

# The effects of the compensation system on job satisfaction and turnover intention of employees in the Republic of Serbia

**Tamara Jevtić**

Academy of Professional Studies Šabac, Šabac, Republic of Serbia

<https://orcid.org/0009-0005-4434-2138>

**Dimitrije Gašić**

Faculty of Economics in Subotica, University of Novi Sad, Republic of Serbia

<https://orcid.org/0000-0002-9068-0593>

## Abstract

**Background:** The motivation for researching the effects of the compensation system on job satisfaction and the turnover intentions, as well as the mediating role of job satisfaction between the compensation system and the turnover intention, was due to the insufficient number of studies of the proposed model in the Republic of Serbia.

**Purpose:** refers to the review of theoretical and empirical knowledge so far, the creation of a conceptual framework and the implementation of the analysis itself on the collected sample with the aim of determining the effects of influence on the mentioned variables and giving recommendations to employers on how they can positively influence job satisfaction and reduce turnover intentions.

**Methodology:** consists of theoretical and empirical research. The theoretical part refers to the review of previous research by other authors who examined the effects of the displayed variables based on which the conceptual framework of the research was set. The empirical part refers to conducting an analysis on a sample of 100 employees in the Republic of Serbia. The analysis was carried out using the Partial least squares structural equation modelling (PLS-SEM) method, using the SmartPLS software.

**Findings:** the main findings of the research indicated that there are direct positive effects of the compensation system on job satisfaction and turnover intention, and that job satisfaction has an indirect effect on the relationship between the compensation system and the turnover intention of employees.

**Limitations:** refer to the small number of respondents as well as the insufficient number of research in the Republic of Serbia within the proposed model.

**Recommendations for future research** refer to collecting a larger number of respondents as well as determining the effects on other attitudes such as work engagement, employee commitment and employee behaviour such as innovative work behaviour and employee performance.

## Keywords

compensation system, job satisfaction, turnover intentions, employee attitudes, Republic of Serbia

## Introduction

Gabčanová (2011) emphasizes that employees represent the most important resource of any organization. Workforce refers to the set of

knowledge, skills and abilities of employees that are necessary for the implementation of defined work activities of the company in order to achieve the goals of the organization (Flores, Xu & Lu, 2020). Raid & Alzoubi (2021) emphasize that

human resources must be managed efficiently and effectively, which leads to the success of the organization. The attitudes and performance of employees in the organization are the result of the influence of many factors. Employee motivation refers to the reasons for the achieved performance, dedication to work, and satisfaction of the employee in the work he performs (Stevanović & Belopavlović, 2011). Compensation is an effective instrument for motivating and harmonizing the interests of employees and capital owners (Malynovska et al., 2022). The reward in human resource management is compensation for work, that is, the employee's performance at work. Basic salary is the main type of compensation for an employer's work. Stimulations on various grounds and benefits intended for employees are part of the compensation package that affects the personal status of the employee.

Pay satisfaction indicates a positive or negative perception of pay and implies satisfaction with the level and structure of compensation (Ashraf, 2020). Satisfied employees will be less absent from work. Sometimes even a satisfied employee must be absent from work. Several factors make a dissatisfied employee come to work anyway, such as the fear of losing his job, responsibility to colleagues at work or to the client (Brown & Sessions, 1996). The existence of turnover intention is a prerequisite for someone to leave a job or organization (Mustika et al., 2021).

Factors that influence employees' turnover intentions are related to job satisfaction, job stress, organizational culture, little opportunities for career advancement, organizational commitment, inflexible work, earnings, and advancement opportunities. Employees' turnover intentions are seen as the possibility for employees to leave the job, that is, as a logical step after experiencing dissatisfaction (Aburumman et al., 2020; Wicaksono, Amin & Solihin, 2021).

The research consists of four parts. In the first part, the terms compensation system, job satisfaction and turnover intentions were defined, as well as the presentation of the previous results of theoretical and empirical research on the direct effects of the compensation system on job satisfaction and turnover intentions, as well as the mediating role of job satisfaction in the relationship between the compensation system and turnover intentions. Based on the presented research results of other authors on this topic, research hypotheses were set up and tested in the third part. The second part refers to the research

methodology, within which the explanation of the way the questionnaire was created and the collection of samples on which the research was carried out in the next part, as well as the presentation of the sample, was made. The third part refers to the presentation of research results. The research was carried out using the SmartPLS program for data processing. During the analysis, the PLS-SEM method was used to determine the effects. The fourth part presents the discussion of the obtained results. The authors summarized the most important results obtained from the analysis in the third part and confirmed the stated hypotheses accordingly. The fourth part is followed by concluding remarks, in which the authors summarized the key segments of the research, compared previous research and the results of other authors with the results obtained. This is followed by a presentation of the limitations of the work as well as suggestions for future research.

