into consideration, the consequences may include a lack of loyalty from respectful and friendly workers. Saputra & Mahaputra (2022) identify indicators of employee loyalty as obedience, dedication, responsibility, the ability to fulfill duties, and honesty.

Remuneration is a crucial factor in motivating employees to perform diligently, fostering innovation and creativity (Acero & Alcalde, 2023; Abdelmoula, 2022). According to Werdati (2020), remuneration serves as compensation received by

employees for the individualized services they provide, making it akin to a reward for the sacrifices made in their work. Consequently, a well-structured remuneration system helps employees understand their roles and responsibilities in their respective positions. The development of a remuneration system in the hotel industry should be based on the nature of the tasks performed by employees and their educational levels. This approach aims to motivate and encourage all employees to perform at their best.

The results indicate a significant positive impact of remuneration on employee performance (Werdati, 2020). Remuneration, viewed as compensation received for individual efforts, serves as a reward for employees, reflecting the value placed on their dedicated service (Perkins & Shortland, 2023; Khan et al. 2023). Therefore, a just and effective remuneration system should also be based on individual job performance (Abdelmoula, 2022). This approach ensures motivation and instills a positive work ethic among staff, contributing to overall job satisfaction. According to Magnan and Martin (2018), employee compensation can take the form of both financial and non-financial rewards. A well-designed and fair remuneration system not only motivates employees to perform excellently but also contributes to overall job satisfaction among all staff. Ersoy et al. (2016) confirm that remuneration has a significant impact on job satisfaction. Job satisfaction, expressed as an employee's contentment, pride, and satisfaction with their work, is influenced not only by the results of the work but also by the

treatment received from employers (Ozturk et al. 2021 & Wang, et al. 2020).

The treatment by employers towards their employees is integral to employee motivation. A positive treatment fosters good motivation, while poor treatment can lead to diminished motivation among employees. The study by Oliveira (2021) reveals that globally satisfied employees significantly and positively contribute to contextual performance and their loyalty to the organization. In conclusion, these findings underscore the importance of a comprehensive and just remuneration system in enhancing employee motivation, satisfaction, and overall performance, ultimately reinforcing employees' commitment to the organization.

Work motivation comprises factors that encourage and prompt employees to engage in activities to achieve organizational objectives. Work motivation can be divided into two main factors: intrinsic motivation and extrinsic motivation. Intrinsic motivation involves reasons that prompt individuals to do or change something based on their interests, focusing on what they find personally intriguing, such as learning new things. On the other hand, extrinsic motivation involves external reasons that prompt individuals to perform certain tasks to attain specific rewards (Guillen, 2020; Kajackaite & Sliwka, 2020; Li et al., 2020). Effective motivation can influence employees to maintain high levels of job performance, improve their overall work performance, and concurrently foster employee loyalty. Building upon previous research conducted by other scholars, such as Rapsanjani and Johannes (2019), it is evident that remuneration, work motivation, and job satisfaction have an impact on employee performance. Consistency with the studies conducted by Sudiardhita et al. (2018) and Liu (2018) suggests that compensation, job satisfaction, and work motivation significantly affect employee performance. Additionally, findings indicate that employees working in many hotels in Dili are not loyal to organizations due to lower salaries compared to other industries, and remuneration systems that do not align with educational levels.

Therefore, this research underscores the importance of understanding and addressing both intrinsic and extrinsic motivational factors to enhance employee performance and loyalty. Furthermore, it emphasizes the need for aligning remuneration systems with educational levels to improve employee loyalty and organizational commitment, particularly in the context of the hospitality industry in Dili. The objectives to provide a comprehensive understanding of the dynamics between the remuneration system, job satisfaction, work motivation, and employee loyalty in the context of the hospitality industry in Dili. The study seeks to contribute valuable insights that can guide industry practices and inform decision-making processes to enhance employee engagement and loyalty in this specific sector.

2. Theoretical Background, Research Model and Hypothesis

2.1. Theoretical Background

2.1.1. Employee Loyalty

A positive correlation exists between loyalty and expected rewards, coupled with a strong connection to intrinsic reward opportunities to achieve valued outcomes. However, when the desired rewards and preferences are not considered, the consequences may lead to an unmet expectation, and the employee, despite being respectful and friendly, may exhibit less loyalty (Linz et al., 2015). Licata (2009) identified three dimensions influencing loyalty: response behavior, commitment to individuals, and commitment to the institution. Loyalty in a psychological context towards a product is indicated by consumer attitudes, forming trust, satisfaction, and a decision on whether to buy the product (Hasan, 2008). Consumer loyalty plays a crucial role in a company's financial performance and maintaining overall viability by retaining customers.

In the context of employee loyalty, Pulungan and Andika (2022) identified five signs of employee loyalty: employee presence, participation, pride, mastery, and obedience. Employee loyalty is defined by the intention and dedication of both staff and superiors working together to develop the organization, as trust is a fundamental factor in loyalty (Aristana et al., 2022). Khuong and Tien (2013) emphasized factors influencing employee loyalty, such as supervisor support, teamwork, and the work environment. Dhir, Dutta, and Ghosh (2020) mentioned Herzberg's two-factor theory, where intrinsic factors like recognition and job responsibility and extrinsic factors like salary, commission, and bonuses contribute to maintaining employee loyalty.

