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The Price of Change: Assessing the Cost of Compensation Reduction on Employee Turnover and Productivity

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Abstract: This study investigates the impact of Compensation Reduction on employee productivity and turnover intentions in Punjab, Pakistan's TEVT sector, considering the moderating role of fairness and equality perception. A sample of N=1200 TEVT employees was surveyed via structured questionnaires from March to July 2023. Utilizing smarPLS4, the study analyzed Compensation Reduction's influence on Employee Productivity and Turnover Intentions, mediated by Job Embeddedness while moderated by the Perception of Fairness and Equality. Results reveal Compensation Reduction's adverse effect on job embeddedness, reducing affiliations and productivity, and increasing turnover intentions. The TEVT sector faces high turnover and low productivity, necessitating equitable compensation policies. This study highlights the substantial organizational cost of losing intellectual assets due to reduced fairness. By focusing on Job Embeddedness and proposing strategies for retention, it offers insights for effective compensation policies. Uniquely pioneering in Punjab's TEVT sector, it underscores fairness and equality's crucial role in retaining intellectual capital. Future research should extend the analysis to other sectors to optimize organizational intellectual resources.

Introduction

Organizations and managers face a substantial hurdle in retaining their employees (Guerra, Danvila-del-Valle, & Méndez-Suárez, 2023). The negative consequences of job dissatisfaction, low productivity, disengagement, and employee turnover are not only costly but also disrupt work processes and erode organizational memory and mentorship (Mesha, 2023). Consequently, organizations are growing more apprehensive about their capacity to retain vital personnel, given its direct influence on their competitive edge. Substantial research has been dedicated to comprehending the factors driving employee turnover (Al-Suraihi, Samikon, & Ibrahim, 2021). Although conventional viewpoints primarily

emphasized job attitudes and alternative opportunities as primary motivators, Mitchell, Holtom, Lee, Sablinski, and Erez (2001) introduced the notion of Job Embeddedness (Shrestha & Jena) to encompass the amalgamation of factors that intricately anchor employees within their existing positions.

In line with this conceptualization, researchers have found initial evidence suggesting that JE can explain unique variations in Turnover Intentions (Effendy, Agung, & Herman) beyond job attitudes and alternatives (Gaudencio, Coelho, & Ribeiro, 2021; Naim & Ozyilmaz, 2022; Shrestha & Jena, 2021). Job Embeddedness, as outlined by William Lee,

Burch, and Mitchell (2014), pertains to the degree of interconnection or integration experienced by employees within a wider social structure. This integration is shaped by external contextual elements categorized as "links," "fit," and "sacrifice" within the organizational context. The term "links" encompasses both formal and informal affiliations that employees have within their organization, as well as connections with family and acquaintances in their local communities. "Fit" refers to the perceived alignment between employees and their work organization, as well as the resonance between them and the communities they inhabit. Finally, "sacrifice" denotes the perceived emotional, societal, or material expenses linked with moving away from one's existing organizational or community connections.

Compensation is another crucial factor that significantly impacts Turnover Intentions and Employee Productivity (Chygryn, Rosokhata, Rybina, & Stoyanets), which measures employees' performance and helps companies assess their progress (Abdelwahed & Doghan, 2023). Increasing Job Embeddedness through compensation aims to Enhance Employee Productivity and assist companies in achieving their goals while reducing Turnover Intentions(Sharma, Sharma, & Nanda Agarwal, 2022). However, employees' motivation and commitment to the organization are influenced by fair and equal treatment, reflecting their Perception of Fairness and Equality(Hoang, Suh, & Sabharwal, 2022; Küçük, 2022). Adebayo (2005) lends support to this concept, emphasizing the utilization of the Social Exchange Theory (Setiadi & Arieftiara) as a structural model for comprehending the interplay between employees and organizations, specifically the elements connected to favorable and unfavorable interactions that impact both Job Embeddedness and Employee Productivity (Akgunduz, Turksoy, & Nisari, 2023). SET suggests that employees should be treated well by the organization to foster high levels of Job

Embeddedness and reward them with equitable compensation to retain Employee Productivity(Pulawan & Nitiwidari, 2022).