## 1. Theoretical background

Gašić, Berber & Slavić (2023) emphasize that compensation system include all forms of financial income, services, and benefits that the employee can achieve based on his work in the organization. According to Salisu, Chinyio & Suresh (2015) compensation provides income to employees and represents an important cost item for the employer. If the owners of the capital perceive monetary expenditures or compensations paid and given in another form as an investment, they can expect quality work, dedication, desired achievement, and improvement of the organization's operations from the employees (Jevtić, Vladimirović & Jevtić, 2022). Berber et al. (2017) emphasize that compensation is a systematic approach to providing benefits to employees. Compensation represents the evaluation of achievement for all the work, time, and effort that the employee provides to the organization (Winda, Nayati & Arik, 2017; Gunawan & Gunawan, 2019). Mahato & Kaur (2023) emphasize that implementation of the compensation system provides continuity that encourages the employees to do their work without tension so that they can achieve their goals. With the reward system, it is necessary to harmonize and ensure the achievement of the employees' various individual needs and the organization's set goals (Vidaković, 2012).

According to Rahman and Syahrizal (2019), job satisfaction is considered a strong determinant turnover intention. According to Riyanto, Endri &

Herlisha (2021), job satisfaction is a positive emotion of employees that arises from work experience. Job satisfaction refers to the feelings of employees towards certain situations in the workplace (Riyanto, Endri & Herlisha, 2021). Job satisfaction can be measured based on the feelings and emotions of employees (Mira, Choong & Thim, 2019). Job satisfaction can refer to the pleasant and positive emotional state employees experience towards the company and the job and is explained by comparing actual and expected results (Koo, Yu, Chua, Lee & Han, 2020). Job satisfaction is a pleasant emotional state that results from the evaluation of one's job and work experience. The result is employees' perception of how important their work is (Agustine & Nawangsari, 2020). Job satisfaction is the evaluation of the job, i.e., the extent to which the job satisfies the needs of the employee (Sugiono & Nurhasanah, 2022). Compensations improve the performance, motivation, loyalty and satisfaction of employees in the organization (Gunawan & Gunawan, 2019). Organizations should focus on employee well-being, which can affect job satisfaction, but also employee loyalty to the organization (Sudiarditha, Susita & Kartini, 2019; Murtiningsih, 2020, p. 36). Job satisfaction is viewed as an attitudinal indicator that shows how much people enjoy their jobs and is positively related to employee well-being and job performance (Alwali & Alwali, 2022).

Turnover intentions are defined as the conscious and deliberate intention of the individual to leave the job and is described as the last in a series of cognitions that precedes withdrawal from the job (Hom, Lee, Shaw & Hausknecht, 2017). Several factors influence the turnover intentions, such as low pay, inflexible work, and little opportunities for career advancement, but above all it affects job satisfaction. Thus, job satisfaction can negatively affect employees' turnover intentions, because the higher the level of job satisfaction, the lower the turnover intentions of employees (Wicaksono et al., 2021). A high level of turnover intention causes losses to the organization in terms of time, finance, efficiency, and effectiveness which leads to a decline in employee performance (Asriani & Riyanto, 2020; Chen et al., 2023). Turnover intention is divided into three main components, such as thinking about leaving work, unwillingness to look for a new job, and actual absence (Aburumman et al., 2020).

## 1.1. Relationship between compensation system, job satisfaction and turnover intentions

Within this part, the results of previous theoretical and empirical research by other authors on this topic will be presented to determine the effects so far and accordingly set research hypotheses that will be tested in the empirical part.

### 1.1.1. Relationship between compensation system and job satisfaction

The review of the authors' previous research is found in the following sources:

Koo et al. (2020) examined how emotional rewards (compliment, opportunity, empowerment and recognition) and material rewards (promotion, certificate, incentive and special leave) affect job satisfaction, burnout, as well as the mediating role of job satisfaction and burnout on affective commitment, performance at work and turnover intention in the hotel sector. The results of the multiple regression analysis showed that emotional and material rewards and their dimensions are important for the formation of affective commitment, work performance and turnover intention. In addition, the findings indicate that job satisfaction and burnout play a full/partial mediating role within the proposed theoretical framework. The positive impact of emotional and material rewards on job satisfaction was determined.