According to Saputra and Mahaputra (2022), indicators of employee loyalty include obedience, dedication, responsibility, the ability to fulfill duties, and honesty. Kurniawan (2019) added that being obedient in implementing regulations, performing well in tasks, punctuality, taking risks responsibly, presenting creative ideas voluntarily, and delivering job results to one's leader all contribute to employee loyalty.

2.1.2. Remuneration System

Remuneration plays a crucial role as a significant factor in motivating employees. It refers to the compensation that employees receive, which is linked to their performance. Remuneration encompasses both financial and non-financial rewards. According to Werdati (2020), remuneration is a form of compensation that employees receive based on the work they individually perform. In this context, remuneration serves as a reward for the employee's dedication and service sacrifices. A well-designed remuneration system should be fair and align with each employee's performance to motivate and stimulate positive morale among the staff, ultimately contributing to job satisfaction (Magnan and Martin, 2018).

The argument put forth by Magnan and Martin (2018) emphasizes the importance of aligning remuneration with an employee's performance. Employees should receive remuneration that corresponds to their individual performance,

allowing them to achieve their individual targets. Furthermore, remuneration is closely tied to financial compensation for an employee's services. Agustiniingsih (2016) and Ersoy et al. (2015) highlight that remuneration has a significant impact on job satisfaction.

In summary, a well-structured remuneration system serves as a motivating factor for employees, recognizing and rewarding their individual contributions. Ensuring a fair and performance-based remuneration system contributes not only to employee motivation but also to overall job satisfaction within the organization.

2.1.3. Job Satisfaction

According to Bhardwaj et al. (2020), job satisfaction is considered a condition of enthusiasm that is evident in the overall results of expert evaluations or the personal experiences of the workers themselves. Employee satisfaction refers to the employee's feelings regarding their job based on their work experiences (likes or dislikes) (Abror et al., 2020). In another perspective, Robbins (2007) states that "job satisfaction is the difference between certain rewards received and the expected rewards." Following Luthans (2011), job satisfaction is a result of perception regarding how all aspects of a job are offered, which individuals consider important. According to Gusmarany (2016), job satisfaction has five indicators, namely satisfaction with salary, promotion, colleagues, supervisors, and satisfaction with the job itself. Job satisfaction is a contented feeling resulting from meeting needs or desires, indicating that expectations serve as a measure to understand an individual's satisfied or dissatisfied sentiments, and each individual has their own measurable level of satisfaction (Mugira, 2022). According to Kwon and Remøy (2020), job satisfaction is divided into five parts, which include privacy, concentration, communication, social contact, and territorial aspects. A study by Lee et al. (2022) argues that job satisfaction is divided into two parts, namely motivational factors and hygiene factors. Motivational factors include a positive attitude and consideration of the value of the job that leads to satisfaction, while hygiene factors relate to the external work environment, including company policies, administration, supervisory techniques, interpersonal relationships, working conditions, salary, personal life, status, and job security.

According to Saputra and Mahaputra (2022), job satisfaction is described as an evaluation indicator that depicts the conditions and attitudes regarding work experiences. Furthermore, job satisfaction is an emotional attitude that explains when an individual enjoys their work; this attitude is reflected in work morale, achievement, and discipline (Jufrizen, 2017). In another context, Saputra and Mahaputra (2022) state that satisfaction indicators include 1) salary, 2) promotion, 3) appreciation, 4) work regulations, and 5) relationships with colleagues. Consistent with this, Gusmarany (2016) outlines indicators of job satisfaction as encompassing satisfaction with salary, promotion, colleagues, supervisor, and the job itself.

2.1.4. Work Motivation

Job motivation is a psychological process that influences an individual's effort and resources to allocate to relevant work actions, including direction, intensity, and persistence of those actions (Kanfer, Chen, and Pritchard, 2008). Job motivation will increase, and employee discomfort will decrease when the work they perform feels new or challenging, and the compensation offered is sufficient for their needs (Angelliza et al, 2022). According to Sunyoto (2015), motivation involves encouraging a spirit of service to promptly optimize the offering of one's abilities and efforts to achieve organizational objectives. On another note, according to Sutrisno (2013), motivation is a factor that leads an individual to initiate appropriate work, and its interpretation varies among individuals. Robbins & Judge (2015) suggest that the dimensions of work motivation can be divided into five parts: psychological, safety, social, appreciation, and self-actualization needs. Armstrong (2016) defines motivation as intrinsic motivation, involving factors that are generalized with specific behavioral influence or direction. These factors include responsibility (feeling that the work is important and having control over existing resources), autonomy (freedom to do the job), and freedom to use and develop skills, work challenges, and opportunities for advancement. Additionally, extrinsic motivation involves external factors that drive individuals.

