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ANALYSIS OF WORK ENVIRONMENT FACTORS, INCENTIVES, AND JOB SATISFACTION IN INCREASING THE LOYALTY OF INDONESIAN OMBUDSMAN EMPLOYEES

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ABSTRACT

Employee loyalty is a central issue in sustaining service quality and organizational stability in the public sector. In Indonesia, the urgency of this issue is reflected in the 2024 Bureaucratic Reform Report of the Ombudsman of the Republic of Indonesia (ORI), which recorded a loyalty score of only 73%, below the 80% target, along with rising turnover among Non-Civil Servant employees. Existing studies indicate that loyalty is shaped by multiple organizational factors, yet most research remains fragmented or private-sector oriented, leaving a gap in comprehensive understanding within public institutions. This study aims to conduct a systematic literature review to synthesize empirical findings on the relationship between work environment, incentives, job satisfaction, and employee loyalty in the public sector. Following the PRISMA framework, peer-reviewed articles published between 2015 and 2024 were identified through databases such as Scopus, Web of Science, and ScienceDirect. The review is designed to map research trends, assess methodological approaches, and identify consistent patterns of relationships across the four variables. The contribution of this study lies in building a solid theoretical foundation for developing an empirical model of public sector loyalty. The results are expected to enrich theoretical discourse, provide evidence-based directions for human resource management practices, and identify gaps to guide future research agendas.

Keywords: *work environment, incentives, job satisfaction, employee loyalty, Ombudsman of the Republic of Indonesia*

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INTRODUCTION

The issue of employee loyalty has long been a central concern in organizational studies, particularly in the context of human resource management. Loyalty reflects not only the willingness of employees to remain in an organization but also their commitment to contribute actively to achieving institutional goals. In the public sector, where the main orientation is not profit but the delivery of public services, employee loyalty becomes even more critical. High levels of loyalty ensure continuity, stability, and efficiency of service delivery, while declining loyalty may lead to increased turnover, reduced performance, and weakened institutional credibility. In Indonesia, the complexity of the loyalty of public sector employees is reflected in the case of the Ombudsman of the Republic of Indonesia (ORI). The ORI 2024 Bureaucratic Reform Report shows that the loyalty indicator in the BerAKHLAK survey only reaches 73%, below the target of 80%. The trend of increasing turnover of Non-Civil Servant employees with 12 assistants resigning in 2024 shows the urgency of understanding the factors that affect employee loyalty.

The literature shows that employee loyalty is influenced by complex organizational factors. Prianggono (2023) emphasizes the role of the work environment that includes organizational culture, leadership fairness, work-life balance, and interpersonal relationships. Liu & Liu (2022) identify the importance of the right incentive system, both monetary and non-monetary, highlight the importance of designing appropriate incentive systems, both monetary and non-monetary, while Hadj (2024) affirms job satisfaction as a critical mediating variable in strengthening loyalty. However, despite these insights, a comprehensive synthesis that integrates these three dimensions within the public sector remains scarce. Most existing studies are either partial in scope or heavily concentrated on the private sector, which limits their applicability to public institutions. This gap is particularly significant because the public sector operates under distinct social objectives, regulatory frameworks, and incentive structures.

While systematic literature reviews on loyalty and job satisfaction have been conducted in other contexts, the originality of this study lies in its specific focus on the Indonesian public sector, particularly the Ombudsman of the Republic of Indonesia. Unlike previous reviews, this study not only integrates work environment, incentives, and job satisfaction into a single analytical framework but also examines their implications for Civil Servants (PNS) and Non-Civil Servants (Non-PNS). By highlighting these unique institutional characteristics, the study contributes added value by offering a context-sensitive synthesis that informs both theory development and evidence-based human resource practices tailored to the public sector.

A systematic literature review is needed to synthesize empirical findings and identify consistent patterns of relationships between work environment, incentives, job satisfaction, and employee loyalty (Syah et al., 2025). This analysis will provide a solid theoretical foundation to understand the mechanisms of employee loyalty formation and identify effective intervention strategies based on existing empirical evidence. The urgency of this research is strengthened by

the need of the Indonesian public sector to improve the quality of services through optimizing employee loyalty. The results of the systematic review will provide an empirical basis for the development of evidence-based HR policies that can be applied to various public institutions with similar characteristics (Abdullah, 2020).

