



THE EFFECT OF EMPLOYEE EMPOWERMENT AND WORKPLACE ENVIRONMENT ON EMPLOYEE JOB SATISFACTION AND LOYALTY AS A MEDIATION VARIABLE IN UMKM IN MADURA

Cindy Safvitri¹, Helmi Buyung Aulia Safrizal², Moh. Zaki Kurniawan³

^{1,2}Management, Trunojoyo University of Madura

¹cndysftri@gmail.com

²helmi.safrizal@trunojoyo.ac.id

³zaky.kurniawan@trunojoyo.ac.id

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Abstract

This study aims to analyze the effect of employee empowerment and work environment on job satisfaction, and to test employee loyalty as a mediating variable in the relationship in MSMEs in Madura. This study uses a quantitative approach using a questionnaire to measure the number of responses or respondents using primary data. The results of the study indicate that employee empowerment and work environment have a positive and significant effect on employee job satisfaction. Employees who are satisfied with empowerment and the work environment tend to have higher loyalty to the organization. This study provides an important contribution for MSME managers in Madura in understanding the importance of empowerment and a conducive work environment to increase employee satisfaction and loyalty.

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are businesses that play an important role in the Indonesian economy, both in terms of providing employment. The importance of micro, small and medium enterprises (MSMEs) in the economic welfare of the country and society, as well as the number of businesses. MSMEs have a very important role in job creation, economic growth, and social welfare. In this environment,



the growth of the MSME sector has the potential to significantly improve people's welfare (Vinatra, 2023). However, the challenges of human resources are very complex, especially in terms of employee empowerment, work environment, job satisfaction, and employee loyalty.

There are several factors that influence employee job satisfaction, including employee empowerment. Employee empowerment is a process that gives employees the authority to plan, control, and make choices about the work they are responsible for, without requiring explicit authorization from higher management (Mahar, 2024). Empowerment is a process that allows employees to determine their work goals, make their own decisions, and solve problems within the limits of their responsibilities and authority (Hutagaol, 2014).

In addition to employee empowerment, another element that influences job satisfaction is the work environment. The work environment plays an important role in improving employee performance by creating a good physical and non-physical environment, such as creating a safe and comfortable atmosphere for employees, including by providing work safety facilities and tools, maintaining a clean workplace, and increasing employee enthusiasm in all activities, so that with adequate physical and non-physical conditions will increase work productivity (Susanti, 2021). According to Robbins and Coulter (2016) in Maulidya et al (2023), the work environment refers to external institutions or influences that have the ability to influence organizational performance. It can be said that the work environment is everything that is around workers that can affect the continuity of worker activities both directly and indirectly.

Job satisfaction is the result of employee perceptions of how well a person's work provides everything that is seen as important through their work results. High job satisfaction can be achieved if the components that support job satisfaction can be met effectively. Job satisfaction is not a stand-alone variable, but is influenced by various elements that arise both from within the organization and from the employees themselves (Khair, 2019). Dewi & Harjoyo (2019) in Santoso (2022) define job satisfaction as an employee's attitude towards work, including working conditions, employee cooperation, awards received at work, and physical and psychological elements.

Employee loyalty is very important in a company because it requires good cooperation to achieve its goals. Employees are one of the components that affect the company's performance. When a company has loyal employees, the company will become more efficient and competitive. This depends on how the company handles its employees. One approach that can be taken is to develop a plan to retain employees by implementing effective policies that have a positive impact on employee loyalty (Septyaningtyas & Muhdiyanto, 2022). Work loyalty is reflected in the attitude of employees who devote their abilities and experience in completing tasks with full responsibility, discipline, prioritizing company interests over personal interests, and being honest in carrying out their duties (Maulidya et al., 2023). Based on the background described above, the author wants to conduct research to determine whether employee empowerment and work environment have an effect on employee job satisfaction



mediated by employee loyalty.

Empowerment Theory

Employee empowerment has a direct impact on employees. Employee empowerment that is implemented can improve employee performance, but employee empowerment that is not implemented will result in decreased productivity. Employee empowerment is said to be good if employees can participate in making decisions in carrying out their work (Septyaningtyas & Muhdiyanto, 2022). According to Abdullah et al. (2015), employee empowerment can be seen as a means to encourage individual loyalty to the company. This can increase the fit between work positions and increase self-confidence in the individual's ability to complete the work well.