This includes rewards such as increased salary, appreciation, or promotion, and punishments such as disciplinary actions, reduced salary, or receiving criticism. Noviani (2021) states that job motivation is considered as material motivation, such as incentives, salary, bonuses, promotions, positions, facilities, and others. Indicators of job motivation include responsibility in performing tasks, achieved performance, personal career development, and a self-reliant attitude (Prasetyo et al., 2021). According to Armstrong (2016), motivation has two dimensions: intrinsic motivation and extrinsic motivation. However, in this research, only the intrinsic motivation dimension is utilized because it is more relevant to the current situation in the study. The intrinsic dimension is composed of indicators such as responsibility, autonomy, interest, work challenges, and opportunities for advancement. Additionally, Ratnawati (2020) also indicates that motivation indicators include 1) behavior direction, 2) effort level, and 3) persistence level.

2.2. Research Model

The compensation system serves as an independent variable for employee loyalty, mediated through job satisfaction and work motivation. This model indicates that when the compensation system is effective, it not only influences job satisfaction and work motivation but ultimately maintains employee loyalty to the organization.

In this study, the compensation system variable is operationalized using dimensions proposed by Aswathappa (2017). The compensation system is considered to have two dimensions: financial and non-financial. Financial remuneration primarily includes salary, service pension, health programs, and retirement pension. Non-financial remuneration, on the other

hand, focuses on interesting tasks, work challenges, responsibilities, recognition opportunities, goal achievement, and promotion opportunities. The job satisfaction variable employs indicators proposed by Gusmarany (2016), comprising satisfaction with salary, promotion, colleagues, supervisors, and overall job satisfaction.

The variable of work motivation utilizes dimensions proposed by Armstrong (2016), which states that work motivation has two dimensions: intrinsic motivation and extrinsic motivation. The intrinsic motivation dimension comprises indicators such as responsibility, autonomy, interest, job challenges, and advancement opportunities. The study does not utilize the extrinsic motivation dimension as there is no correlation with the current situation in the field.

Regarding the employee loyalty variable, the study adopts indicators proposed by Saputra and Mahaputra (2022), stating that employee loyalty has indicators such as obedience, dedication, responsibility, ability to fulfill tasks, and honesty. Thus, the research model is as followed:

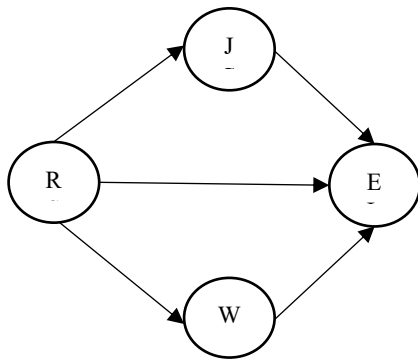


Figure 1. Research Model

(RS: Remuneration System, JS: Job Satisfaction, WM: Work Motivation, and EL: Employee Loyalty)

2.3. Hypothesis

2.3.1. The remuneration system has significant impact on employee loyalty.

The remuneration system has a significant impact on employee loyalty. Remuneration serves as a key contributor to the enhancement of employee well-being by setting objectives to increase employee satisfaction, motivation, and loyalty (Bambang, 2019). Similarly, Ineson et al. (2013) identify essential contributions to job satisfaction, such as private satisfaction derived from key contributions and recognition, social involvement, career development, and salary. These factors also play a crucial role in employee loyalty, encompassing managerial and company commitment, working conditions, personal benefits, attendance elements, and location, as well as career and status. The examination of internal relations in correlation with management attitudes towards employees in socially beneficial aspects at the workplace

reveals a positive impact on employee loyalty compared to salary.

(H1): The remuneration system influences employee loyalty.

2.3.2. The Remuneration System Significantly Influences Job Satisfaction.

The remuneration system significantly influences job satisfaction. Remuneration, including equivalent salaries, benefits, timely payment for regular and overtime hours, commensurate salaries based on job responsibilities, and opportunities for personal development loans, is a critical component in elevating employee job satisfaction. According to Nyaga et al. (2020), remuneration stands out as an essential factor affecting employee job satisfaction. However, contrary to studies conducted by Al-Sada, Al-Esmael & Faisal (2017) in the education sector in Qatar, it is suggested that job satisfaction is influenced not only by the remuneration system but also by the organizational culture and leadership style.

(H2): The remuneration system has an influence on job satisfaction.

2.3.3. The Remuneration System Significantly Influences Work Motivation.

The remuneration system significantly influences work motivation. Compensation offerings are an integral part of motivation. When the remuneration provided is substantial, it becomes easier for a leader to motivate their staff. Work motivation acts as a capital to guide and direct employees to perform their tasks consistently, with spirit and responsibility. If employees perceive that the rewards offered by the institution are equivalent to their expectations, it serves as motivation for them to enhance their job performance. The absence of work motivation results in suboptimal job performance, aligning with the findings of Mukhti and Fachrudin's (2016) research, which states that remuneration has a positive and significant impact on motivation for public service. Similarly, Cahyanugroho et al. (2016) affirm that remuneration has a significant impact on employee motivation. Salary is identified as a crucial motivational element compared to other variables such as effective career management, training, recognition from superiors, and a positive working environment, as supported by research findings (Khalfallah et al., 2021).