This research contributes to the development of the theory of loyalty of public sector employees through a comprehensive synthesis of existing empirical evidence. The results of the systematic review will enrich theoretical understanding of the psychological and organizational mechanisms that link the work environment, incentives, job satisfaction, and employee loyalty. Theoretical contributions also include the identification of research gaps and the development of theoretical frameworks that can lead to further theoretical development.

In practical terms, the results of the systematic review will provide evidence-based recommendations for HR management practitioners in the public sector. The synthesis of empirical findings will be a guide to design interventions that have proven to be effective in increasing employee loyalty. Practical recommendations include best practices in optimizing the work environment, designing an effective incentive system, and strategies to increase job satisfaction as an employee loyalty pathway.

This research develops a rigorous systematic literature review framework that can be replicated for similar topics. The methodology used, including search strategy, selection criteria, and analytical framework, can be a template for systematic review in the field of public sector human resource management. The results of the review will also identify methodological strengths and weaknesses of existing research that can be learned for future research.

Problem Formulation

Based on the analysis of the literature gap that has been described, the formulation of this research problem is:

1. What are the trends of public sector employee loyalty research in the context of work environment, incentives, and job satisfaction during the 2015-2024 period?
2. What is the pattern of the relationship between the work environment and employee loyalty based on the synthesis of empirical literature in the public sector?
3. What is the pattern of the relationship between the incentive system and employee loyalty based on evidence from public sector research?
4. What is the mechanism of mediation of job satisfaction in the relationship between the work environment and employee loyalty based on existing empirical findings?
5. What is the mechanism for mediation of job satisfaction in the incentive-employee loyalty relationship based on the available evidence?
6. What factors have consistently proven to significantly influence employee loyalty in the context of public organizations?
7. What research gaps still exist in the public sector employee loyalty literature and how should future research agendas be directed?

Research Objectives

Considering the strategic importance of employee loyalty in sustaining the effectiveness of public sector organizations, a comprehensive investigation is required to capture its dynamics and determinants. In light of the growing scholarly and practical attention to this issue, this study is designed to systematically examine existing research, synthesize empirical findings, and identify critical factors influencing loyalty. Accordingly, the objectives of this research are formulated as follows:

1. Analyzing the trends and characteristics of public sector employee loyalty research in the last decade (2015-2024) through a systematic literature review.
2. Synthesize empirical evidence on the relationship between the work environment and employee loyalty from various global public organization contexts.

3. Analyze and synthesize research findings on the influence of incentive systems on employee loyalty in public sector settings.
4. Identify and analyze the mediation mechanism of job satisfaction in the relationship between the work environment and employee loyalty based on empirical evidence.
5. Identify and analyze the mechanism of mediation of job satisfaction in the incentive-employee loyalty relationship based on existing findings.
6. Identify factors that have consistently been shown to be dominant in influencing employee loyalty through a meta-synthesis of the literature.
7. Identify research gaps and formulate future research agendas in the field of public sector employee loyalty.

LITERATURE REVIEW

Employee loyalty is a cornerstone of sustainable public sector management, as it drives service quality, organizational resilience, and cost efficiency (Cachón-Rodríguez et al., 2022). After the COVID-19 pandemic, the “Great Resignation” phenomenon revealed vulnerabilities even in public institutions, with engagement levels declining and turnover rates rising (Afiani et al., 2019). In Indonesia, the Ombudsman RI’s 2024 Bureaucratic Reform Report recorded a loyalty score of only 73%, below the target of 80%, with rising voluntary resignations among Non-Civil Servants — highlighting the urgency to understand loyalty drivers.

A conducive work environment encompasses organizational culture, fairness and leadership, work–life balance, and interpersonal relationships (Judge et al., 2017). Studies show that these factors strengthen employee engagement and reduce turnover intentions (Prianggono, 2023). Positive work environments also enhance perceptions of organizational support, which directly and indirectly boosts loyalty through increased job satisfaction (Jolly et al., 2021). While a supportive work environment strengthens employees’ sense of belonging and commitment, loyalty is also significantly shaped by the extent to which organizations provide fair and meaningful incentives. Compensation systems, both monetary (salaries, bonuses) and non-monetary (recognition, flexible work arrangements), are critical levers for motivation and retention. According to Liu & Liu (2022), equitable and transparent incentive systems reinforce employee trust and engagement. Empirical studies (Ford et al., 2023; Idowu et al., 2019) suggest that incentive alignment with employee expectations significantly reduces attrition and sustains commitment.

