

ABSTRACT

This study aims to examine the effect of the work environment on employee loyalty through job satisfaction as a mediating variable among Generation Z employees in Semarang City. The study is motivated by the growing number of Generation Z employees, who possess distinct workplace expectations and place greater emphasis on a supportive work environment and job satisfaction, both of which influence their organizational loyalty. This research adopts Social Exchange Theory (SET) to explain the reciprocal relationship between organizations and employees.

A quantitative research approach was employed by distributing questionnaires to Generation Z employees working in Semarang City. The sample consisted of 150 respondents selected using a purposive sampling technique. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS software.

The findings reveal that the work environment has a positive and significant effect on employee loyalty. Furthermore, the work environment positively and significantly influences job satisfaction. Job satisfaction also has a positive and significant effect on employee loyalty. The mediation analysis demonstrates that job satisfaction significantly mediates the relationship between the work environment and employee loyalty. These findings indicate that a supportive work environment, encompassing both physical and non-physical aspects, enhances employee loyalty directly as well as indirectly through increased job satisfaction.

The study implies that organizations should establish a safe, comfortable, and supportive work environment while providing positive work experiences to improve job satisfaction and strengthen the loyalty of Generation Z employees. Moreover, the findings reinforce the application of Social Exchange Theory by demonstrating that organizational support through a favorable work environment encourages employees to reciprocate with stronger organizational loyalty.

Keywords : *work environment, job satisfaction, employee loyalty, Generation Z, SEM-PLS.*