(H3): The remuneration system has an influence on work motivation.

2.3.4. The Job Satisfaction Significantly Influences Employee Loyalty.

Job satisfaction significantly influences employee loyalty. Employee satisfaction is a crucial need within an organization with a well-structured business management system to enhance employee loyalty. Findings from a study conducted by Matzler and Bozen-bolzano (2006) demonstrate that employee satisfaction has a significantly positive effect on employee loyalty. According to Frempong et al. (2018), job satisfaction

exhibits a significant effect on loyalty and has a meaningful correlation with human resources, extending its influence across various sectors. Dhir (2020) states that factors such as Person Job Fit (PJF), Person Organization Fit (POF), and Perceived Supervisor Support (PSS) have a significant impact on job satisfaction and employee loyalty. Additionally, customer satisfaction with our service strongly influences loyalty to our service (Kamath, Pai, and Prabhu, 2020). However, conflicting results are observed in other studies, indicating that job satisfaction has no significant influence on employee loyalty (Goujani, Shahin, and Isfahani, 2019).

(H4): Job satisfaction has an influence on employee loyalty.

2.3.5. The Work Motivation Significantly Influences Employee Loyalty.

When an employee is committed to a company, they bear significant responsibility in performing their duties excellently at all times, leading to positive work outcomes. Employees with loyalty to an organization or institution bring benefits such as saved time and resources that would otherwise be spent on recruiting new staff. According to Frempong et al. (2018), there is a positive relationship between work motivation and employee loyalty. Additionally, Nuryanto et al. (2021) confirm that work motivation has a positive and significant impact on loyalty. Both intrinsic and extrinsic motivation significantly affects job satisfaction, performance, and the intention to stay in the organization. Furthermore, employee contentment strongly influences performance, job satisfaction, and the intention to stay in the organization (Mardanov, 2020).

(H5): Work motivation influences employee loyalty.

2.3.6. The Remuneration System Influences Job Satisfaction and Employee Loyalty.

Based on the study conducted by Ineson et al. (2013), the principal component analysis identified potential contributors to job satisfaction (personal satisfaction derived from participation and recognition, social involvement, career development, salary, and benefits) and employee loyalty (commitment to the manager and company, working conditions, personal benefits, attendance elements, location, career, and status). The examination of the interrelationship indicates that manager treatment of employees and positive benefits from social involvement at the workplace significantly impact employee loyalty through rewards. Abror et al. (2020), remuneration significantly impacts employee satisfaction, which directly affects employee loyalty. When leaders aim to enhance loyalty, they need to pay attention to perceived value increments from remuneration.

(H6): The remuneration system influences job satisfaction and employee loyalty.

2.3.7. The remuneration system influences work motivation and employee loyalty.

The remuneration or compensation system in each industry is based on its own financial policy from the respective organization. According to the research conducted by Ikhrum et al. (2017), both direct remuneration and indirect compensation directly affect employee loyalty through work motivation. The remuneration system for employee loyalty, through the mediation of work motivation, is crucial in achieving the organization's objectives. Employee motivation through salary, bonuses, and consideration for staff working efficiently and effectively will increase staff work productivity and loyalty. According to the initial study by Assari et al. (2019), there is a positive and significant relationship to enhance the remuneration system as an employee motivator, thereby increasing employee commitment to the organization.

(H7): The remuneration system influences work motivation and employee loyalty.

3. Research Methods

This study was conducted in Timor-Leste, with a specific focus on the Dili Municipality, particularly targeting hotels in the area, including Hotel Timor, Hotel Garden Beach & Excelsior Resort, Hotel Golgota, and Timor Lodge Hotel. The sampling technique employed for this research was census/sample saturation (Sugiyono, 2012). The total sample size selected for this study was 205. The sample comprised respondents from Hotel Timor, Timor Lodge, Golgota Hotel, Arbiru Beach Hotel, and Garden Beach Hotel & Excelsior Resort.

The data collection technique utilized for this research was a questionnaire. A questionnaire is a data collection method involving the distribution of written questions to respondents, eliciting written responses (Sugiyono, 2012). The questionnaire consisted of structured questions presented to respondents, prompting them to choose responses based on a Likert scale ranging from highly agreeable to highly disagreeable.

These questionnaires were directly delivered to the managers of each hotel, who then distributed them to their employees. After the employees completed the questionnaires, the hotel managers contacted the researchers by phone. Additionally, an alternative method involved sending the prepared questionnaires through Google Forms via email or WhatsApp, where respondents could fill them out online and send them back to the researchers.

