

Salary Satisfaction as a Mediator between Compensation System and Job Satisfaction in the Public Sector

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Abstract

This study investigated the mediating role of Salary Satisfaction in the relationship between the Compensation System and Job Satisfaction among Palestinian public sector employees, refining the objective to underline the mechanism relating compensation perceptions and attitudes toward work. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used as part of a mixed-methods strategy. A comprehensive literature review guided the conceptual framework, compensation dimensions, and survey instrument, alongside survey data from 136 public sector personnel. The results show that all six compensation dimensions—equity, justice, payment consistency, work perks, structure, and wage increases—are strong positive predictors of salary satisfaction. Salary Satisfaction was shown to be a significant driver of Job Satisfaction ($\beta = 0.515, p < 0.001$) and entirely mediated the association between the six pay components and Job Satisfaction. The structural model, using Salary Satisfaction and six pay characteristics as predictors, explains 68.3% of the variation in Job Satisfaction ($R^2 = 0.683$). These findings provide strong empirical evidence that employee perceptions of pay are the fundamental psychological mechanism by which compensation policies lead to favorable workplace attitudes. The paper closes with strategic suggestions for HRM reform in developing public sector environments, highlighting the need to implement equal and transparent compensation systems to boost morale and organizational performance.

Keywords

Human Resource Management, Job Satisfaction, Salary Satisfaction, Compensation System, Public Sector, Mediation Model

1. Introduction

Public sector compensation schemes are significant drivers of employee motivation, job satisfaction, and overall organizational effectiveness (Chaudhary et al., 2024; Knies, Boselie, Gould-Williams, & Vandenabeele, 2024). Unlike the private sector, where financial incentives are frequently obvious, public sector payment is a complicated psychological contract that includes values of justice, security, and fairness. The strategic design of these pay structures is a primary responsibility of Public Human Resource Management (PHRM), as compensation satisfaction is a well-established predictor of total work satisfaction, with direct implications for critical outcomes such as organizational commitment and employee turnover.

Despite the theoretical necessity of equitable pay, major structural gaps persist in practice, particularly in poor countries. Salary disparities in the Palestinian public sector are substantial; according to reports, more than half of public-sector employees receive 2,200 shekels (approx. \$664) or less per month, while many directors earn more than \$10,000 per month (Al-Shabaka, 2021; Alsayed, 2024). These profound imbalances at the civil service, judicial, and diplomatic levels not only degrade morale but also encourage corruption and perpetuate social stratification.

Empirical data emphasize the importance of resolving these gaps. Smirat (2022) conducted a study on the Palestinian public sector and discovered that decreasing income disparities led to considerable gains in work satisfaction, accounting for roughly 68% of the variance. This suggests a strong positive correlation between fair compensation and employee satisfaction. However, the “public sector salary premium”—typically noted relative to the private sector—can vary substantially in developing nations, complicating cross-sector comparisons (Kumar & Vasudevan, 2024).

While existing data demonstrate a link between salary and satisfaction, there is still a lack of a detailed theoretical framework that explains how this happens. Most studies focus on objective metrics (how much a person is paid) rather than psychological mechanisms (how satisfied the individual is with the compensation in relation to their inputs). Current research frequently fails to distinguish between Compensation Determinants (such as Pay Justice, Job Structure, Security, and Benefits) and the specific construct of Salary Satisfaction as a separate mediator.

This paper addresses these inadequacies in Public HRM by offering a mediated model tailored to the Palestinian public administration. It contends that Salary Satisfaction serves as an important intermediary, acting as the link between specific remuneration factors and total Job Satisfaction. The study attempts to determine if Salary Satisfaction mediates the direct association between Pay Justice (fairness in distribution and transparency), Job Structure and Security, Job Benefits, and Wage Increases, and Overall Job Satisfaction.

This study delivers actionable empirical data by integrating quantifiable indicators of salary inequality and subjective employee reactions. These findings pro-

vide policymakers and public-sector managers with the insights they need to steer compensation reforms, improve fairness, and ultimately create a high-performing, motivated workforce.

Therefore, despite the importance of compensation systems, there is a lack of research specifically analyzing how salary satisfaction acts as a mechanism linking these systems to overall job satisfaction in the Palestinian context. To address this gap, this study seeks to answer the following research questions:

RQ1: What are the key Compensation Determinants (Pay Justice, Job Structure & Security, Job Benefits, and Wage Increases) that significantly influence Salary Satisfaction among public sector employees?

RQ2: How does Salary Satisfaction mediate the relationship between Compensation Determinants and Overall Job Satisfaction among public sector employees?

RQ3: How does salary satisfaction affect job satisfaction and key organizational consequences among public sector employees?

2. Literature Review

This section summarizes the theoretical foundations and empirical evidence for public-sector compensation schemes. It progresses from fundamental incentive theories to particular pay variables, culminating in the mediating function of salary satisfaction.

In the field of Human Resource Management (HRM), compensation is described as the monetary incentives and tangible benefits that individuals receive for their job under an organizational contract. This pay fluctuates dynamically based on role, responsibility, and performance (Ali & Anwar, 2021). However, current research reveals that pay satisfaction is a multifaceted construct that includes salary level, bonuses, increases, structural hierarchy, and administrative processes. It was contended that the peculiarities of pay structure and administration may explain greater variation in employee satisfaction than the absolute pay amount (Sarkar, 2022). Effective compensation systems frequently contain performance-based incentives like increases and bonuses, which improve pay satisfaction by ensuring fair and transparent structures (Akuffo-Aduamah, 2025).