Workplace Environment

The work environment refers to external institutions or forces that can affect the success of an organization. The work environment refers to everything that is around people and can affect how they carry out the tasks assigned to them in the workplace. If given an adequate work environment, humans will be able to carry out their tasks effectively, resulting in optimal results (Maulidya et al., 2023).

Job satisfaction

Every employee expects satisfaction in their work. Job satisfaction is unique to each individual, because it depends on the values they hold (Santoso & Yuliantika, 2022). Job satisfaction allows an employee to determine whether their work is enjoyable or not. A person's diverse attitudes towards their work reflect their positive experiences and expectations for future events (Khair, 2019).

Employee Work Loyalty

Employee loyalty is very important in a company because good cooperation is needed to achieve its goals. Employees are one of the components that affect company performance. If a company has loyal employees, the company will be more efficient and competitive (Septyaningtyas & Muhdiyanto, 2022). Employees who have high loyalty will also have high productivity because they are willing to work beyond normal conditions, accept various tasks given, are loyal to the company, and pay attention to the fate of the company as a whole so that they can play an active role in achieving company goals. In addition to providing a high quality of work life, this will also have a positive impact on the sustainability of the company (Maulidya et al., 2023).

RESEARCH METHODS

This research was conducted using quantitative methods with analysis. *Structural Equation Model Partial Least Square* (SEM-PLS) using Smart PLS software. Used to evaluate and validate constructs and assess hypothesized models (Hair, et al., 2017). According to Sholiha and Salamah (2015), the Structural Equation Model (SEM) is a multivariate analysis method that can be used to describe the relationship of linear relationships simultaneously between observation variables (indicators) and variables that cannot be measured directly (latent variables). The population in this study is the Effect of Employee Empowerment and Workplace Environment on Employee Job

Satisfaction as a Mediating Variable in Madura UMKM. The non-probability sampling method is also applied considering the number of populations that are not known for certain (infinite). To determine the number of samples, the calculation of the number of samples can use the Slovin formula:

$$n = \frac{N}{1+N(e)^2}$$

Information:

n = Sample

N = Population

e = Percentage of error tolerated due to inaccuracy in sampling

Based on the criteria for the sampling technique in this study, it is known that the population is 95 MSME actors, with an error rate determined by the researcher of 5% (0.05), so the calculation is as follows:

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{95}{1+95(0,05)^2}$$

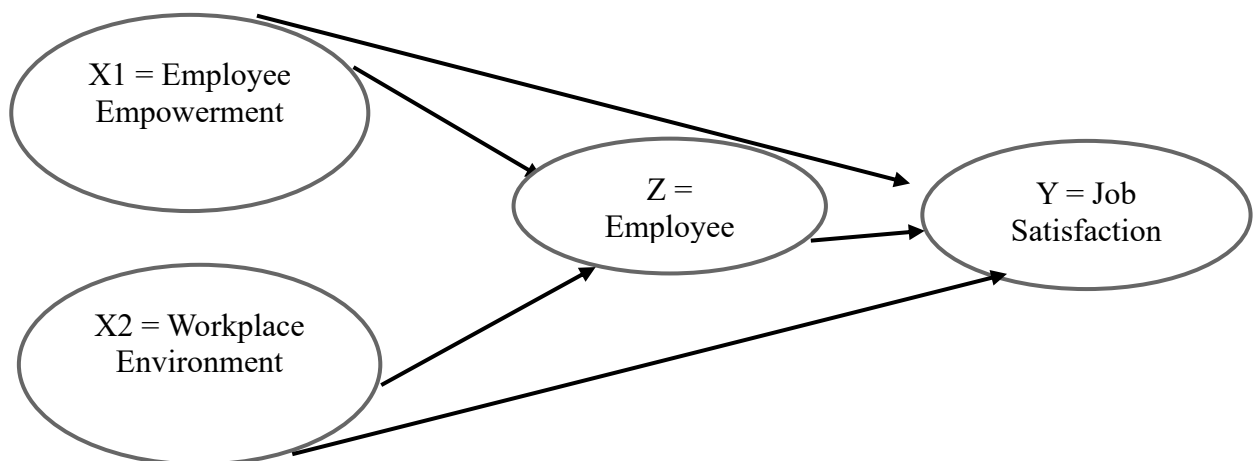
$$n = \frac{95}{1,24} = 76.6 \text{ rounded to } 77$$