Agustine & Nawangsari (2020) conducted a PLS-SEM analysis on a sample of 137 employees at PT Naiaka Era Husada Bekas Clinic where they found that the compensation system has a positive effect on job satisfaction ( $\beta=0.660, p=0.000$ ).

Hartono, Efendi & Nurwati (2021) indicated on a sample of 120 employees that an adequate compensation system and motivation has a significant positive impact on job satisfaction and performance. In addition, it was determined that job satisfaction has a positive effect on employee performance.

The results of Ali & Anwar (2021) indicate that there is a strong and positive correlation between compensation and incentive as a motivational element and job satisfaction.

Ramlah, Sudiro & Juwita (2021) analysed the role of the compensation system and stress at work on the turnover intention of 106 employees who have been working for a year, as well as the mediating role of job satisfaction on relationships. The results indicated that the compensation system

has a positive and significant effect on job satisfaction of employees.

Arora (2022) determined on a sample of 395 IT employees in India who work remotely and with the help of the SmartPLS 2.0 program that there is a significant relationship between the compensation system and job satisfaction, and in addition, performance and job satisfaction ratings, training and development, and job satisfaction.

Illahi, Fahmy & Syahrul (2022) determined on a sample of 70 employees that the compensation system has a positive statistically significant effect on job satisfaction among employees.

Based on the presentation of previous theoretical and empirical results on the topic of the impact of the compensation system on job satisfaction, the first research hypothesis is put forward:

***H<sub>1</sub>: The compensation system is positively related to job satisfaction.***

#### **1.1.2. Relationship between compensation system and turnover intentions**

Agustine & Nawangsari (2020) conducted a PLS-SEM analysis on a sample of 137 employees at PT Naiaka Era Husada Bekasi Clinic, where they determined that the compensation system causes a positive effect on turnover intention (more precisely, it reduces intentions to leave) ( $\beta = -0.427$ ,  $p = 0.001$ ).

The purpose of the Purba & Ruslan (2020) study was to analyse the effect of compensation systems, career development, and job satisfaction on the intentions to leave of 156 employees. The results showed that the compensation system, career development and job satisfaction together (simultaneously) negatively and significantly influence on turnover intention.

Ramlah, Sudiro & Juwita (2021) analysed the role of the compensation system and stress at work on the turnover intention of 106 employees who have been working for a year, as well as the mediating role of job satisfaction on the relationships. The results indicated that the compensation system has a negative and significant effect on turnover intention.

Drawing on social exchange theory, Ohunakin & Olugbade (2022), examined the impact of the compensation system of 372 employees in 5-star hotels in Nigeria on turnover intention and job performance. Hierarchical multiple regression indicated that the compensation system reduces turnover intentions and improves employee performance.

Based on the presentation of previous theoretical and empirical results on the topic of the impact of the compensation system on turnover intention, the second research hypothesis is put forward:

***H<sub>2</sub>: The compensation system is negatively related to turnover intentions.***

#### **1.1.3. The mediating role of job satisfaction on the relationship between compensation system and turnover intentions**

Koo et al. (2020) determined that employee satisfaction mediates the relationship between emotional rewards (compliment, opportunity, empowerment, and recognition) turnover intention as well as material rewards (advancement, certificate, incentive, and special leave) and turnover intention. Emotional and material rewards have a positive effect on job satisfaction and, accordingly, employees in the hotel sector do not want to leave their jobs (reduce turnover intention).

Agustine & Nawangsari (2020) conducted a PLS-SEM analysis on a sample of 137 employees at the PT Naiaka Era Husada Bekasi clinic where they determined that satisfaction mediates the relationship between the compensation system and the turnover intention ( $\beta = -0.271$ ,  $p = 0.008$ ).

Ramlah, Sudiro & Juwita (2021) analysed the role of the compensation system and stress at work on turnover intention of 106 employees who have been working for a year, as well as the mediating role of job satisfaction on the relationships. The results indicated that the compensation system has a negative and significant influence on turnover intention, stress at work has a significant positive effect on turnover intention, and job satisfaction can play a significant mediating role.

Based on research on a sample of 70 employees, Illahi, Fahmy & Syahrul (2022) found that job satisfaction can mediate between the compensation system and employees' turnover intention.

Aman-Ullah et al. (2023) examined whether the compensation system has an impact on turnover intention of healthcare workers, as well as the mediating role of job satisfaction in the relationships. The results of research using SPSS and SmartPLS programs on the cause of 600 doctors determined that the compensation system significantly affects employee retention and reduces turnover intention. The results also confirmed the mediating effect of job satisfaction on the relationship between the compensation system and employee retention, as well as the

compensation system and employee turnover intentions.