2.1. Theoretical Evolution: From Content to Process

To better comprehend the complicated link between compensation and job satisfaction, this study synthesizes the history of motivation theories. The theoretical landscape has changed away from content-based models that focus on internal demands and toward process-based theories that explain how satisfaction is created.

The first viewpoint came from foundational “content” theories like Maslow’s Hierarchy of Needs and Herzberg’s Two-Factor Theory. Herzberg (1954) distinguished between hygiene elements (compensation, security) that prevent unhappiness and motivators (recognition, progress) that promote satisfaction. In this context, suitable compensation is a minimum requirement; without it, disappointment is certain; nonetheless, pay alone may not promote high involvement (Samon-

taray, Panda, Rabah, & Rani, 2023).

However, research shifted to “process” theories to explain the mechanics of pay satisfaction. This idea was transformed by Adams’ (1965) Equity Theory, which proposed that satisfaction is comparable. By comparing their input-output ratio (effort vs. compensation) to that of their peers, employees assess fairness. This demonstrates how opinions about distributive justice—the equity of the result—often have a greater impact than the total quantity of money (Judge & Bono, 2001).

Lastly, modern Total Rewards Frameworks include these viewpoints, contending that businesses affect employee happiness through an all-encompassing system that combines monetary incentives (performance pay, perks) with non-monetary rewards, supported by Social Exchange Theory (Blau, 1964). According to this belief, when a company offers a just remuneration plan, workers will respond with commitment and contentment.

2.2. Dynamics of Public Sector Compensation Systems

An equitable pay scheme is essential for public sector administration. Performance-based compensation is crucial to current systems since it relates reward to production. An and Lasi found that this technique increases motivation and perceived fairness. A significant relationship between performance and compensation boosts overall salary satisfaction (Kumar & Vasudevan, 2024). However, transparency is essential; explicit adjustment mechanisms lead to perceptions of equality, which (Tadeja, Ranque, Unico, & Abante, 2024) clearly correlate with improved wage satisfaction across varied populations.

In the Palestinian public sector, these processes are worsened by fragmented legal frameworks. Different regulations controlling government officials, the courts, and diplomats lead to large compensation disparities for equivalent activities (Farraj & Dana, 2021). Such structural stratification exacerbates perceptions of unfairness and lowers group morale (Ogbonnaya et al., 2017), making it an excellent setting for investigating the impact of compensation schemes.

2.3. Compensation Determinants and Job Satisfaction

A substantial amount of data suggests that various compensation aspects are key antecedents of job satisfaction:

Pay Justice: Distributive justice strengthens the influence of pay structure on employee attitudes. Employee satisfaction increases when employees believe they are respected and treated fairly.

Job Structure and Security: A well-defined employment structure improves perceived fairness. Comprehensive security increases loyalty and decreases turnover intentions (Zai & Syafril, 2025).

Benefits: Satisfaction with benefits (health, leave, and allowances) is inextricably tied to total compensation satisfaction.

Wage Increases: Transparent salary increases motivate employees, leading to improved satisfaction and performance (Hermawati et al., 2023).

2.4. The Gap: Salary Satisfaction for Mediators

While previous evidence demonstrates a link between salary and job satisfaction, there remains a crucial gap in our knowledge of how this relationship works in public management. Employees' salary satisfaction is closely related to perceptions of distributive justice, which frequently has a greater impact on pay satisfaction than procedural fairness (Gupta, Mittal, Ilavarasan, & Budhwar, 2024; Wadud, 2022).

Nonetheless, justice in decision-making procedures increases employee satisfaction (Markova & Ford, 2011). Empirical data demonstrate that greater salary levels lead to increased salary satisfaction and justice, yet inequality has a significant impact on views of injustice (Rice et al., 2024; Valet, 2023). Job satisfaction—defined as the extent to which people like or detest their jobs (Spector, 1997)—is influenced by a variety of factors, including compensation. While early research minimized the role of compensation on job satisfaction (Molin, 2025),

Subsequent data show that salary satisfaction is a critical predictor of total job satisfaction (Ogbonnaya, Daniels, & Nielsen, 2017). Pay reliability and employees' cognitive evaluations of fairness have emerged as powerful determinants of job satisfaction (Chen et al., 2023). Salary satisfaction also influences the relationship between salary and employment outcomes such as retention, commitment, and turnover, which is especially important in high-stress environments (Aman-Ullah, Aziz, Ibrahim, Mehmood, & Aman-Ullah, 2023).

Early studies frequently interpreted the connection as direct or minimized the impact of salary (Judge et al., 2010). Within this perspective, salary satisfaction is a well-established predictor of overall job satisfaction, as equitable salary meets basic psychological and economic requirements (Xue et al., 2024). In the public sector, greater job satisfaction leads to good outcomes such as increased organizational engagement, lower turnover intentions, and higher public service motivation (Lu & Chen, 2022). Finally, these interrelated interactions highlight the strategic significance of human resource management, as salary schemes provide a direct lever for HR to develop a contented, equitable, and high-performing workforce (Kareska, 2023).

Salary satisfaction is viewed in this study as a critical mediator—a conceptual and emotional filter—rather than just a result. The compensation system (policy, structure, and justice) does not immediately create job satisfaction; rather, it influences employee salary satisfaction first.