The data analysis for this study utilized a quantitative approach with data interpretation to understand the relationships between outer model indicators and inner model variables. Smart-PLS version 3.0 was employed as the tool for analyzing both the outer and inner models. The utilization of 205 samples or respondents in Smart-PLS version 3.0 indicates the size of the dataset used for structural equation modeling analysis, highlighting the number of individual observations contributing to the analysis. This instrument is suitable for testing multiple variable indicators and reflective measurements with a minimum sample size of 30 (Hair et al., 2014). The inner model analysis focuses on the specific relationships between latent

variables, while the outer model examines relationships between latent variables and their dimensions, as well as the corresponding indicators (Hair et al., 2010).

The validity and reliability of the data were assessed through two types of tests: Convergent Validity and Discriminant Validity. Convergent Validity was determined using indicators such as the outer loading (OL) parameter, with a value exceeding 0.7, and the average variance extracted (AVE), with a value surpassing 0.5.

Indicators are considered valid when the outer loading (OL) exceeds 0.7, and the AVE is greater than 0.5 (Hair et al., 2014). Discriminant Validity was assessed using the Fornell – Lacker (FL) Criterion Parameter and Heterotrait Monotrait (HTMT). The FL criterion involves the square root of item values, while an item from an indicator is considered valid when HTMT has a value less than 0.90 (Henseler et al., 2015). Hypothesis testing was conducted using T and P-Value tests. The relationship between variables is considered significant when the T-Value exceeds 1.96, and the P-Value is less than 0.005 (Hair et al., 2017).

4. Results

This research was conducted in several hotels located in Dili, including Hotel Timor, Timor Lodge, Golgota Hotel, Arbiro Beach Hotel, Garden Beach Hotel, and Excelcior Resort. The respondents for this research were employees working in these hotels, totaling 205 employees. The distribution of staff in the hotel industry shows a balance between male and female employees, with 50% each, indicating a trend towards gender

equality. This finding aligns with a previous study by Saldanha et al. (2022), which indicated a dominance of male employees in the hotel industry.

Regarding age, the majority of employees are in the 21–30 age group, constituting 45% of the respondents. A minority, 1%, falls into the age group of 50 and above. These results are consistent with the findings of a previous study (Saldanha et al., 2022), indicating a relatively young workforce in the hotel industry. In terms of tenure, nearly 80% of the respondents have been working in the hotel industry in Dili for 1–10 years. The departments that recruit the most employees are housekeeping (38%), followed by food and beverage (35%), Front Office (13%), pastry and bakery (9%), and other departments (5%).

The educational background of employees in the hotel industry in Timor-Leste, particularly in the municipality of Dili, indicates that nearly 65% have completed their secondary education. Approximately 22% hold a certificate, while a smaller percentage, 6%, have a master's degree. The remaining 6% have education levels below the secondary level. These results are consistent with a previous study conducted by Saldanha et al. (2022), which revealed that the majority of employees in the hotel industry have a general secondary education level.

Regarding salary distribution, a significant portion, 28%, earns a salary higher than \$260, while 7% receive a salary lower than \$115. These findings provide insights into the salary ranges of employees in the hotel industry in Timor-Leste.

The research analyzed validity in two aspects, namely convergent validity and discriminant validity. Convergent validity uses two benchmarks, namely Outer Loading (OL) with a value that must be above 0.7 and Average Variance Extracted (AVE) with a value that must be above 0.5 (Hair et al., 2014).