Based on the presentation of previous theoretical and empirical results on the topic of the mediating role of job satisfaction on the relationship between compensation system and turnover intention, the third hypothesis is put forward:

*H<sub>3</sub>: Job satisfaction has a positive mediation effect in the relationship between the compensation system and turnover intentions.*

## 2. Research methodology

The methodology is made up of two parts; the first part refers to the explanation of how the questionnaire was created and how the sample collection process was carried out, while the second part refers to the presentation of the research sample.

### 2.1. The questionnaire

The authors created an electronic questionnaire in order to collect the necessary sample for the research and to test the set hypotheses. The questionnaire consisted of 4 parts. The first part refers to control questions related to gender, age structure, level of education and position in the company. The second part was related to issues related to performance evaluation and compensation system. This part consisted of 8 questions (Boo net al., 2011). The third part of the question refers to the assessment of job satisfaction and consisted of 5 questions (Morgeson & Humphrey, 2006), while the last part related to the assessment of the turnover intention and consisted of four questions (Chen & Francesco, 2000). For research and measurement, a Likert scale was used, ranging from 1 to 5, where 1 represents the statement "strongly disagree", 2 "disagree", 3 "undecided"; 4 "agree" and 5 "strongly agree" (Joshi, Kale, Chandel & Pal 2015). Respondents were able to answer the questions at any time, wherever they were, using their mobile devices.

### 2.2. The sample

A questionnaire relating to the relations between the compensation system, the satisfaction of the work and the intentions of the departure was completed by 100 employees in the territory of the Republic of Serbia. Data collection was performed from March to May 2022. Table 1 represents the structure of the sample according to the semi, in years, the education and position of the employee

in the company. The sample consisted mainly of female respondents (64%), younger employees aged 25 to 34 years (35%), with completed four-year academic studies (40%), in professional positions in the organization (58%).

**Table 1** Sample characteristics

Sample characteristics	Number of respondents	%
<b>Gender</b>		
Male	36	36%
Female	64	64%
<b>Age structure</b>		
Less than 25	33	33%
25 - 34	35	35%
35 - 44	14	14%
45 - 54	10	10%
More than 55	8	8%
<b>Level of education</b>		
High school	15	15%
Three years of vocational studies	20	20%
Bachelor's degree	40	40%
Master's degree	23	23%
Ph.D.	2	2%
<b>Position in the company</b>		
Manager	10	10%
Professional worker	58	58%
Administrative worker	22	22%
Manual worker	10	10%

Source: the authors' research

## 3. Research results

To present the results of research on the existence of relations between the compensation system, job satisfaction and turnover intentions, as well as the mediation role of job satisfaction on the relationship between compensation system and turnover intentions the statistical software tools SPSS IBM statistics and SmartPLS 3 were used. To adequately determine the relations between the observed variables, the PLS-SEM analysis was performed. During the research we will use structural equation modelling with partial least squares (PLS-SEM) to test the proposed model. PLS-SEM is a method based on the analysis of complex interrelated relationships between constructs and indicators (Becker, Cheah, Gholamzade, Ringle & Sarsted, 2023). PLS path models have two sets of linear equations: a measurement model (outer model) and a structural model (inner model). While the external model specifies the relationship between the construct and its observed indicators, the internal model refers to the relationships between the constructs (Gašić & Berber, 2023).

This research has two sets of linear equations: measurement model (outer model) – specifies the relationship between the construct and its observed indicators (formative/reflective construct) and structural model (inner model) – specifies the relationship between the construct (compensation system on job satisfaction and turnover intentions

as well as mediation role of job satisfaction on the relationship between compensation system and turnover intentions). For the first, we start with analysis of the measurement model (outer model) and after that with structural model. Table 2 shows descriptive statistics for each of the observed variables.