The Mechanism: According to research, variables such as salary equity and wage rises have a direct impact on salary satisfaction, which in turn drives total work satisfaction (Rusli, 2023; Susilowati & Fadli, 2023).

Contribution: By concentrating on this mediation, particularly in a high-stress, stratified public sector setting, this study explains how administrators might use compensation policies to promote overall employee well-being and organizational success.

Table 1 summarizes the key themes and theoretical foundations that explain

how compensation systems, equity and justice perceptions, salary satisfaction, and job structure influence employee satisfaction and organizational outcomes.

Table 1. Summary of key themes and literature.

Theme	Key Insights	Supporting Literature
Compensation Systems	Pay equity, fairness, benefits, and performance-based increments.	Ali & Anwar (2021); Gupta & Shaw (2014)
Equity and Justice	Employees compare outcomes with peers; inequity reduces satisfaction.	Adams (1965); Colquitt et al. (2017)
Salary Satisfaction	Mediates the relationship between system components and job satisfaction.	Judge et al. (2010); Williams et al. (2006)
Job Structure & Security	Stability and transparent design influence perceptions of fairness.	Alshmemri et al. (2017); Robbins et al. (2019)
Job Benefits	Comprehensive benefits mediate overall satisfaction.	Shields et al. (2015)
Wage Increases	Regular, fair increases drive retention and motivation.	Heneman & Judge (2000); Rasheed & Janjua (2025)

3. Theoretical Framework

3.1. Review of Relevant Theories

Job satisfaction research has progressed via a variety of theoretical lenses, beginning with motivational and need-based methods and continuing to process-oriented and interactional models. Foundational Theory (Needs-Based): Motivation-based theories, such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory (Herzberg, 1954), have been widely utilized to explain work satisfaction. These theories highlight the need to address internal demands and, more importantly, to distinguish between those that prevent unhappiness (hygiene factors such as pay) and those that actively encourage fulfillment (motivators like accomplishment and recognition).

Process Theories (Fairness and Design): We have moved on from fundamental theories that focused on internal demands to process-oriented models that examine how external assessments influence satisfaction levels. Equity Theory (Adams, 1965) emphasizes employees' views of fairness as a critical aspect of happiness, stating that people assess pay fairness by comparing their inputs and outputs to those of others. In contrast, the Job Characteristics Model (Hackman & Oldham, 1975) emphasizes the role of job design in shaping work experiences by connecting basic job aspects (e.g., skill diversity, task significance) to essential psychological states.

Interactional and Contemporary Models: In recent years, interactional theories have brought these viewpoints together, recognizing the complex link between the individual and the work situation. The Dispositional Approach (Judge & Bono, 2001) takes into account the influence of individual personality traits, implying

that pleasure is partially stable and trait-based. The Job Demand-Control Model (Karasek Jr., 1979) investigates the impact of work organization, specifically how the balance of job stresses (demands) and individual autonomy affects job results.

The Total Rewards Framework: This theoretical evolution leads to the actual use of the Total Rewards Framework (Kaplan, 2007). This framework has become a valuable tool for understanding how organizations influence employee satisfaction by incorporating both financial and non-financial compensation (e.g., benefits, career opportunities, and working environment) into integrated reward systems designed to attract, motivate, and retain employees.

3.2. Conceptual Framework and Variables

This study seeks to connect the compensation system and overall job satisfaction by investigating the psychological mechanisms by which salary-related elements exert effects. This study suggests that Salary Satisfaction mediates the relationship between various compensation components and overall job satisfaction in the Palestinian public sector.

The potential relationships are organized as follows:

I. Independent Variables (IVs)—Compensation Components (H1-H6): Equitable Payment System (H1), Pay System Justice (H2), Consistent Monthly Payments (H3), Job Structure (H4), Job Benefits (H5), and Wage Increase (H6).

II. The Mediator (M)—Salary Satisfaction.

III. Dependent Variables (DV): Job Satisfaction.

Figure 1 illustrates the study's conceptual framework, demonstrating how wage satisfaction mediates the relationship between compensation factors and job satisfaction.

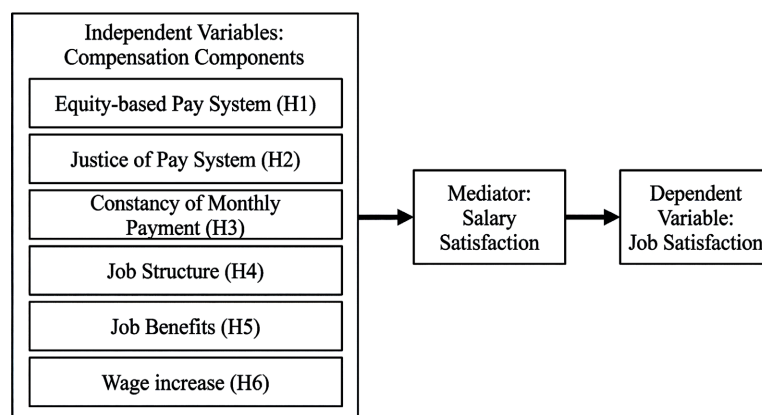


Figure 1. Illustrating the model, highlighting the mediating role of salary satisfaction.

3.3. Proposed Hypotheses

The hypotheses used for this study are based on existing theories of organizational behavior and motivation, notably fairness and reciprocity.