The Perception of Fairness and Equality in Compensation positively contributes to Job Embeddedness among employees(Salem, Abbas, Mousa, Aideed, & Elbaz, 2023), as those with higher levels of Job Embeddedness tend to establish strong social connections with their organizations and exhibit greater enthusiasm for constructive work behavior, thereby reducing Turnover Intentions (Setiadi & Arieftiara, 2022). Conversely, reducing compensation leads to lower productivity, decreased Job Embeddedness, and increased Turnover Intentions (Steel & Ovalle, 2022). Employees experiencing reduced Job Embeddedness may demonstrate hostility in their productivity and feel less attachment and connection to their current jobs (Khairunisa & Muafi, 2022). Employees with lower levels of Job Embeddedness tend to spend more time exploring and pursuing alternative job options, diverting their attention from their current work and resulting in disengagement (Norouzinik, Rahimnia, Maharati, & Eslami, 2022).

The Punjab Vocational Training Council (PVTC), a Technical Education and Vocational Training (TEVT) organization consisting of 200 institutes in Punjab with 60,000 students across 55 disciplines per year, has encountered significant challenges resulting from unfairness and inequality in compensation and career growth compared to the industry. These challenges have manifested as increased Turnover Intentions and decreased employee productivity. In the fiscal year 2022-23 alone, approximately 10% of employees decided to leave the organization. Consequently, PVTC is faced with the immense task of retaining its human capital and ensuring its sustainability in the competitive TEVT sector. To address this issue, this study aims to examine the impact of Compensation Reduction, Job Embeddedness, Employee Productivity, and Turnover Intentions within the TEVT sector. By implementing a

competitive strategy that includes better HR policies, such as offering comparable compensation rates and improved career growth opportunities in comparison to other organizations in the TEVT sector, this sector can overcome the challenges of low productivity and high turnover.

Literature

Compensation Reduction and Turnover Intentions

Research argues that a reduction in compensation reduction entails a reduction in an employee's overall remuneration, which is infrequent in organizations, resulting in limited knowledge about the consequences that ensue when such cuts do happen. However, when compensation reductions do occur, they have been found to not only increase turnover intentions but also lead to a decline in sales (Sandvik, Saouma, Seegert, & Stanton, 2018). In a study conducted by Ferdian, Abrian, Suyuthie, Kasmita, and Sinensis (2022), it was demonstrated that compensation reduction plays a moderating role with both direct and indirect effects on turnover intentions and employee productivity. Based on the research conducted by Yoon and Sengupta (2023) regarding the impact of pay cuts and freezes on employee morale, previous studies have indicated that such measures not only affect employee morale but also contribute to an increase in work-life conflict, ultimately leading to intentions of leaving the organization.

Compensation Reduction and Employee Productivity

Dustin and Belasen (2013), in their research findings, indicate that when employees are faced with a decrease in compensation, individuals with higher pay levels exhibit relatively smaller changes in their effort compared to individuals with lower pay levels. Yin, Li, and Salmador (2021) have argued in their study that the adoption of compensation reduction policies

consistently yields negative effects, affecting not only individuals but also the performance of the firm. Based on a study conducted by Buehler (2021), it was suggested that the consequences of compensation downgrading are not limited to the performance of employees; they also extend to their morale. Therefore, as argued by Meese et al. (2021), there is a contention that organizations should be attentive to how perceptions of inequity impact the well-being of their employees. It is recommended that organizations adopt inclusive decision-making practices when allocating limited resources within the company.