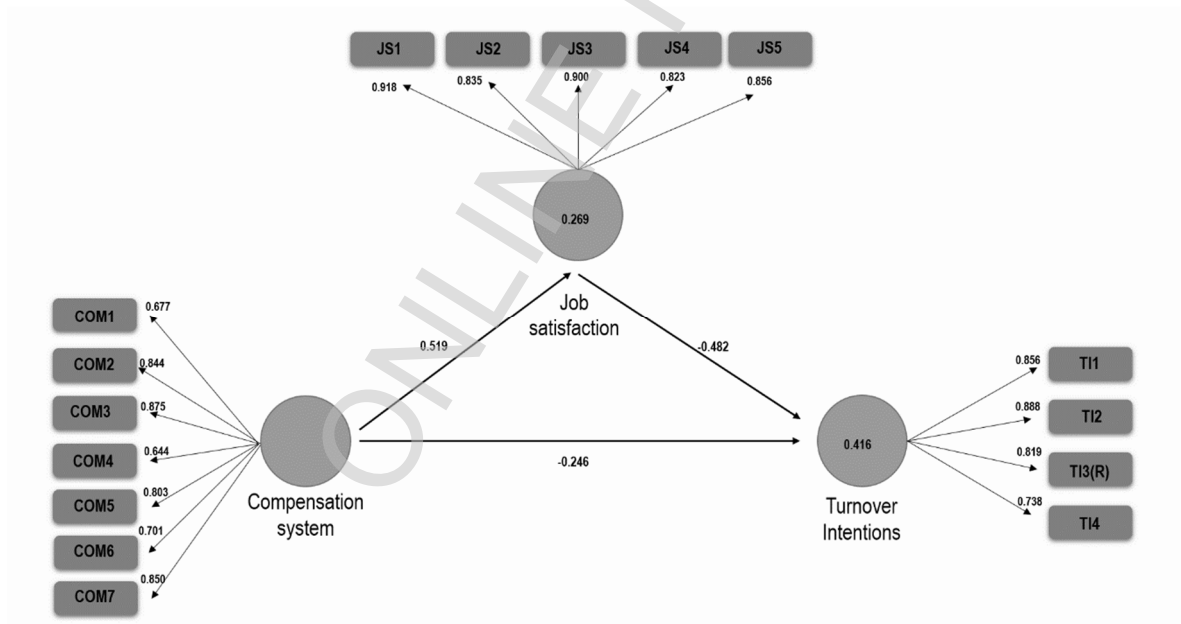
**Table 2** Descriptive statistics for observed variables

	Number	Minimum	Maximum	Mean	Std. Deviation
<b>Compensation system</b>	100	1,25	5	3,17	1,02
<b>Job satisfaction</b>	100	1,00	5	4,01	0,89
<b>Turnover Intentions</b>	100	1,00	5	2,66	1,08

Source: the authors' research

As part of the first part of the analysis, the results of measuring reflective constructs within the set model, where it is necessary to analyse the external load of indicators for each variable within the model, but also reliability, convergent validity, and discriminatory validity. In Table 3, the external load of the indicator for each variable in the set model is displayed. As stated by Grubor, Berber,

Aleksić & Bjekić (2020); Berber, Slavić & Aleksić (2020) loads below 0.708 should be excluded from further analysis. According to Berber et al. (2022) loads between 0.4 and 0.7 should be kept in the model, only if other indicators are not removed. Within the first step of analysis of the results obtained, the COM8 indicator is turned off.



**Figure 1** Path coefficient estimates

Source: The authors' research

**Table 3** Reflective indicator loadings

Items	Compensation system	Turnover Intentions	Job Satisfaction
COM1	0.677		
COM2	0.844		
COM3	0.875		
COM4	0.644		
COM5	0.803		
COM6	0.701		
COM7	0.850		
TI1		0.856	
TI2		0.888	
TI3(R)		0.819	
TI4		0.738	
JS1			0.918
JS2			0.835
JS3			0.900
JS4			0.823
JS5			0.856

Source: The authors' research

Table 4 represents Internal consistency and convergent validity, which is measured with Cronbach's alpha, Composite reliability and Average variance extracted (AVE). According to Gašić & Berber (2021), the limit value for Cronbach's Alpha is 0.6. Convergent validity is achieved for all constructs from the model, because the values of Cronbach's Alpha are higher than 0.60. According to Gašić & Berber (2023), the recommended threshold value for composite reliability is 0.7. Composite reliability is between 0.80 and 0.95 for each construct from the model, while the average variance extracted (AVE) is greater than 0.5, as well as stated Berber et al. (2020) and Salis et al. (2015).