Equity Theory (Adams, 1965) posits that employees assess pay fairness by comparing their inputs and outputs to those of others, which has a direct impact on

their satisfaction with compensation. According to Herzberg's Two-Factor Theory (1959), while wealth is largely a hygiene concern that promotes unhappiness, fair and proper remuneration can add to overall contentment when paired with motivational factors. Furthermore, according to the Social Exchange Theory (Blau, 1964), employees who believe they are receiving fair remuneration (as evidenced by high Salary Satisfaction) feel required to reciprocate with positive attitudes such as improved job satisfaction and devotion. Based on these theoretical underpinnings, the following hypotheses are proposed:

Compensation Components and Salary Satisfaction (Path A):

- H1: Equitable Pay System favorably influences salary satisfaction.
- H2: Pay system justice favorably influences salary Satisfaction.
- H3: Consistency of monthly payment favorably influences salary satisfaction.
- H4: Job structure favorably influences salary satisfaction.
- H5: Job benefits favorably influence salary satisfaction.
- H6: Wage increase favorably influences salary satisfaction.

Mediator Effect (Path B):

- H7: Salary satisfaction improves job satisfaction.

Mediated Relationships (Indirect Effect):

H8a-H8f: Salary Satisfaction mediates the association between each IV (Equitable Pay System, Pay System Justice, Consistency of Monthly Payment, Job Structure, Job Benefits, and Wage Rise) and Job Satisfaction.

4. Research Methodology

This study used a mixed-methods research technique that included a systematic literature review, meta-analysis, and primary survey data collection (Creswell & Creswell, 2017). The major data analysis was Partial Least Squares Structural Equation Modeling (PLS-SEM) (Hair et al., 2019; Hauff, Richter, & Ringle, 2025).

4.1. Research Design

The overall study design is a sequential mixed-methods approach with two major phases:

Phase 1: Systematic Literature Review and Meta-Analysis

The first phase is the Systematic Literature Review and Meta-Analysis: This phase conducted an initial assessment of salary discrepancies and job satisfaction patterns in public-sector contexts, mainly in developing countries. Meta-analysis approaches were utilized to combine data from previous research (Hasyim & Bakri, 2024; Vigan & Giaouque, 2018).

The goals of this phase were to directly inform the development of the study's conceptual framework in addition to synthesizing current knowledge. While the meta-analysis assisted in identifying the dimensions that demonstrated the highest empirical effects in earlier research, the systematic review discovered recurrent compensation-related factors of pay satisfaction. The six compensation characteristics that were examined in the model were chosen based on these findings, which

also influenced the theories regarding their indirect impacts on job satisfaction through salary satisfaction.

Before beginning the quantitative phase, insights from this phase were also utilized to improve content validity and ensure consistency with established constructs by refining and adapting measurement items for the questionnaire.

Figure 2 provides a graphical summary of the study methodology's consecutive processes.

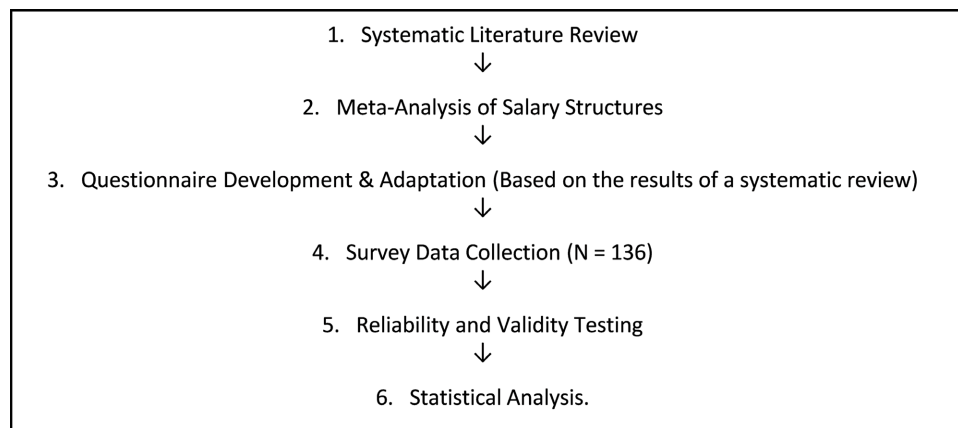


Figure 2. Flowchart of the study methodology, including the literature review, meta-analysis, questionnaire adaptation, data collection, and analysis.

Phase 2: Major Quantitative Survey Research

The quantitative phase operationalized the variables identified in the systematic review, empirically testing the mediator (Salary Satisfaction) proposed by the meta-analytic evidence (Hair et al., 2019).

4.2. Sampling and Participants

The research sample consisted of both management and non-managerial personnel from three key categories in the Palestinian public sector.

- Civil servants report to the General Personnel Council (GPC).
- Construction judiciary personnel (judges).
- Diplomatic staff.

Taherdoost (2024) employed stratified sampling to achieve proportional representation across the three categories.

4.3. Sample Size and Response

After deleting partial replies, the final sample consisted of 136 valid surveys. The SmartPLS (PLS-SEM) study's sample size of 180 (and final 136) was justified using the "10 times rule", a recommendation by Hair Jr. et al. (2021), which focuses on model complexity rather than overall population size. Measures/Scales: All survey participants were given a five-point Likert scale (1 = strongly disagree, 5 = strongly agree), with a neutral midpoint (Joshi, Kale, Chandel, & Pal, 2015).