Beyond their direct influence on retention and commitment, incentives also play a role in shaping employees’ overall job satisfaction, which in turn serves as a crucial pathway to fostering loyalty. Job satisfaction functions as a psychological mechanism linking organizational practices to loyalty outcomes (Hadj, 2024). Satisfied employees are more likely to engage in “voice” and loyalty behaviors rather than exit or neglect, as explained by the EVLN model (Luthans et al., 2021). Dimensions such as ability utilization, responsibility, achievement, autonomy, and value congruence have been shown to significantly mediate the work environment–loyalty and incentive–loyalty relationships (Judge et al., 2017). However, although these mediating dimensions have been identified, existing research often examines them in isolation, limiting a holistic understanding of how they operate together in the public sector context. Despite the growing body of literature, most studies are partial, single-variable, and private-sector focused. Few studies compare Civil Servants (PNS) and Non-Civil Servants (Non-PNS) within the same organizational context. Additionally, robust methodologies such as multi-group Structural Equation Modeling (SEM) have been underutilized to examine mediation and moderation effects. This research addresses these gaps by systematically synthesizing empirical findings (2015–2024) and developing an integrative model for public sector loyalty.

METHODOLOGY

Types of Research

This research is a systematic literature review with a narrative synthesis approach that aims to synthesize empirical evidence on the relationship between work environment, incentives, job satisfaction, and employee loyalty in the context of the public sector.

Search Strategy dan Database

Primary Databases:

- Scopus (Top Priorities for International Coverage)
- Web of Science Core Collection
- PubMed (for organizational psychology research)

Secondary Databases:

- ScienceDirect
- Emerald Insight
- ProQuest Academic
- JSTOR

Search Terms Strategy:

Search String 1:

("employee loyalty" OR "organizational loyalty" OR "staff loyalty")
AND ("work environment" OR "workplace environment" OR "organizational environment")
AND ("public sector" OR "government" OR "civil service")

Search String 2:

("employee loyalty" OR "organizational loyalty")
AND ("incentive" OR "reward system" OR "compensation")
AND ("job satisfaction" OR "work satisfaction")
AND ("public sector" OR "government organization")

Search String 3:

("employee loyalty" OR "organizational loyalty")
AND ("job satisfaction" OR "work satisfaction")
AND ("mediator" OR "mediation" OR "mediating")
AND ("public sector" OR "government")

Temporal Scope: 2015-2024 (The last 10 years to ensure relevance and currency)

Inclusion dan Exclusion Criteria

Inclusion Criteria:

1. Peer-reviewed empirical articles in reputable journals (minimum Q3 SJR/JIF indexed)
2. The study examined at least 2 of 4 variables: work environment, incentives, job satisfaction, employee loyalty
3. Research settings in the public/government sector
4. Quantitative, qualitative, or mixed-methods methodology with adequate methodological rigor
5. Publications in English
6. Full-text accessible

Exclusion Criteria:

1. Conceptual/theoretical papers tanpa data empiris
2. Exclusive, private-sector focused research with no public relevance
3. Articles with serious methodological flaws (identified through quality assessment)
4. Duplicate publications dari dataset identical
5. Conference papers, dissertations, atau grey literature
6. Articles with a sample size of <30 (for quantitative research)

Selection Process (PRISMA Framework)

1. Identification: Comprehensive search using search strings across all databases
2. Screening: Title and abstract screening using inclusion/exclusion criteria
3. Eligibility: Full-text assessment by two independent reviewers
4. Inclusion: Final selection with inter-rater reliability check (Cohen's Kappa >0.8)

Quality Assessment

Using the Mixed Methods Appraisal Tool (MMAT) to assess methodological quality with the criteria:

1. Study design suitability
2. Risk assessment of bias
3. Consistency of data collection
4. Analysis suitability
5. Overall study quality score (0-100%)

Threshold: Minimum quality score of 70% for inclusion in the final analysis.