**Table 4** Internal consistency and convergent validity

	Cronbach's alpha		Composite reliability		Average variance extracted (AVE)	
	Values	Criterion	Values	Criterion	Values	Criterion
Compensation system	0.887	> 0.6	0.912	> 0.7	0.601	> 0.5
Turnover Intentions	0.845	(Gašić & Berber, 2021)	0.896	(Gašić & Berber, 2023)	0.684	(Berber et al., 2020; Salis et al., 2015)
Job Satisfaction	0.919		0.938		0.752	

Source: the authors' research

According to Berber et al. (2022), discriminating validity can be determined based on cross-loading, Fornell-Larcker and Heterotrait-monotrait - HTMT criteria (stricted criterion). The analysis of cross-burdens, which is an assessment of discriminant validity at the indicator level, is presented in Table 5. The observed model has

adequate discriminant validity if any indicator of a certain construct is poorly correlated with other constructs, i.e., if the load of the indicator is greater than any cross-burden (Grubor et al., 2021). In Table 5, it is evident that the load of each indicator is larger than any other construct in the same column or row.

**Table 5** Discriminant validity – Cross-loadings

	Compensation system	Turnover Intentions	Job Satisfaction
COM1	0.677	-0.238	0.314
COM2	0.844	-0.463	0.410
COM3	0.875	-0.365	0.394
COM4	0.644	-0.358	0.263
COM5	0.803	-0.369	0.496
COM6	0.701	-0.307	0.333
COM7	0.850	-0.513	0.523
TI1	-0.419	0.856	-0.566
TI2	-0.328	0.888	-0.465
TI3(R)	-0.520	0.819	-0.541
TI4	-0.337	0.738	-0.415
JS1	0.394	-0.456	0.918
JS2	0.405	-0.433	0.835
JS3	0.417	-0.513	0.900
JS4	0.354	-0.377	0.823
JS5	0.590	-0.730	0.856

Source: the authors' research

AVE for each construct is greater than its square correlations with other constructs (Grubor et al., 2021). Fornell-Larcker criterion is filled if the first construct is larger than another construct.

Based on Table 6, it can be concluded that discriminant validity using Fornell-Larcker's criteria is satisfied.

**Table 6** Discriminant validity – Fornell – Larcker criterion

	Compensation system	Turnover Intentions	Job Satisfaction
Compensation system	0.775		
Turnover Intentions	-0.496	0.827	
Job Satisfaction	0.519	-0.610	0.867

Source: the authors' research

Table 7 shows the Heterotrait-monotrait - HTMT approach that can overcome potential deviations in terms of discriminant validity and therefore the most accurate indicator of

discriminant validity. The limit value is 0.9 (Franke, & Sarstedt, 2019). As values below 0.9 are in the table, this indicates that discriminant validity is achieved in this criterion.

**Table 7** Discriminant validity - Heterotrait-monotrait - HTMT

	Compensation system	Turnover Intentions	Job Satisfaction
Compensation system			
Turnover Intentions	0.547		
Job Satisfaction	0.537	0.647	

Source: the authors' research

The results shown in Table 8 represent a multicollinearity analysis, with VIF values in most cases below 3. The limit value for VIF is 3 (Hair et al., 2014). According to Shams, Niazi & Asim (2020) the limit value is 5, while Hair et al. (2019)

accept values of less than 10. However, there are cases such as COM2, COM3, JS1, and JS3, which have values above 3 and they are accepted by the authors who accept VIF values of 5.

**Table 8** Multicollinearity testing of indicators - VIF

Items	VIF
COM1	2.416
COM2	3.613
COM3	3.254
COM4	1.508
COM5	2.576
COM6	1.768
COM7	2.628
TI1	2.207
TI2	2.828
TI3(R)	1.768
TI4	1.574
JS1	4.910
JS2	3.694
JS3	3.954
JS4	2.893
JS5	2.166

Source: the authors' research

R<sup>2</sup> shows that changes in job satisfaction with 26.9% caused by compensations, while other unexplored factors account for 73.1%. 41.6% of changes in intentions to leave are caused by compensations.

**Table 9** Coefficients of determination of the construct

Variable name	R-square
Turnover intentions	0.416
Job satisfaction	0.269

Source: the authors' research

To test the structural model, a bootstrapping analysis was performed. Subsamples were randomly drawn observations from the original data set (with replacement). The subsample was used to estimate the PLS path model. The process was repeated until many random subsamples (e.g., 5000) were generated. Estimates from bootstrapping subsamples were used when determining standard errors for PLS-SEM results.

The last step refers to the analysis of the relationship between the independent variable and the dependent variables, i.e., the compensation system, job satisfaction, and turnover intentions, as well as the mediating role of job satisfaction in the relationship between compensation system and turnover intentions.



