

## **ABSTRACT**

*Employee retention is one of the most important aspects in maintaining workforce stability and ensuring the continuity of company operations. This study aims to describe and analyze the influence of physical work environment and compensation fairness on employee retention, with job satisfaction as an intervening variable.*

*The population in this study consists of all 123 permanent employees of PT Kusuma Mulia Plasindo Infiteks Klaten. The sampling technique used was random sampling, with a total sample of 55 respondents. The data analysis method employed was Structural Equation Modeling (SEM) based on Partial Least Square (PLS) using SmartPLS 4.0 software, preceded by validity tests, reliability tests, and model evaluation.*

*The research findings indicate that the physical work environment has a positive and significant effect on both job satisfaction and employee retention. Similarly, compensation fairness is proven to have a positive and significant impact on these two variables. Furthermore, job satisfaction acts as a mediating variable linking the effects of the physical work environment and compensation fairness on employee retention. Therefore, it can be concluded that the better the working conditions and the fairer the compensation system implemented, the higher the level of job satisfaction, which in turn encourages employees to remain with the company.*

*Keywords: Physical Work Environment, Compensation Fairness, Job Satisfaction, Employee Retention.*