Table 2 shows that the study uses known measurement scales for wage satisfac-

tion, facet-level work satisfaction, and global job satisfaction, all of which are adapted from well-validated instruments in the preceding literature.

Table 2. Measurement scales.

Construct	Scale Used	Citation
Salary Satisfaction	Six dimensions of salary satisfaction.	(Sharma, Bajpai, & Holani, 2011)
Job Satisfaction (Facet-Level)	Adapted items from the Michigan Organizational Assessment Questionnaire (MOAQ).	(Sharma et al., 2011)
Job Satisfaction (Global)	Adapted items from the Minnesota Satisfaction Questionnaire Manual (MSQ).	(Weiss, Dawis, & England, 1967)

The majority of the items were chosen because they closely matched elements that were found to be recurrent predictors of salary satisfaction in the systematic review. This improved theoretical coherence throughout the two stages of the study.

4.4. Data Analysis Techniques

The data were examined in two steps:

1) Meta-analysis: Used secondary literature to evaluate structural disparities in public sector salaries. This analysis laid the groundwork for identifying the six compensation characteristics and hypothesizing their indirect influence through Salary Satisfaction.

2) Partial Least Squares Structural Equation Modeling (PLS-SEM) was used on the primary survey data with SmartPLS 4 software (Gironda, 2024; Hauff, Richter, & Ringle, 2025; Richter, Hauff, Ringle, & Gudergan, 2022). This step consists of a Two-Stage PLS-SEM Analysis:

Stage 1: Assess the Measurement Model.

Stage 2: Structural Model Assessment (test hypotheses; significance assessed using bootstrapping and 5,000 resamples).

4.5. Validity/Reliability Considerations

SmartPLS 4 was used to examine psychosocial behaviors (Gironda, 2024; Richter, Hauff, Ringle, & Gudergan, 2022), with the criteria and results summarized in Table 3. The systematic review helped to ensure content validity by verifying that the remaining questions represented theoretically applicable compensation and satisfaction constructs that had been frequently proven in previous studies.

5. Findings

This section presents the findings from the data analysis. First, the respondents' demographic characteristics are described. Following that, the PLS-SEM analysis is discussed, including the two-stage procedure of evaluating the measurement

Table 3. The reliability and validity of the constructs.

Criterion	Metric	Acceptable Threshold	Confirmation
Content Validity	Expert evaluation and the use of well-established measurement tools.	N/A (Methodological)	Ensured prior to data collection.
Internal Consistency Reliability	Cronbach's alpha and Composite Reliability (CR).	\$>0.70\$	Confirmed.
Convergent Validity	Average Variance Extracted (AVE).	\$>0.50\$	Established.
Discriminant Validity	Heterotrait-Monotrait (HTMT) ratio.	\$<0.85\$ (Conservative)	Confirmed (Hair, Risher, Sarstedt, & Ringle, 2019; Henseler, Ringle, & Sarstedt, 2015).

and structural models.

5.1. Demographic Profile of Respondents

There were 136 public sector workers in the study sample. According to the demographic analysis, 63% (n = 86) of the participants were men and 37% (n = 50) were women. Regarding marital status, 34.6% (n = 47) of respondents were single and 65.4% (n = 89) were married. The sample had a high level of education, with 24% (n = 32) having a postgraduate degree and 71% (n = 97) having a bachelor's degree. Undergraduates made up just 5% (n = 7). Additionally, 44% (n = 59) of the respondents had over 15 years of work experience, 21% (n = 29) had 10 - 15 years, 19% (n = 26) had 5 - 10 years, and 16% (n = 22) had 2 - 5 years. These traits indicate a sample of knowledgeable and experienced professionals who are typical of the Palestinian public sector workforce.

5.2. Data Analysis Using PLS-SEM

PLS-SEM is a variance-based statistical method that assesses how well your measures represent their constructs (measurement model) before assessing the predictive power and significance of the links between those constructs (structural model).

5.2.1. Assessment Measurement Model (Outer Model)

The validity and reliability of the measurement model were evaluated. To achieve this, it was necessary to assess discriminant validity, convergent validity, internal consistency, and indicator reliability. The specific question text for the item codes in **Table 4** is provided in **Appendix A**.

As shown in **Table 4**, all indicator outer loadings exceeded the recommended threshold of 0.708, confirming the reliability of the indicators. Internal consistency was assessed by analyzing Cronbach's Alpha and Composite Reliability

(CR) ratings. All constructs demonstrated excellent internal consistency, with CR values between 0.851 and 0.912, significantly exceeding the benchmark of 0.70 (Hair, 2014). The Average Variance Extracted (AVE) for every construct exceeded 0.50, indicating that each construct accounts for over half of the variance in its indicators and thereby establishing convergent validity. The corresponding survey questions for these factor loadings are presented in **Appendix A**.

Table 4. Measurement model assessment: reliability and convergent validity.