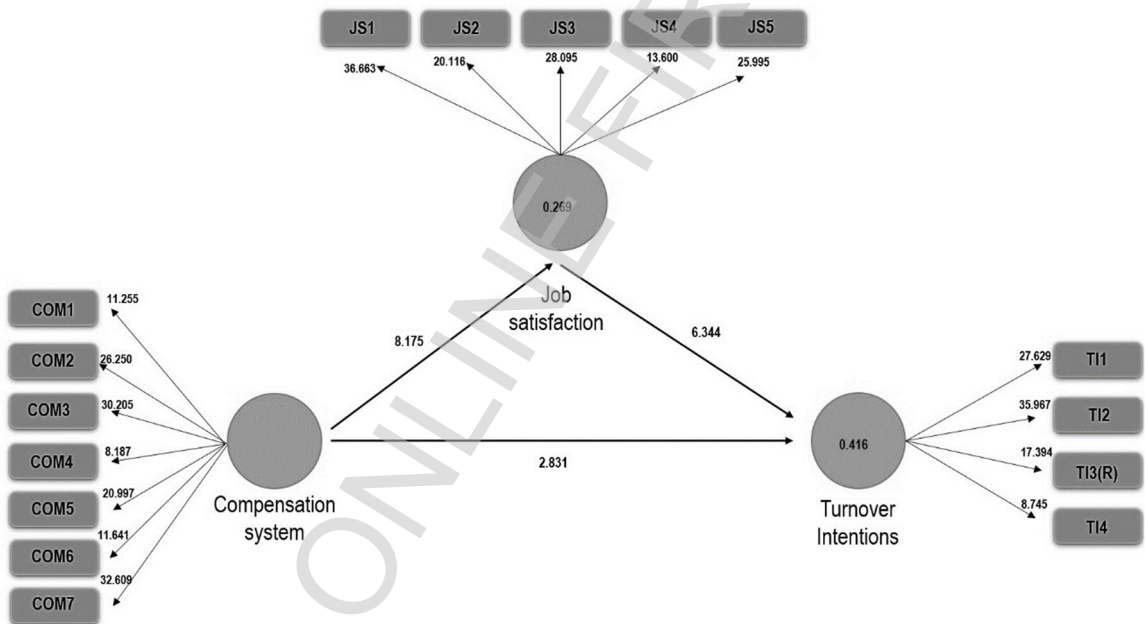
**Table 10** Statistical significance testing - direct and specific (mediator) indirect effect

	$\beta$	St. deviation	T statistics	p-values	Hypothesis
Compensation system → Job Satisfaction	0.519	0.063	8.175	0.000	H <sub>1</sub> : Accepted
Compensation system → Turnover Intentions	-0.246	0.087	2.831	0.005	H <sub>2</sub> : Accepted
Compensation system → Job Satisfaction → Turnover Intentions	-0.250	0,047	5,374	0.000	H <sub>3</sub> : Accepted

Source: the authors' research

Table 10 includes the mean value, standard deviation, t-statistics, and p-value to confirm or refute the set hypotheses. Based on the obtained results, it can be concluded that there is a positive and statistically significant relationship between compensation and job satisfaction ( $\beta=0.519$ ,  $T=8.175$ ,  $p=0.000$ ), a negative and statistically significant relationship between compensation and turnover intention ( $\beta=-0.246$ ,  $T=2.831$ ,  $p=0.005$ ).

When it comes to the mediating role of job satisfaction in the relationship between compensation and intentions to leave, i.e., the indirect influence of compensation on turnover intention, through mediation a negative and statistically significant relationship is determined, the indirect influence of compensation on intentions to leave ( $\beta=0.250$ ,  $T=5.347$ ,  $p=0.000$ ).



**Figure 2** The path model with bootstrapping results  
Source: the authors' research

#### 4. Discussion

In the third chapter, data analysis was performed using the SmartPLS data processing program. When analysing the data, the PLS-SEM model (partial least squares structural equation modelling) was used. Descriptive statistics for observed variables were presented, and then an analysis of the external model was performed using indicator loadings, validity and reliability of the reflective construct, discriminant validity (cross-loadings, Fornell-Lacker criterion and HTMT strict

criteria), and VIF. After the analysis of the external model, the authors analysed the internal (structural) model where they examined the direct effects of the compensation system on job satisfaction and intention to leave, as well as the mediating role of job satisfaction in the relationship between the compensation system and intention to leave 100 (mostly highly educated, young, and professional) employees in Serbia. By analysing the internal model, it was determined that the compensation system has direct positive effects on job satisfaction ( $\beta=0.519$ ,  $p=0.000$ ), thus