Question indicators are measured using the Likert scale technique 1 to 5, where 1 = strongly disagree, while 5 = strongly agree. Data validity testing uses validity and reliability tests to show good validity and reliability. Data is considered valid if the significance value exceeds 0.07 ($p > 0.07$) and reliable if the value *Cronbach's Alpha* more than 0.07 ($p > 0.07$). A model suitability test was also conducted to obtain an overall model that can describe the actual conditions. After the measurement model analysis was conducted, a structural model assessment was conducted to test the relationship between each hypothesized variable.

FRAMEWORK OF THINKING

The Influence of Employee Empowerment and Workplace Environment on Employee Job Satisfaction and Work Loyalty as Mediating Variables in MSMEs in Madura.

1. Model/Framework





- H1: Employee empowerment has an effect on employee work loyalty.
- H2: Employee empowerment has an effect on job satisfaction
- H3: The work environment has an effect on employee work loyalty.
- H4: Work environment influences job satisfaction
- H5: Employee empowerment influences job satisfaction through employee work loyalty.
- H6: Work environment influences job satisfaction through employee work loyalty.

RESULTS AND DISCUSSION

Measurement Model (Structural Model Path Coefficient)

Convergent Validity

Convergent validity is a stage in SmartPLS that is used to determine the extent to which a measurement correlates with alternative measurements and the same construct. Whether or not the indicator of a variable is valid can be seen from the loading factor value. If the loading factor value is greater than 0.70, then an indicator can be declared valid.

Table 4.7 Loading Factor Values

	Employee Empowerment	Work environment	Job satisfaction	Employee Loyalty
X1.1	0.922			
X1.2	0.913			
X1.3	0.865			
X1.4	0.919			
X1.5	0.851			
X1.6	0.857			
X1.7	0.895			
X1.8	0.872			
X2.1		0.897		
X2.2		0.900		
X2.3		0.838		
X2.4		0.909		
X2.5		0.930		
X2.6		0.911		
X2.7		0.881		
X2.8		0.940		
Y.1			0.895	
Y.2			0.920	
Y.3			0.919	
Y.4			0.928	
Y.5			0.943	
Y.6			0.904	
Y.7			0.865	



	Employee Empowerment	Work environment	Job satisfaction	Employee Loyalty
Z.1				0.944
Z.2				0.945
Z.3				0.971
Z.4				0.940
Z.5				0.937
Z.6				0.854
Z.7				0.854

Source: Processed data (SmartPLS output), 2024

From Table 4.7 it is known that all indicators of each variable are declared valid and suitable for use because all values obtained are more than 0.70.

Discriminant Validity

Discriminant validity is one of the requirements of a measurement model that must be met. Discriminant validity can be said to be good if the square root of AVE is greater than the correlation between constructs in the model.

Table 4.8 Results of Fornell-Larcker Analysis

	Employee Empowerment	Work environment	Job satisfaction	Employee Loyalty
Employee Empowerment	0.887			
Employee Empowerment	0.942	0.901		
Job satisfaction	0.909	0.952	0.911	
Employee Loyalty	0.871	0.871	0.836	0.922

Source: Processed data (SmartPLS output), 2024

Based on Table 4.8, the square root of AVE of each construct is higher than the number of relationships between constructs in the model. Thus, it can be concluded that the criteria of the fornell-larcker analysis on discriminant validity are met. In addition, the criteria for discriminant validity can also be seen through the cross loading value between each. The cross loading value is said to meet the requirements if it is more than 0.70.