Construct	Item	Loadings	Cronbach's α	Composite Reliability (CR)	Average Variance Extracted (AVE)
Equity-based Pay System	EPS1	0.831	0.825	0.885	0.659
	EPS2	0.795			
	EPS3	0.812			
Justice of Pay System	JPS1	0.844	0.841	0.895	0.681
	JPS2	0.819			
	JPS3	0.825			
Constancy of Monthly Payment	CMP1	0.799	0.798	0.869	0.625
	CMP2	0.803			
	CMP3	0.768			
Job Structure	JS1	0.755	0.771	0.851	0.590
	JS2	0.789			
	JS3	0.742			
Job Benefits	JB1	0.860	0.865	0.912	0.722
	JB2	0.851			
	JB3	0.833			
Wage Increases	WI1	0.817	0.833	0.890	0.670
	WI2	0.835			
	WI3	0.799			
Salary Satisfaction	SS1	0.881	0.852	0.908	0.712
	SS2	0.824			
	SS3	0.859			
Job Satisfaction	JSAT1	0.875	0.861	0.910	0.718
	JSAT2	0.840			
	JSAT3	0.837			

Note. For details on Measurement Scale Items, see **Appendix A**. All items were measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

5.2.2. Discriminant Validity

The Heterotrait-Monotrait ratio of correlations (HTMT) was used to evaluate dis-

criminant validity, which guarantees that the constructs are different from one another. All HTMT values were below the conservative cutoff of 0.85 (Henseler et al., 2015), as shown in **Table 5**, indicating discriminant validity across all model constructs.

Table 5. Discriminant validity assessment using the Heterotrait-Monotrait Ratio (HTMT).

Construct	1.	2.	3.	4.	5.	6.	7.	8.
1. CMP	1.000							
2. EPS	0.451	1.000						
3. JB	0.388	0.512	1.000					
4. JS	0.410	0.399	0.421	1.000				
5. JSAT	0.501	0.623	0.598	0.487	1.000			
6. JPS	0.482	0.611	0.530	0.405	0.640	1.000		
7. WI	0.433	0.545	0.499	0.381	0.589	0.561	1.000	
8. SS	0.520	0.685	0.655	0.455	0.791	0.690	0.673	1.000

Note. CMP stands for Consistency of Monthly Payment; EPS for Equity-based Pay System; JS for Job Structure; JSAT for Job Satisfaction; JPS for Justice of Pay System; WI for Wage Increases; and SS for Salary Satisfaction.

As shown in **Table 5**. The discriminant validity of the constructs is confirmed by the fact that all Heterotrait-Monotrait Ratio (HTMT) values fall below the conservative criterion of 0.85 (Hair, 2014). In the majority of contemporary research, the 0.85 threshold—which is seen as more rigorous—is the standard of choice for proving with confidence that two constructs are different from one another.

5.2.3. Assessment of the Structural Model

The structural model was evaluated to test the proposed relationships once the measurement model was validated. The significance of the path coefficients was ascertained by a bootstrapping process using 5000 resamples (Hair Jr. et al., 2021).

The coefficient of determination (R^2) was used to assess the explanatory power of the model. The model accounted for 68.3% of the variance in job satisfaction ($R^2 = 0.683$) and 59.4% of the variance in salary satisfaction ($R^2 = 0.594$), both of which are regarded as significant. Stone-Geisser's Q^2 values for job satisfaction ($Q^2 = 0.475$) and salary satisfaction ($Q^2 = 0.401$) were significantly above zero, confirming the predictive usefulness of the model.

5.2.4. Hypothesis Testing: Direct Effects

Table 6 displays the findings for the direct path relationships. Salary satisfaction was found to be significantly and favorably influenced by all six antecedents, supporting H1 through H6. Additionally, Salary Satisfaction supported H7 by having a strong and significant positive impact on Job Satisfaction ($\beta = 0.515$, $p < 0.001$).

Table 6. Results for the structural model path analysis (direct effects).

Hypothesis	Path	Path Coefficient (β)	t-value	p-value	Decision
H1	Equity-based Pay \rightarrow Salary Satisfaction	0.298***	4.31	<0.001	Supported
H2	Justice of Pay \rightarrow Salary Satisfaction	0.265***	4.02	<0.001	Supported
H3	Constancy of Payment \rightarrow Salary Satisfaction	0.184**	3.25	0.001	Supported
H4	Job Structure \rightarrow Salary Satisfaction	0.121*	2.58	0.010	Supported
H5	Job Benefits \rightarrow Salary Satisfaction	0.239***	3.89	<0.001	Supported
H6	Wage Increases \rightarrow Salary Satisfaction	0.210***	3.66	<0.001	Supported
H7	Salary Satisfaction \rightarrow Job Satisfaction	0.515***	7.18	<0.001	Supported

Note. β = standardized path coefficient. Significance levels are based on a bootstrapping procedure with 5,000 resamples. $p < 0.05$, $p < 0.01$, $**p < 0.001$.

5.2.5. Mediation Analysis: Indirect Effects

The indirect impacts of the six compensation variables on job satisfaction were investigated in order to assess the mediating function of salary satisfaction. Because the 95% bias-corrected confidence intervals did not contain zero, the bootstrap analysis demonstrated that all six indirect pathways were positive and statistically significant, as **Table 7** illustrates. This supports hypotheses H8a through H8f by demonstrating that salary satisfaction fully mediates the relationship between the variables of the pay system and job satisfaction (**Figure 3**).

Table 7. Mediation analysis of salary satisfaction on the relationship between compensation variables and job satisfaction.