confirming the hypothesis H<sub>1</sub>: "The compensation system is positively related to job satisfaction". The positive effect of the reward system on job satisfaction was also confirmed in the works of Koo et al. (2020), Agustine & Nawangsari (2020), Hartono, Efendi & Nurwati (2021), Ali & Anwar (2021), Ramlah, Sudiro & Juwita (2021), Arora (2022), and Illahi, Fahmy & Syahrul (2022). Analysis of the impact of the reward system on the intention to leave revealed a significant negative relationship between the observed variables ( $\beta = -0.246, p = 0.005$ ), which represents a positive effect because employees do not want to leave their jobs and accordingly H<sub>2</sub> is confirmed: "The compensation system is negatively related to turnover intentions". The negative significant relationship was also confirmed in the works of the authors: Agustine & Nawangsari (2020), Purba & Ruslan (2020), Ramlah, Sudiro & Juwita (2021), and Ohunakin & Olugbade (2022). Analysing the mediating role of job satisfaction in the relationship between the compensation system and turnover intention, it was determined that job satisfaction mediates the said relationship, employees who are satisfied with the compensation system will not want to leave their job ( $\beta = 0.250, p = 0.000$ ). Partial mediation occurs. Accordingly, H<sub>3</sub> was also confirmed: "Job satisfaction has a positive mediation effect in the relationship between the compensation system and turnover intentions". The significant negative mediating role of job satisfaction in the relationship between the compensation system and the intention to leave was also confirmed in the works of Koo et al. (2020), Agustine & Nawangsari (2020), Ramlah, Sudiro & Juwita (2021), Illahi, Fahmy & Syahrul (2022), and Aman-Ullah et al. (2023).

## Conclusion

Compensation systems are an integral part of the relationship between the organization and employees. Researchers have long viewed compensation systems as an effective way to attract talented employees to an organization (Uwimpuhwe, Mushabe & Bally, 2018). Advances in organizational research suggest that a full understanding of the outcomes of compensation systems requires an examination of their social, psychological, and moral effects (Bloom, 2004). In addition to the compensation system, job satisfaction and turnover intention were analysed as one of the attitudes of employees. Job satisfaction is reflected in the employee's positive feeling towards the completed task. Employees

will feel confident and enthusiastic through this value (Amin, 2021), while turnover intention refers to the employees' intention to leave their jobs and move to another organization (Guzeller & Celiker, 2020). Based on the theoretical and empirical research of other authors about the given relations, the authors created a conceptual research framework and set research hypotheses. The aim of the work was to determine the effects of the compensation system on job satisfaction and turnover intention, as well as the mediating role of job satisfaction between the compensation system and turnover intention of 100 employees in the Republic of Serbia. An electronic questionnaire was created based on standardized questions that the respondents had the opportunity to answer at any time, wherever they were. Based on the collected sample, it can be noted that it is a younger, highly educated population, employed in the positions of professional workers. To determine the effects between the observed variables, the authors used the PLS-SEM model. The first part of the analysis was related to the testing of the external model (reflective-reflective model). After determining that the external model was valid, the authors moved on to test the internal model. The analysis was conducted using bootstrap analysis. Bootstrapping analysis is used to assess the statistical significance of parameters in PLS-SEM (Memon et al., 2021). The analysis determined that the compensation system causes positive effects on job satisfaction and turnover intention, as well as that there is a partial mediation of job satisfaction on the relationship between the compensation system and turnover intention in the Republic of Serbia. According to the obtained results, all three research hypotheses were confirmed.

Limitations refer to a relatively small number of scientific and professional works by authors on the effects of the compensation system on job satisfaction and the intention to leave, as well as the mediating role of job satisfaction in the relationship between the reward system and the intention to leave employees in Serbia. In addition to the above, the small number of employees used as a sample in this research should also be highlighted.

**Recommendations for future research:** It is necessary to perform an analysis of the mentioned effects on a larger sample as well as a focus on a specific sample in terms of age structure (e.g. analysis of the effects of the y generation, or another), specific sector, position in the company,

etc., perform analysis using moderators (e.g. determine effects in relation to gender, age, level of education, etc.), conduct additional research on other employee attitudes and behaviours such as work engagement, commitment, innovative work behaviour, employee performance, work-life balance, etc.

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#### ✉ Correspondence

**Dimitrije Gašić**

Faculty of Economics in Subotica, University of Novi Sad  
Segedinski put 9-11, Subotica, Republic of Serbia  
E-mail: dimitrije.gasic@ef.uns.ac.rs