Compensation Reduction, Perception of Fairness & Equality, Job Embeddedness, and Turnover Intentions

The empirical evidence demonstrates a strong positive connection between perceived fairness & equality with Job embeddedness (Zhou, Govindan, & Xie, 2020). Employees, who experienced a reduction in income, considering it a significant stressor, were more likely to perceive the pay cut as unfair. This perception of inequity can impact their level of job embeddedness and overall attachment to the organization (Meese et al., 2021). And in a study conducted by Cheng, Hasan, Tang, and Xie (2020), it was asserted that a reduction in pay not only affects the employees within an organization but also has repercussions for the top management. If such a decision is made, both groups may experience diminished support from stakeholders. Previous research has primarily concentrated on the role of fairness perception as a mediator in the relationship between pay cuts and freezes, suggesting that in addition to work-life conflict acting as a mediating factor, there exists a negative association between pay cuts/freezes and employees' intentions to leave their jobs (Yoon & Sengupta, 2023).

Earlier research has established a favorable association between Job Embeddedness and employee productivity, with prior studies predominantly linking productivity to

motivational elements (M. M. Hassan, Jambulingam, Narayan, Islam, & Zaman, 2021). Bhanbhro et al. (2021) suggested that job embeddedness plays a considerable moderating function in the relationship between workplace well-being and turnover intention. Additionally, their investigation disclosed that job embeddedness significantly moderates the relationship between workplace incivility and turnover intention. Hence, for effectively managing turnover intention among employees, it is advisable to consistently foster and enhance the level of job embeddedness for all individuals (Khairunisa & Muafi, 2022).

Ferdian et al. (2022) conducted a study that demonstrated the influence of work compensation on both the inclination to remain in a job and Job Embeddedness (Shrestha & Jena). Remarkably, JE acts as a mediator in the relationship between compensation and the desire to stay in a job, as illuminated by their research findings. Furthermore, drawing upon social exchange and reciprocity norm theories, the research conducted by Meredith (2022) presented further evidence regarding the connection between job embeddedness and turnover intention, examining its effects as a moderator. However, the study yielded divergent outcomes depending on controlled variables such as gender, age, race, and religion, and in research, the researchers have contended that job embeddedness serves mediator between perceptions of fairness & equality and employee productivity (Ali, Khan, Shakeel, & Mujtaba, 2022).

Hypotheses Structuring

- H1:** Compensation Reduction has a significant adverse impact on Job Embeddedness.
- H2:** Compensation Reduction significantly diminishes Employee Productivity.
- H3:** Compensation Reduction significantly contributes to higher Turnover Intentions.
- H4:** A noteworthy relationship exists between Job Embeddedness and Turnover Intentions.

H5: Job Embeddedness is significantly associated with Employee Productivity.

H6: Job Embeddedness, arising from the negative effects of Compensation Reduction, acts as a negative mediator between Compensation Reduction and Employee Productivity.

H7: Job Embeddedness, influenced by the negative consequences of Compensation Reduction, negatively mediates the link between Compensation Reduction and Turnover Intentions.

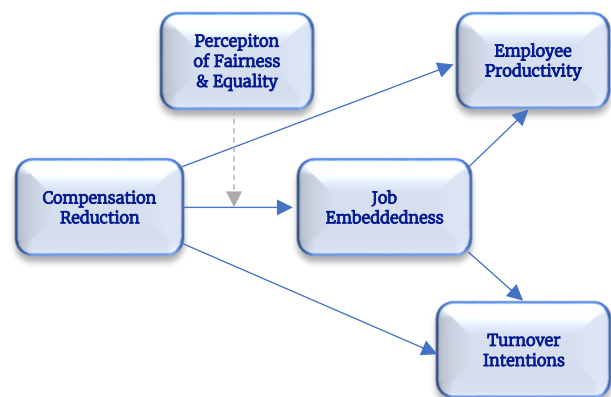
H8: Perception of Fairness & Equality moderates the effect of Compensation Reduction on Turnover Intentions through mediating the effect of Job Embeddedness.

H9: Perception of Fairness & Equality moderates the influence of Compensation Reduction on Employee Productivity through the mediating effect of Job Embeddedness.

