

## **ABSTRACT**

*PT Pindad Persero Bandung is a state-owned enterprise that is engaged in the main weaponry system. Based on the results of the preliminary test conducted on employees of PT Pindad Persero Bandung, the Directorate of Finance and Administration showed that the level of compensation, job satisfaction and employee productivity was high.*

*This research was conducted with the aim to determine the effect of compensation on employee productivity through job satisfaction as an intervening variable for employees of PT Pindad Persero Bandung Directorate of Finance and Administration. The research method used is a quantitative research method. To obtain data, the author used questionnaires with 120 employees of PT Pindad Persero Bandung Directorate of Finance and Administration as respondents. The questionnaire used 39 statements related to the research variable. In conducting data analysis this research uses descriptive analysis techniques and path analysis using IBM SPSS 21.*

*The results showed that the level of compensation, job satisfaction and employee productivity of PT Pindad Persero Bandung Directorate of Finance and Administration was high. Based on the results of the path analysis the indirect effect has a greater value than the direct effect. The indirect effect of compensation on employee productivity through job satisfaction gets a value of 0.486 while for the direct effect of compensation on employee productivity is 0.152.*

*Hypothesis testing has been done using the t-test and sobel test. The t-test results show that compensation has a significant positive effect on job satisfaction, compensation has a significant positive effect on employee productivity and job satisfaction has a significant positive effect on employee productivity. In the sobel test the results obtained are compensation which has a positive significant effect on employee productivity through job satisfaction as an intervening variable.*

*Thus to increase the level of employee productivity, companies need to pay attention to compensation factors and job satisfaction, because the provision of compensation is able to improve employee job satisfaction which can affect the level of employee productivity.*

**Keyword:** *Compensation, Job Satisfaction, Employee Productivity*