Table 4.9 Cross Loading Values

	Employee Empowerment	Work environment	Job satisfaction	Employee Loyalty
X1.1	0.922	0.874	0.841	0.814
X1.2	0.913	0.877	0.867	0.807
X1.3	0.865	0.809	0.767	0.739
X1.4	0.919	0.837	0.824	0.735
X1.5	0.851	0.766	0.748	0.738
X1.6	0.857	0.794	0.752	0.737
X1.7	0.895	0.858	0.824	0.783
X1.8	0.872	0.865	0.818	0.819
X2.1	0.885	0.897	0.832	0.760
X2.2	0.872	0.900	0.878	0.750
X2.3	0.797	0.838	0.733	0.852
X2.4	0.832	0.909	0.849	0.839
X2.5	0.890	0.930	0.916	0.795
X2.6	0.811	0.911	0.911	0.720
X2.7	0.818	0.881	0.874	0.730
X2.8	0.888	0.940	0.867	0.829
Y.1	0.761	0.823	0.895	0.707
Y.2	0.796	0.868	0.920	0.761
Y.3	0.808	0.823	0.919	0.642
Y.4	0.821	0.848	0.928	0.672
Y.5	0.899	0.925	0.943	0.807
Y.6	0.850	0.894	0.904	0.806
Y.7	0.849	0.879	0.865	0.914
Z.1	0.881	0.917	0.889	0.944
Z.2	0.842	0.855	0.821	0.945
Z.3	0.846	0.830	0.808	0.971
Z.4	0.868	0.824	0.814	0.940
Z.5	0.842	0.839	0.825	0.937
Z.6	0.636	0.642	0.572	0.854
Z.7	0.636	0.642	0.572	0.854

Source: Processed data (SmartPLS output), 2024

From table 4.9 it is shown that each indicator in the research variable has a value *cross loading* largest (bold value) on the variables formed compared to the cross loading values on other variables. This shows that the measurement model has met the requirements of discriminant validity.

Table 4.10 Reliability Analysis Values

	Crobach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Employee Empowerment	0.961	0.962	0.967	0.787
Work environment	0.967	0.967	0.972	0.812
Job satisfaction	0.966	0.966	0.971	0.830
Employee Loyalty	0.970	0.980	0.975	0.849

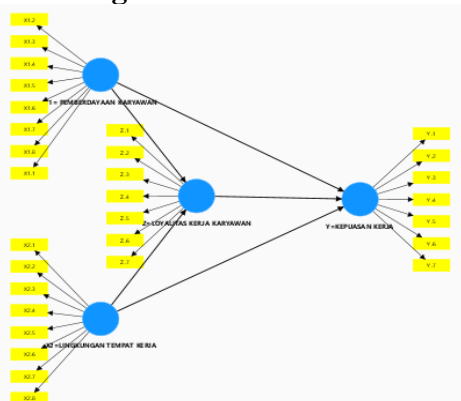
Source: Results of SmartPLS data processing, 2024

Each variable can be said to be reliable if the Cronbach's Alpha and Composite Reliability values have a value > 0.7. Based on the results of the reliability test in table 4.10, it was found that all variables were declared reliable.

Structural Model (Inner Model)

SAfter testing the outer model, the next step is to test the inner model.

Figure 2. Inner Model



Source: Results of SmartPLS Data Processing, 2024

R-Square Test Results

In estimating the structural model using SmartPLS is by estimating the R-square of the dependent variable as a measure of the predictive strength of the structural model. The structural model is said to be strong if it has an R2 value of 0.67, a value of 0.33 is in the moderate category, and 0.19 is in the weak category.

Table 4.11 Results of Determination Coefficient Test (R²)

	R-square	R-square adusted
Y = Job Satisfaction	0.908	0.904
Z = Employee Work Loyalty	0.781	0.775

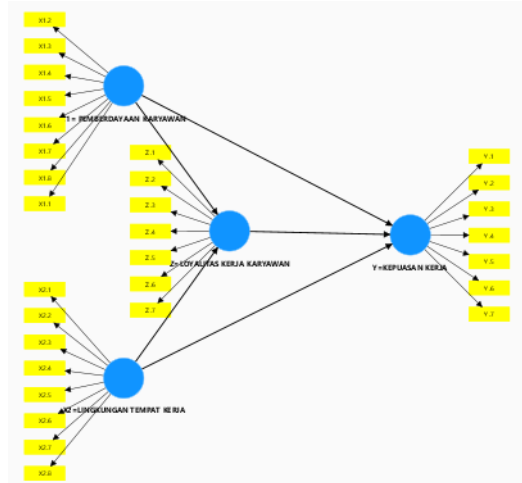
Source: Results of SmartPLS Data Processing, 2024

From Table 4.11, the results of the R-square value test on the job satisfaction variable are 0.908 and the employee work loyalty variable is 0.781. So it can be concluded that the job satisfaction variable is influenced by 90.8% and the employee work loyalty variable is 78.1% by employee empowerment and the work environment.