Conceptual/Theoretical Framework

Figure 1

Conceptual/Theoretical Framework



Research Methodology

The TEVT Trainers, Officers, and Officials working in the TEVT sector have participated in this study, from which data was collected through a cross-sectional study design and a structured questionnaire designed through google forms was used. About 400 forms/questionnaires were distributed with a focus on TEVT trainers as the primary unit of analysis. The sample size of 289 TEVT trainers was determined to ensure adequate statistical

power for the study. The determination of the sample size referred to a table provided by Krejcie and Morgan (1970), in which 289 no. of participants are recommended as a sample size from a population of 1200 TEVT trainers employed in TEVT institutes. This sample size was considered representative for conducting inferential statistical analysis. Following the approach of previous researchers such as Syafril (2022), the study employed the Smart PLS-SEM application, which is widely used for exploring complex relationships in the field of human resource management for data analysis (Sudarsono et al., 2021).

Instrument Development

A self-administered questionnaire containing 10-items on the Job Embeddedness of (Yu, Ariza-Montes, Giorgi, Lee, & Han, 2020), the 03-Items on Turnover Intentions of (Yu et al., 2020), the 06-Items on Compensation Reduction of (Teclemichael Tessema & Soeters, 2006), the 08-items of Employee Productivity of (Alam, Hassan, Bowyer, & Reaz, 2020) and finally the perception of fairness and equality was measured by asking the 05-items to what extent the employees perceive that organization is positively comprising their level of compensation and treat equally (Katou, Budhwar, & Patel, 2014) Table no. 1.

Table 1

Construct	No. of Items	Source of scale	
Job Embeddedness	10	(Yu et al., 2020)	07-Point Likert Scale (Strongly Disagree 01 to Strongly Agree 07)
Turnover Intentions	03	(Yu et al., 2020),	
Compensation Reduction	06	(Teclemichael Tessema & Soeters, 2006)	
Employee Productivity	08	(Alam et al., 2020)	
Perception of Fairness & Equality	05	(Katou et al., 2014)	

Measurement Techniques

The assessment of the measurement model for Compensation Reduction, Perception of Fairness & Equality, Turnover Intentions, and Employee Productivity was conducted using Smart PLS 4 (Ramli, Latan, & Nartea, 2018) through confirmatory factor analysis (CFA). Various metrics to determine model fit were employed, including the chi-square (χ^2) value, which assesses the absolute fit of the model, as well as the Root Mean Square Error of approximation (RMSEA). A value below .08 indicates a strong concordance between the model and the observed data (Joseph F Hair, Ringle, & Sarstedt, 2012).

Results

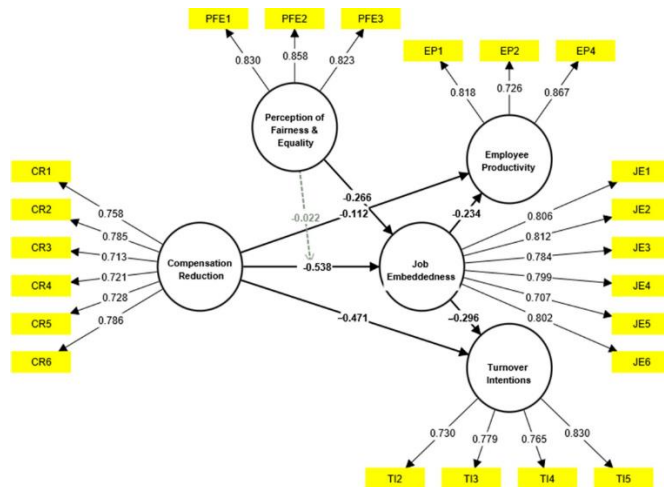
Measurement Assessment Model - Construct Validity & Reliability

The initial assessment criterion applied to evaluate the measurement model encompasses internal consistency, which entails examining the interconnectedness between measurement items and observed variables (Figure 2). It is important to emphasize that the latent variable underpinning this analysis elucidates the extent of variance captured by the items, thereby signifying the reliability of each individual item (Götz, Liehr-Gobbers, & Krafft, 2009). As outlined by Chin (1998), the standardized outer loadings of the latent construct, signifying absolute correlations, are anticipated to surpass

the threshold of 50%. The findings derived from the PLS measurement analysis, showcased in Table 2, established by (Chin, 1998, 2009).