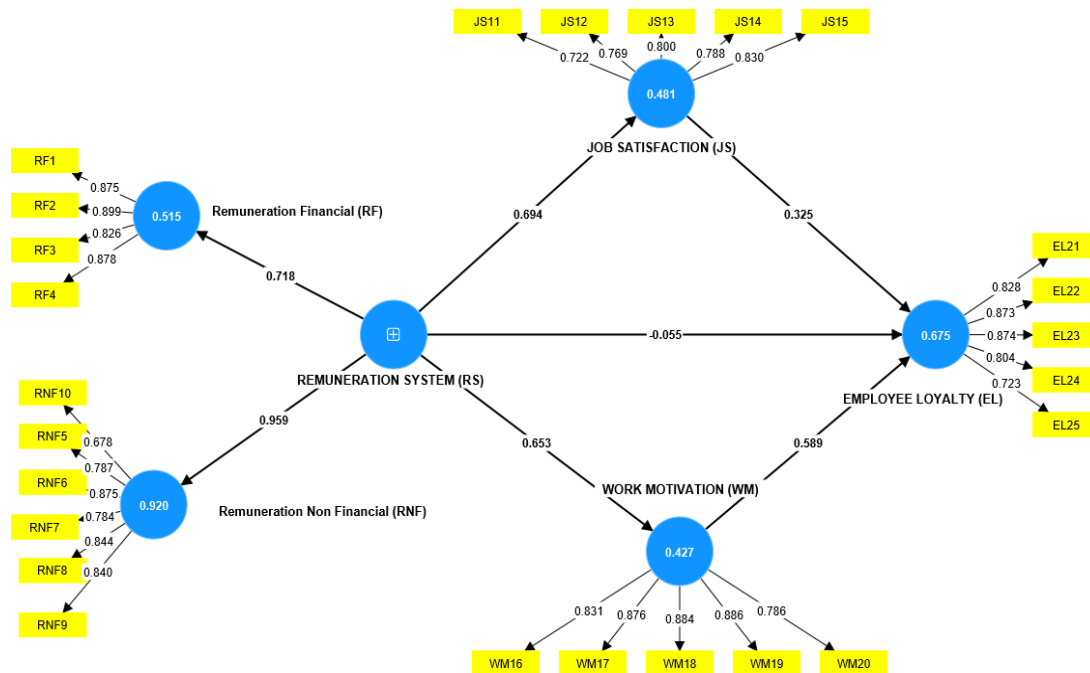


Figure 2. Outer Loading for Convergent Validity Test

In these results, all items have OL (Outer Loading) values above 0.7, while some items have OL values below 0.7 (see Figure 2). However, as this is an exploratory study, AVE (Average Variance Extracted) has values above 0.5, except for one item with a value below 0.5 (4.3). Nevertheless, all items demonstrate validity in the test of relationships between variables (inner model).

In another aspect, an item is considered valid when the heterotrait-monotrait (HTMT) value is below 0.90, as indicated by the results of the discriminant validity test (Henseler et al., 2015). Thus, from the analysis of sfdewr4r3w3w443e convergent validity, it can be concluded that all items have validity for use in the test of relationships between variables (inner model).

The discriminant validity test utilizes two benchmarks, namely the Fornell-Larcker (FL) criterion and the heterotrait-monotrait (HTMT) criterion. It examines the FLC value, where the Square root of each item's square root should be greater than the square root of other items (Hair et al., 2014). The results of this research are presented in Table 2, demonstrating that all items meet the Fornell-Larcker criterion, indicating their validity.

Table 1. Fornell-Lacker Criterion Value.

Item	EL	JS	RF	RNF	WM
EL	0.882				
JS	0.727	0.783			
RF	0.297	0.489	0.870		
RNF	0.561	0.646	0.525	0.804	
WM	0.796	0.747	0.272	0.685	0.854

Furthermore, in this research, the discriminant validity is also assessed using the heterotrait-monotrait (HTMT) criterion. The results, presented in Table 8, indicate that all HTMT values are less than 0.90. Therefore, all items are considered valid when using this criterion to test the relationships between variables (Henseler et al., 2014).

Table 2. The value of Heteroit -Monotroit (HTMT).

Items	EL	JS	RF	RNF	WM
EL					
JS	0.839				
RF	0.347	0.576			
RNF	0.626	0.738	0.585		
WM	0.883	0.842	0.299	0.763	

This research also conducts a reliability test to examine the internal consistency of relationships between indicators and variables in the research model. Reliability tests commonly use two parameters: Cronbach's alpha (CA) and Composite Reliability (CR). The results, presented in Table 2, show that the CA values for all items exceed 0.7, and all CR values surpass the acceptable threshold. Therefore, following Hair et al. (2014), all items are considered reliable when using this test for relationships between variables in the inner model.

Table 3. Reliability Test

Items	EL Cronbach's Alpha	Composite Reliability	AVE
EL	0.879	0.912	0.676
JS	0.842	0.888	0.613
RF	0.893	0.926	0.757
RNF	0.888	0.916	0.646
WM	0.906	0.930	0.728
EL	0.879	0.912	0.676
JS	0.842	0.888	0.613

4.1.1. Inner Model Test

In this research, the hypothesis testing results examine the variables of the remuneration system, job satisfaction, and employee loyalty with T-values (3.265) and a P-value of 0.001. Similarly, the variables of the remuneration system, job motivation, and employee loyalty show T(4.968) and a P-value of (0.000). These variables exhibit T-values exceeding 1.96, and P-values below 0.05. The results demonstrate a mediating effect of job satisfaction and job motivation on the relationship between the remuneration system and employee loyalty. However, the direct effect from the remuneration system to employee loyalty lacks statistical significance with a T-value of (0.960) and a P-value of (0.337). This indicates that the effect of the remuneration system on employee loyalty is not statistically valid.

4. Discussion

The primary objective, discussing the role of the employee remuneration system in employee loyalty in hotels in Dili, reveals that there is no statistically significant direct effect. Thus, the direct variables from the remuneration system do not have a significant effect on employee loyalty. This indicates that the financial and non-financial dimensions have no significant effect on staff discipline and loyalty to hotels. The research confirms findings from previous studies suggesting that loyal employees are not solely influenced by the salaries they receive. Instead, a positive work environment and effective leadership styles play crucial roles in fostering employee loyalty (Ineson, Benke, and László, 2013). This contradicts other studies, such as Rapsanjani and Johannes (2019), which affirmed that remuneration, job satisfaction, and job motivation have partial and total effects on employee performance. In the context of Timor-Leste's hospitality industry, where the remuneration system is not fully implemented, employees often resign due to low salaries and an absence of a proper remuneration system, especially concerning educational levels (Liu, 2018). Descriptive results also show that employees working in the industry receive only job benefits and lack other remuneration systems.