Measurement Model (Structural Model Path Coefficient)

The following are the results of the measurement model.

Figure 1. Structural Model Path Coefficients



Source: Data Processed by SmartPLS, 2024

Table 4.12 Path Coefficients Values

	Original Sample (O)	Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Caption
Employee Empowerment -> Job Satisfaction	0.100	0.109	0.174	0.575	0.566	Invalid
Employee Empowerment -> Employee Work Loyalty	0.451	0.461	0.229	1.966	0.049	Valid



	Original Sample (O)	Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values	Caption
Work Environment -> Job Satisfaction	0.853	0.848	0.162	5.271	0.000	Valid
Work Environment -> Employee Work Loyalty	0.446	0.434	0.243	1,834	0.067	Invalid
Employee Work Loyalty -> Job Satisfaction	0.006	0.001	0.124	0.049	0.961	Invalid

Source: Data processed by SmartPLS, 2024

Table 4.12 shows that the coefficient of direct influence of employee empowerment on job satisfaction is $0.575 < 1.96$, meaning that if employee empowerment increases, job satisfaction does not increase. This is because the value of employee empowerment does not immediately increase the value of job satisfaction. The P-values are $0.566 > 0.05$ so that the effect of employee empowerment on job satisfaction is not significant.

The coefficient of direct influence of employee empowerment on employee work loyalty is $1.966 > 1.96$, meaning that if employee empowerment increases, employee work loyalty will also increase. This is because the value of employee empowerment can increase the value of employee work loyalty. The P-value is $0.049 < 0.05$ so that the effect of employee empowerment on employee work loyalty is significant.

The coefficient of direct influence of the work environment on job satisfaction is $5.271 > 1.96$, meaning that if the work environment is good, job satisfaction will also increase. This is because the value of the work environment can increase the value of job satisfaction. The P-values are $0.000 < 0.05$ so that the influence of the work environment on job satisfaction is significant.

The coefficient of direct influence of the work environment on employee work loyalty is $1.834 < 1.96$, meaning that if the work environment is good, employee work loyalty does not necessarily increase. This is because the value of the work environment does not necessarily increase the value of job satisfaction. The P-value is $0.067 > 0.05$ so that the influence of the work environment on employee work loyalty is not significant.

The coefficient of direct influence of employee work loyalty on job satisfaction is $0.049 < 1.96$, meaning that if employee work loyalty increases, job satisfaction will not necessarily increase. This is because the value of employee work loyalty does not necessarily increase the value of job satisfaction. P-values $0.961 > 0.05$ so that the effect of employee work loyalty on job satisfaction is not significant.



Table 4.13 Specific Indirect Effects Values

	Original Sample (O)	Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Capti on
Employee Empowerment -> Employee Loyalty -> Job Satisfaction	0.003	-0.007	0.062	0.044	0.965	Invali d
Work Environment -> Employee Work Loyalty -> Job Satisfaction	0.003	0.007	0.064	0.042	0.967	Invali d

Source: Results of Data Processing with SmartPLS, 2024

CONCLUSIONS AND RECOMMENDATIONS

From Table 4.13, it can be seen that the value of the indirect influence coefficient X1-YZ is $0.044 < 1.96$ with P-values $0.965 > 0.05$, so employee work loyalty (Z) does not mediate the influence of employee empowerment (X1) on job satisfaction (Y). The value of the indirect influence coefficient X2-YZ is $0.042 < 1.96$ with P-values $0.967 > 0.05$, so employee work loyalty (Z) does not mediate the influence of the work environment (X2) on job satisfaction (Y).

CONCLUSIONS AND RECOMMENDATIONS CONCLUSION

Based on the research results, it can be concluded that: 1) Employee empowerment does not have a significant effect on job satisfaction, 2) Employee empowerment has a positive and significant effect on employee work loyalty, 3) The work environment has a positive and significant effect on job satisfaction, 4) The work environment does not have a significant effect on employee work loyalty, 5) Employee work loyalty does not have an effect on job satisfaction, 6) Employee work loyalty does not mediate the effect of employee empowerment on job satisfaction, and 7) Employee work loyalty does not mediate the effect of the work environment on job satisfaction.

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