Figure 2

Measurement Model Assessment Chart (Outer Loading, Path Coefficient)



Measurement Assessment Model - Composite Reliability, Cronbach's Alpha & Convergent Validity (Average Variance Extracted)

The reliability of constructs at the composite level was assessed using Internal Consistency

tools through a measurement assessment model as narrated in table number 2, for which the threshold was defined by Nunnally & Bernstein (1994), which is 0.70 and 0.6 for Cronbach's alpha defined by (Cronbach, 1951). The assessment of convergent validity, as outlined by (Mertler, Vannatta, and Lavenia (2021), revolves around the accurate representation of items that encapsulate the underlying theoretical concept. Convergent validity ensures that responses obtained from distinct measures exhibit correlation and correspond to the same construct (Peter, 1981). Moreover, it confirms the unidimensionality of the item set (Henseler, Ringle, & Sinkovics, 2009). The AVE values for each latent variable, as presented in Table 2, surpassed the recommended threshold of 0.5 (50%), signifying that each construct elucidated more than half of the variance within its measuring items (Fornell & Larcker, 1981). Multicollinearity assessment (inner VIF) adhered to guidelines set forth by (Pallant, 2020), where VIF values above 10 or below 0.1 indicate the presence of multicollinearity.

Table 2

Internal Consistency, Convergence Validity, Cross Loadings

Constructs & Indicators		Factor Loadings	Alpha	Rho_c	AVE	VIF
Compensation _Reduction	CR1 <- CR	0.758	0.844	0.885	0.561	2.113
	CR2 <- CR	0.785				1.933
	CR3 <- CR	0.713				1.674
	CR4 <- CR	0.721				1.846
	CR5 <- CR	0.728				1.721
	CR6 <- CR	0.786				2.467
Employee _Productivity	EP1 <- EP	0.818	0.771	0.847	0.649	1.970
	EP2 <- EP	0.726				2.034
	EP4 <- EP	0.867				1.313
	JE1 <- JE	0.806				2.187
Job Embeddedness	JE2 <- JE	0.812	0.876	0.906	0.617	2.113
	JE3 <- JE	0.784				2.093
	JE4 <- JE	0.799				2.182
	JE5 <- JE	0.707				1.601

Perception of _Fairness & Equality (Employee Reactions)	JE6 <- JE	0.802				2.085
	PFE1 <-	0.830				1.664
	PFE2 <-	0.858	0.786	0.875	0.700	1.717
	PFE3 <-	0.823				1.571
	TI1	0.824				1.406
Turnover _Intentions	TI2	0.787				1.561
	TI3	0.729	0.780	0.859	0.604	1.488
	TI4	0.776				1.828
	TI5	0.810				2.113

Measurement Model Assessment – Discriminant Validity Measurement

Discriminant validity underwent a comprehensive evaluation employing the Fornell Larcker Criterion as the initial step, followed by Cross Loading, subsequently, the HTMT approach. The criterion mandates that the AVE's square root should exceed the inter-correlations, indicating a construct's capacity to explain more variance with its own items than with items from other constructs. As presented in Table 3, affirming their discriminant validity, in conjunction with reliability assessments, contributes to the endorsement of the measurement model's credibility.

The Cross-Loading Matrix, serving as the second method for assessing discriminant

validity, entails that item loadings on one construct surpass their loadings on other constructs. This substantiates the items' effective measurement of the intended construct (Straub, Boudreau, & Gefen, 2004). In this study, the Cross-Loading technique, illustrated in Table 3, confirms the intended measurement, with all items exhibiting their highest loadings on the corresponding constructs.