Hypothesis	Path	Indirect Effect (β)	95% CI	Decision
H8a	EPS \rightarrow SS \rightarrow JSAT	0.153	[0.088, 0.225]	Supported
H8b	JPS \rightarrow SS \rightarrow JSAT	0.136	[0.075, 0.201]	Supported
H8c	CMP \rightarrow SS \rightarrow JSAT	0.095	[0.041, 0.154]	Supported
H8d	JS \rightarrow SS \rightarrow JSAT	0.062	[0.019, 0.110]	Supported
H8e	JB \rightarrow SS \rightarrow JSAT	0.123	[0.069, 0.183]	Supported
H8f	WI \rightarrow SS \rightarrow JSAT	0.108	[0.055, 0.166]	Supported

Note. Significance is determined by a bootstrapping procedure with 5,000 resamples. The 95% bias-corrected Confidence Interval (CI) does not include zero for any path, confirming that salary satisfaction significantly mediates the relationship between each antecedent and job satisfaction. EPS = Equity-based Pay System; JPS = Justice of Pay System; CMP = Constancy of Monthly Payment; JS = Job Structure; JB = Job Benefits; WI = Wage Increases; SS = Salary Satisfaction; JSAT = Job Satisfaction.



Figure 3. SmartPLS output of the structural model assessment.

This study confirms that the perceived fairness and sufficiency of the compensation system in the Palestinian public sector significantly influence employee job satisfaction, with wage satisfaction serving as a crucial mediating factor.

5.3. Discussions and Conclusions

This section explains the results of the Partial Least Squares Structural Equation Modeling (PLS-SEM) study, incorporating them into established theory and extant research on remuneration, satisfaction, and public sector employment.

The study's mixed-methods approach was operationalized through an early systematic review that influenced the conceptual model, the creation of the compensation dimensions, and the formulation of the study's hypotheses, even though the Results section concentrates on the quantitative survey analysis. The development of a theoretically grounded survey instrument was made possible by the evidence collected in the review, which helped identify the six compensation components most consistently connected to wage satisfaction in previous studies. Thus, the variables, mediating pathways, and measurement items investigated in the quantitative phase were specified based on the qualitative synthesis.

5.3.1. Interpretation of Results in Relation to Theory

The fundamental finding—that Salary Satisfaction mediates the association between different compensation parameters and Job Satisfaction (H8a-H8f supported)—is consistent with numerous key theories of motivation and work satisfaction.

Herzberg's Two-Factor Theory: The findings indicate that compensation elements are important "Hygiene Factors", but their beneficial influence on overall "Job Satisfaction" is primarily funneled through the Psychological Outcome of "Salary Satisfaction". Compensation that is viewed as equal, just, and reliable leads to satisfaction with the pay itself, which in turn promotes total work satisfaction. This lends credence to the view that compensation, while external, is necessary for

achieving higher-order enjoyment.

Equity Theory (Adams, 1965) is substantiated by the high positive correlation between equity-based pay systems ($\beta = 0.298$) and justice-based pay systems ($\beta = 0.265$) and salary satisfaction (H1, H2).

Employees in the public sector assess their compensation by comparing their inputs (experience, education) to their outputs (income) in relation to others. Perceived fairness, rather than absolute amount, is the more powerful driver of satisfaction, as seen by these two factors having the greatest path coefficients among all antecedents.

According to Vroom's Expectancy Theory (H6, $\beta = 0.210$), wage increases have clear instrumentality (pay for performance/longevity) in the compensation system. The anticipation of incentives (raises) influences employee contentment with the compensation structure.

The findings further corroborate the known relationship between Salary Satisfaction and Overall Job Satisfaction (H7 supported, $\beta = 0.515$), which is a key component of organizational behavior theory. The high beta value indicates that in the Palestinian public sector, happiness with salary is one of the strongest determinants of an employee's total work content.

5.3.2. Explanation of Expected and Unexpected Results.

The expected results of mediation by Salary Satisfaction (H8):

The finding that Salary Satisfaction totally mediates the relationship between compensation factors and Job Satisfaction was generally anticipated. Compensation variables are sometimes referred to as external work aspects. According to theory, these extrinsic factors have the largest influence on satisfaction with the factor itself (i.e., salary satisfaction) before translating into intrinsic work satisfaction.

The mediation results show that the pay system indirectly influences job satisfaction through the employee's appraisal of their income.

The criteria related to perceived fairness (Equity-based Pay System and Justice of Pay System) had the greatest impact on Salary Satisfaction. This is understandable, especially in public sectors with limited resources, where employees may accept lower pay if the system is open and fair.

The unexpected results of Job Structure's Low Impact (H4):

Although the association was significant and supported (H4: $\beta = 0.121$), it had the poorest path coefficient among the six antecedents. It was expected that the formal structure, particularly in a rigorous public sector context, would have a greater effect.

This shows that in the Palestinian public sector, employees may believe that compensation and promotion decisions are not strictly based on the formal job hierarchy. While employees value the hierarchical structure, they prioritize the fairness, transparency, and dependability of the compensation system over official job grades.

As a result, employees are more satisfied with the process and perceived parity of pay decisions (equity/justice) and with dependable payment procedures (pay-

ment/benefit consistency) than with the specific hierarchy level.

Monthly payment consistency (H3: $\beta = 0.184$):

While payment consistency is a fundamental assumption in most well-established public systems, its increased importance in this context reflects the economic and political volatility that influences employees' expectations. This is especially important given Israel's periodic withholding of clearance revenues—taxes collected on behalf of the Palestinian Authority—as well as the frequent closures of Palestinian regions, both of which disrupt government liquidity and raise concerns about reliable income. As a result, employees place a high value on the assurance of timely and consistent payment, making consistency an important predictor of compensation satisfaction in an environment where such stability cannot be taken for granted.