Data Extraction Framework

Extracted Variables:

1. Study characteristics (author, year, country, sample size, design)
2. Theoretical framework used
3. Variables measured and instruments used
4. Key findings (effect size, significance level)
5. Limitations and quality indicators
6. Practical implications

Framework of Analysis

1. Descriptive Analysis:
 - Publication trends (temporal and geographic distribution)
 - Methodological characteristics
 - Mapping of theoretical foundations
2. Thematic Analysis:
 - Categorization of findings based on variable relationships
 - Identify patterns across studies
 - Contextual analysis (culture, organization)
3. Naratif Synthesis:
 - Integration of findings using the Synthesis without Meta-analysis (SWiM) framework by (Campbell et al., 2020) Effect direction plotting for visualize consistency
 - Subgroup analysis based on context factors
4. Research Gap Analysis:
 - Systematic identification of understudied areas
 - Methodological gap assessment
 - Development of future research agenda

Frame of Mind

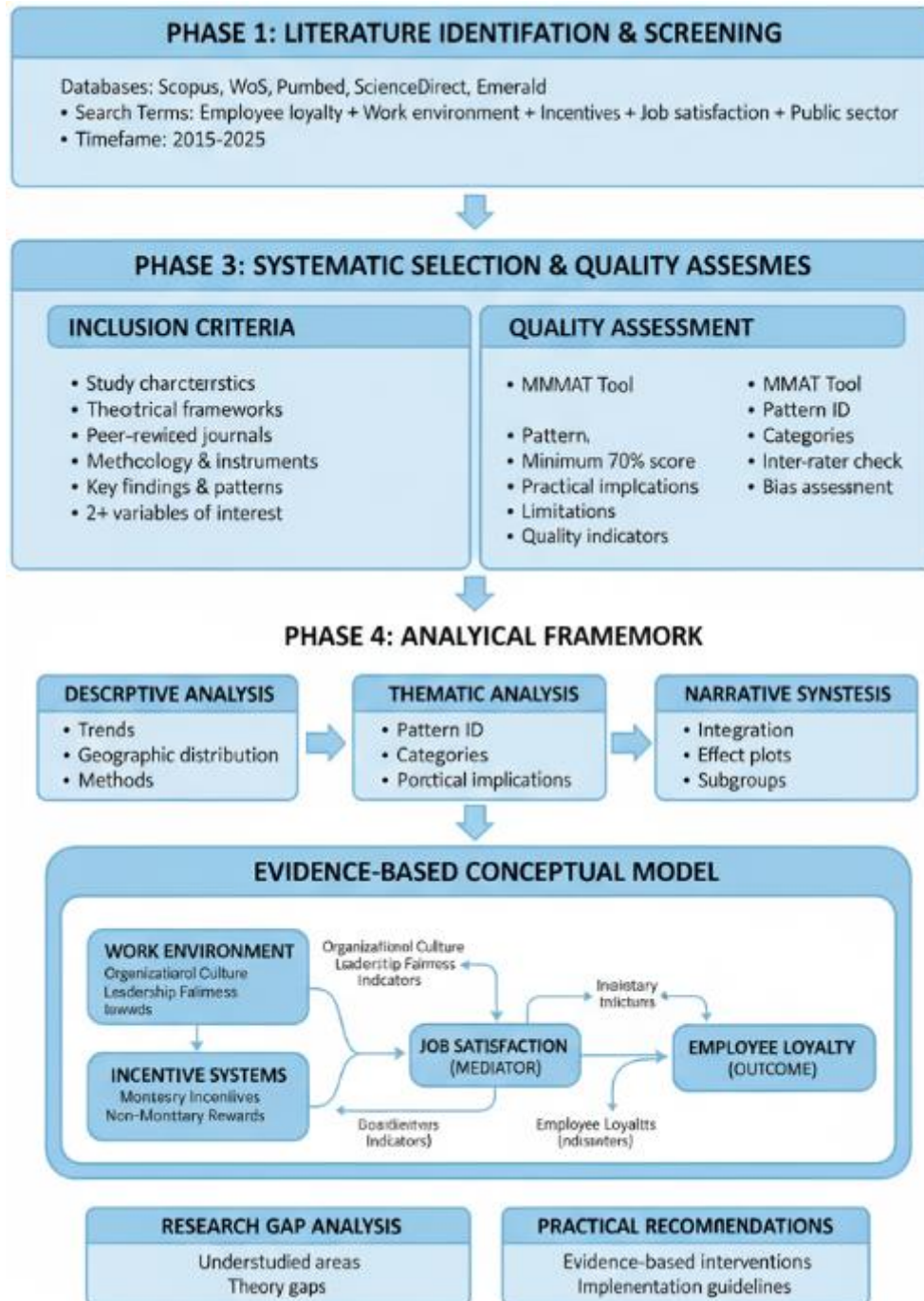


Figure 1. Systematic Literature Review Conceptual Framework

RESULT AND DISCUSSION

Results

Based on the reviewed studies, the findings demonstrate that a supportive work environment—reflected in organizational culture, fairness, leadership, work–life balance, and positive interpersonal relationships—has a consistently positive effect on job satisfaction. Several

studies, including Robbins & Judge (2019) and Prianggono (2023), provide strong evidence that fairness in leadership and the creation of conducive work conditions enhance employees' overall satisfaction and engagement. Beyond these general patterns, some studies also highlight cultural and organizational nuances: for instance, fairness and transparent communication appear particularly critical in collectivist contexts such as Indonesia, where interpersonal harmony and trust in authority strongly shape loyalty outcomes.

Similarly, incentives, both monetary (e.g., salaries and bonuses) and non-monetary (e.g., recognition, career development, and flexible work arrangements), were found to play a significant role in reinforcing job satisfaction. Liu & Liu (2022), emphasize that equitable reward distribution strengthens employees' perceptions of fairness, which in turn fosters engagement and long-term attachment to the organization. Additional empirical evidence confirms that when incentive systems are aligned with employee expectations, organizations experience lower attrition and higher retention rates, underscoring the importance of tailoring incentives to local institutional and employee needs.

Beyond the direct impact of work environment and incentives, the literature consistently identifies job satisfaction as a crucial mediating mechanism in shaping loyalty. Hadj (2024), and others provide empirical support for this role, demonstrating that higher satisfaction levels translate into greater affective commitment, reduced turnover intentions, and stronger willingness to contribute to organizational goals. This finding resonates with the EVLN model (Exit, Voice, Loyalty, Neglect), which suggests that satisfied employees are more inclined to engage in loyalty behaviors rather than consider exit strategies.