Table 4. Indirect Effects result among variables (Hypothesis)

O	M	STDEV	T statistics (O/STDEV)	P values	
JS ->EL	0.325	0.318	0.090	3.612	0.000
RS->EL	-0.055	-0.049	0.058	0.960	0.337
RS->JS	0.694	0.705	0.085	8.209	0.000
RS->RF	0.718	0.705	0.071	10.064	0.000
RS->RNF	0.959	0.957	0.013	73.256	0.000
RS->WM	0.653	0.665	0.095	6.851	0.000
WM->EL	0.589	0.592	0.075	7.885	0.000
RS->JS->EL	0.226	0.224	0.069	3.265	0.001
RS->WM->EL	0.385	0.394	0.077	4.968	0.000

The second objective, discussing the role of the employee remuneration system in job satisfaction in hotels in Dili, indicates a significant positive effect of the remuneration system on job satisfaction. Employees perceive intrinsic and extrinsic rewards, such as contractual obligations, as motivating factors, with their impact on performance being diverse (Taba, 2018). Studies by Zayed et al. (2022) demonstrate that the remuneration system has a favorable impact on employee job satisfaction, serving as partial mediation for employee job motivation. Another study by Putra (2022) emphasizes the crucial role of remuneration system implementation in effectively enhancing employee job performance. Salary, job motivation, and employee job satisfaction significantly influence employee performance (Umar, 2014). Additionally, research by Nguyen et al. (2020) suggests that the remuneration system has a positive impact on job performance. Financial compensation is positively associated with organizational commitment (Ashraf, 2020). Based on these findings, it can be concluded that employees in the hotel industry tend to feel satisfied when the hotel implements a well-structured and fair remuneration system. Thus, the remuneration system has an effect on job satisfaction.

Addressing the third objective, the impact of the remuneration system on the job motivation of employees in Dili's hotels is evident, indicating a significant positive effect of the remuneration system on employee job motivation in hotels in Dili. Activities that share knowledge among employees become more effective when employees receive motivation in the form of rewards or financial incentives based on their performance achievements (Rohim and Budhiasa, 2019). Remuneration is a crucial motivational element, complementing other variables such as effective career management, training, recognition from superiors, and a positive working environment (Khalfallah et al., 2021). Pang et al. (2018) explain that the remuneration system positively influences service performance motivation with both financial and non-financial dimensions. Zayed et al. (2022) further confirm that the remuneration system has a significant partial impact on service motivation. In light of

this, the reality indicates that the remuneration system is not yet implemented in the hospitality industry in Timor-Leste. However, many employees express hope that their employers will implement such a system in the future and even suggest that the Timor-Leste government intervene in this matter. Despite this, employees remain motivated to perform their jobs in anticipation of potential improvements in their work conditions.

Addressing the fourth objective, the research demonstrates that job satisfaction significantly influences employee loyalty in hotels in Dili. Job satisfaction has a substantial impact on employee loyalty (Gremier, Riel, and Birgelen, 2019). Employees who are satisfied with their salary, promotion systems, and the overall working environment in hotels are more likely to develop loyalty towards their jobs. This loyalty is fostered by the employees' contentment with their work conditions and their perception of the organization's support and recognition.

The findings affirm previous research by Dhir (2020), emphasizing the significant impact of person-job fit (PJF), person-organization fit (POF), and perceived supervisor support (PSS) on job satisfaction, subsequently enhancing and strengthening employee loyalty. Mardanov (2020) also corroborates that job satisfaction has a strong influence on the intention to stay among employees.

On the other hand, employees also find satisfaction in a positive work environment, leadership that appreciates their efforts, fair salaries, and other favorable conditions (Frempong et al., 2018). Descriptive results further indicate that satisfied employees tend to automatically develop loyalty towards the organization.

Fifth Objective: The Effect of Job Motivation on Employee Loyalty

Discussing the fifth objective, the research reveals that job motivation significantly affects employee loyalty in hotels in Dili. Hotel staff with significant job motivation demonstrates initiative in taking responsibility for the resources they use to perform their duties. They work freely, according to their capacity, with a keen interest in their tasks, even when facing

challenges, and view the opportunity to develop their careers positively. This job motivation strongly correlates with employee loyalty in hotels.

Mardanov (2020) asserts that both intrinsic and extrinsic motivation have a significant positive influence on job satisfaction, performance, and the intention to stay. Previous findings also indicate that when an employee is committed to a company, they take full responsibility for performing their duties effectively at all times, leading to positive work outcomes (Brandano, Osti, and Pulina, 2019). Furthermore, employees with loyalty to an organization or institution bring about significant benefits, such as saving time and budget for recruiting new staff (Frempong et al., 2018; Nuryanto et al., 2021). The descriptive results consistently show that employees with strong job motivation are automatically loyal to the organization.

Addressing the sixth objective, the research explores the significant mediating effect of job satisfaction on the relationship between remuneration and employee loyalty in hotels in Dili. The results of the hypothesis testing show a significant effect mediated by job satisfaction on the relationship between remuneration and employee loyalty. This finding is consistent with previous research conducted by Ashraf (2020), which demonstrated a weak relationship mediated by job satisfaction between compensation and organizational commitment.