5.3.3. Integration with the Literature

This study's findings make significant contributions to and integrate with the current research in various ways:

The study verifies motivation and satisfaction theory, including the mediating function of wage satisfaction, in the challenging Palestinian public sector, which has received little investigation. This provides critical contextual confirmation, reinforcing previous findings from other poor countries (Hasyim & Bakri, 2024; Vigan & Giaque, 2018).

The study distinguishes between six key compensation factors, moving beyond broad terms like “pay” or “salary”. It indicates that not all salary components have the same impact on satisfaction. The importance of Equity and Justice over Job Structure is a unique conclusion for the area, directing policymakers to prioritize open processes over simply boosting base salaries.

The structural model has strong explanatory power (R^2 Job Satisfaction = 0.683; R^2 Salary Satisfaction = 0.594), making it useful in practice. These results show that the six pay components and Salary Satisfaction are strong predictors of employee attitudes, implying that the model is both theoretically sound and extremely effective for management intervention in the Palestinian public sector. This predictive ability is a significant advantage of the PLS-SEM technique used (Hair Jr. et al., 2021).

5.4. Conclusions

Regarding Practice and Policy. We advise public sector administrators to:

1) **Prioritize Systemic Fairness:** Concentrate on creating transparent and equal pay structures in light of the actual data. This entails establishing precise standards for compensation and promotion, as well as carrying out frequent wage audits to remove arbitrary discrepancies.

2) **Improve Communication:** Explain the reasoning behind benefit packages, job grading, and salary policies in a proactive manner. Even in situations where major pay increases are not practical, improving procedural justice through clear

communication can greatly increase wage satisfaction.

3) **Invest in Non-Monetary and Fringe Benefits:** Considering the importance of employment perks ($\beta = 0.239$), evaluating and improving benefit packages (such as health insurance and opportunities for professional growth) can be an economical way to raise employee happiness.

For Upcoming Studies. The following should be the focus of future research:

1) Use longitudinal designs: To determine causality and comprehend the long-term effects of changes in compensation practices, monitor employee satisfaction over time.

2) Perform Comparative Research: To evaluate the generalizability of the findings, repeat this model in various cultural contexts or compare results between personnel in the public and private sectors.

3) Examine Other Mediators and Moderators: Examine additional factors that may moderate or mediate the relationship between pay and work satisfaction, such as organizational trust or leadership style.

5.5. Limitations of the Study

This study has various limitations that must be considered. First, the cross-sectional design restricts the capacity to draw causal conclusions about the links between remuneration, salary satisfaction, and job satisfaction. Second, the sample size of 136 Palestinian public sector employees, which included civil officials, judges, and diplomatic staff, may limit the applicability of the findings to other sectors or nations.

Third, all variables were self-reported, which could result in bias due to social desirability or common method variance. Fourth, while Salary Satisfaction appears to fully mediate the relationship between compensation dimensions and Job Satisfaction, the direct effects of the compensation dimensions were not formally tested; thus, full mediation is inferred rather than statistically confirmed, as opposed to partial mediation.

Fifth, the distinct political and economic circumstances in Palestine—such as long-term area closures and delays in tax transfers collected by Israeli authorities—may affect workers' opinions of compensation and job satisfaction, limiting application in more stable settings. Lastly, the study concentrated on six aspects of compensation, excluding other organizational or individual elements that can also have an impact on work satisfaction and salary satisfaction, such as leadership style or job autonomy.

Despite these limitations, the study provides useful insights into the role of Salary Satisfaction in mediating the relationship between remuneration and Job Satisfaction in a demanding public sector context. By using longitudinal designs, extending samples to different industries or nations, adding more organizational or individual characteristics, and explicitly assessing both direct and indirect effects to validate the nature of the mediation, future research could overcome these constraints. Such efforts would significantly increase understanding of compen-

sation practices and their impact on employee attitudes and workplace outcomes.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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Appendix A. Measurement Scale Items

All items were measured on a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Construct/Item Code	Item Statement
Equity-based Pay System	
EPS1	My pay is fair compared to that of people in similar jobs in other organizations.
EPS2	I am fairly paid for the value of my contributions to this organization.
EPS3	My pay is fair compared to that of other employees in this organization.
Justice of Pay System	
JPS1	The procedures for determining pay are applied consistently to all employees.
JPS2	I believe our organization's pay policies are fair.
JPS3	The process for determining salaries is transparent and logical.
Constancy of Monthly Payment	
CMP1	I receive my full salary payments on time every month.
CMP2	I can depend on the consistency of my monthly pay.
CMP3	There are no unexpected delays or issues with my salary payments.
Job Structure	
JS1	My job description and responsibilities are clear.
JS2	There is a clear path for promotion and career advancement in this organization.
JS3	The pay grades and job levels are well defined.
Job Benefits	
JB1	I am satisfied with the health insurance benefits provided.
JB2	The retirement benefits meet my expectations.
JB3	Overall, the benefits package offered by my organization is good.
Wage Increases	
WI1	The process for getting a raise is fair.
WI2	My wage increases are appropriate for my performance.
WI3	I am satisfied with the opportunities for wage increases.
Salary Satisfaction	
SS1	I am satisfied with my current salary.
SS2	I feel that I am well paid for the work I do.
SS3	Overall, I am happy with my level of pay.
Job Satisfaction	
JSAT1	Overall, I am very satisfied with my job.
JSAT2	In general, I like working here.
JSAT3	I would recommend this organization as a great place to work.