While direct effects of both work environment and incentives on employee loyalty are present across the studies, their indirect effects through job satisfaction are often stronger. This indicates that loyalty in public organizations does not simply arise from structural or material conditions but is mediated through employees' psychological evaluation of their work experience. In other words, improvements in organizational culture or incentive systems may only yield sustainable loyalty when they simultaneously enhance employees' sense of satisfaction and fulfillment at work. This pattern of partial mediation highlights the strategic role of job satisfaction as the main pathway through which structural factors are translated into long-term loyalty outcomes.

Discussion

The proposed findings reinforce the argument that employee loyalty in public organizations emerges through an integrated mechanism where structural factors, such as work environment and incentives, operate via psychological factors like job satisfaction. From a theoretical perspective, these findings support the social exchange theory, suggesting that fair treatment and supportive environments encourage reciprocal loyalty. Equity theory further explains the role of fair incentives in sustaining motivation and preventing turnover, while Herzberg's two-factor theory underlines the need to enhance satisfaction factors such as achievement, recognition, and responsibility, alongside reducing dissatisfaction sources. Practically, the results imply that HR managers at Ombudsman RI should focus on cultivating a healthy work climate through transparent leadership, fair workload distribution, and open communication. Incentive systems also need to be aligned with employee expectations by incorporating recognition programs and career development opportunities. Finally, future research should employ longitudinal designs to examine loyalty dynamics over time and adopt advanced methods such as multi-group SEM to rigorously test measurement invariance and structural differences between employee groups.

CONCLUSION

This review consolidates evidence that work environment, incentives, and job satisfaction jointly shape employee loyalty in public organizations. A supportive work environment and fair incentive systems not only have direct positive effects on loyalty but also operate indirectly by enhancing job satisfaction. This mediating role of satisfaction highlights its strategic importance as an intervention point. The study emphasizes the need for evidence-based HR policies that balance structural and psychological factors to strengthen employee attachment. By filling the comparative gap between Civil Servants and Non-Civil Servants, this research provides actionable insights to design targeted retention strategies and improve organizational performance in the public sector.

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