Similarly, previous studies (Ineson, Benke, and László, 2013) identified key contributors to job satisfaction and employee loyalty, such as personal satisfaction derived from participation and recognition, social involvement, career development, salary, and benefits. An examination of the principal components revealed that manager treatment and positive benefits from social involvement in the workplace significantly impact employee loyalty through rewards (Ineson, Benke, and László, 2013).

However, contrasting results were found in other studies (Dhir, 2020), indicating that factors like person-job fit, person-organization fit, and perceived supervisor support have a significant impact on job satisfaction, subsequently enhancing employee loyalty. The empirical evidence suggests that employees working in the hospitality industry are generally satisfied, content with their tasks, happy with the collaboration among colleagues, and feel responsible for their duties. This satisfaction is attributed to the positive work environment created by the hotel, which offers work-related benefits to diligent staff.

Regarding the seventh objective, the research investigates the significant mediating effect of job motivation on the relationship between remuneration systems and employee loyalty in hotels in Dili. The results indicate a significant effect mediated by job motivation on the relationship between remuneration systems and employee loyalty in hotels. This finding aligns with previous research, confirming that direct compensation, such as salaries and indirect compensation, significantly influences employee loyalty through job motivation.

The study emphasizes the importance of a remuneration system for employee loyalty, especially when mediated by job motivation (Ikhrum et al., 2017). Employee motivation through aspects like salary, bonuses, and consideration for staff working extra hours efficiently increases staff productivity and loyalty. Previous research (Assari et al., 2019) supports the positive and significant relationship between enhancing the remuneration system as a motivation for employees to improve their performance and loyalty to the organization.

Empirical evidence suggests that many employees in the hospitality industry have strong motivation, contributing positively to the organization. The majority of these employees are motivated to work, driven by the hope that there will be changes in their careers over time. This motivation not only benefits individual employees but also contributes to the overall success of the organization.

6. Conclusions and Implications

Based on the results of this research, it can be concluded that there is a significant mediating effect of job satisfaction and job motivation on the relationship between remuneration systems and employee loyalty in hotels in Dili. The remuneration system has a positive and significant impact on job satisfaction and job motivation, which, in turn, have a positive and significant effect on employee loyalty. Therefore, the remuneration system indirectly influences employee loyalty through the mediation of job satisfaction and job motivation.

To enhance employee loyalty in the hospitality industry in Timor-Leste, it is recommended that businesses implement an effective remuneration system. This can be achieved by offering competitive salaries, performance-based incentives, and non-monetary rewards. Additionally, companies should focus on creating a positive work environment that promotes employee involvement, contributing to job satisfaction and motivation. Implementing these measures will strengthen the overall performance of employees, leading to increased loyalty and organizational success.

These recommendations are crucial for the hospitality industry in Timor-Leste to attract and retain talented employees, ultimately improving the overall performance and success of the business.

7. Limitations and recommendations for future research

Despite the valuable insights gained from this research, it is essential to acknowledge its limitations and suggest areas for future investigation. The following limitations are identified:

- a) Limited Variables: This study focused primarily on the relationship between remuneration systems, job satisfaction, job motivation, and employee loyalty. To gain a more comprehensive understanding, future research could incorporate additional variables such as organizational culture, leadership styles, and other relevant factors that may influence employee loyalty.

- b) **Sample Size:** The sample size for this study was 205, which may be considered relatively small. Future research could aim to increase the sample size to enhance the generalizability of the findings and ensure more robust statistical analyses.
- c) **Industry Specific:** The study was conducted exclusively in the hotel industry in Dili, Timor-Leste. Future research might consider expanding its scope to include various sectors such as companies, institutions, and other relevant settings to provide a broader perspective.
- d) **Cultural and Contextual Factors:** The research did not delve into cultural and contextual factors that might influence the relationship between remuneration systems and employee loyalty. Future studies could explore the impact of cultural differences and contextual variations on this relationship.
- e) **Longitudinal Studies:** This research adopted a cross-sectional design, capturing a snapshot of the relationships at a specific point in time. Future studies could employ longitudinal designs to track changes and developments over time, providing a more dynamic view of the relationships.
- f) **Other Mediating Variables:** While this study focused on job satisfaction and job motivation as mediating variables, there may be other factors influencing the relationship between remuneration systems and employee loyalty. Future research could explore additional mediating variables to provide a more nuanced understanding.
- g) **Comparative Studies:** To enhance the applicability of the findings, future research could incorporate comparative studies across different regions, industries, or organizational structures. This would allow for a more thorough analysis of the impact of remuneration systems on employee loyalty in various contexts.
- h) **Qualitative Exploration:** Complementing quantitative approaches with qualitative methods could offer a deeper exploration of employees' perceptions, attitudes, and experiences regarding remuneration systems and loyalty.

In conclusion, addressing these limitations and considering these recommendations in future research endeavors will contribute to a more comprehensive and nuanced understanding of the relationships explored in this study.

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