The third approach employed to confirm discriminant validity is the HTMT. To adhere to this method, (Henseler, Ringle, & Sarstedt, 2015) recommended maintaining HTMT values below 0.90 and results indicating 0.857 (Table 3), thus satisfying the discriminant validity criterion, given that the value falls below the stipulated threshold of 0.90.

Table 3

Discriminant Validity- (Fornell Larcker Criterion), Cross Loading, HTMT

Fornell & Larcker Criterion					
Constructs	CR	PFE	EP	JE	TI
CR	0.749				
PFE	0.090	0.806			
EP	0.656	0.040	0.786		
JE	0.439	0.077	0.511	0.837	
TI	0.666	0.124	0.605	0.574	0.777
Heterotrait Monotrait Ratio					
Constructs	CR	PFE	EP	JB	TI
CR					

PFE		0.105			
EP		0.758	0.048		
JE		0.538	0.102	0.608	
TI		0.807	0.134	0.731	0.745
Cross Loadings					
CR-1	0.758	0.041	0.467	0.286	0.598
CR-2	0.785	0.108	0.546	0.343	0.495
CR-3	0.713	0.016	0.440	0.291	0.364
CR-4	0.721	0.024	0.526	0.267	0.405
CR-5	0.728	0.104	0.491	0.403	0.499
CR-6	0.786	0.097	0.480	0.376	0.591
EP-1	0.074	0.818	0.045	0.099	0.076
EP-2	0.017	0.726	0.005	0.054	0.039
EP-4	0.087	0.867	0.030	0.040	0.138
JE-1	0.559	0.025	0.806	0.420	0.488
JE-2	0.468	0.032	0.812	0.432	0.495
JE-3	0.461	0.032	0.784	0.406	0.458
JE-4	0.522	0.020	0.799	0.397	0.510
JE-5	0.457	0.001	0.707	0.248	0.411
JE-6	0.609	0.070	0.802	0.479	0.484
PFE-1	0.367	0.030	0.404	0.830	0.466
PFE-2	0.341	0.062	0.455	0.858	0.455
PFE-3	0.398	0.102	0.422	0.823	0.521
TI-2	0.452	0.065	0.467	0.665	0.730
TI-3	0.570	0.153	0.434	0.330	0.779
TI-4	0.516	0.082	0.501	0.364	0.765
TI-5	0.524	0.083	0.480	0.449	0.830

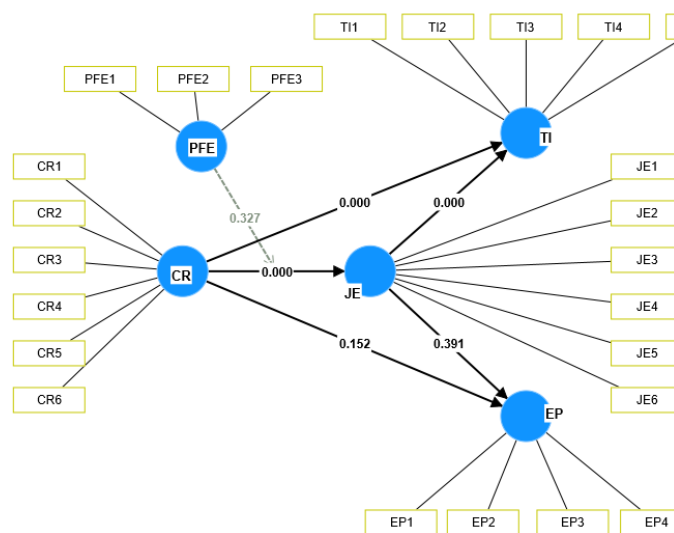
Structural Model Assessment

The established measurement model underwent analysis. Subsequently, the validity of the structural model was assessed as outlined by

Chin (2009). The benchmark threshold values and their corresponding descriptions were systematically examined.

Figure 3

Conceptual Framework under Process method (CoMe Analysis) (Inner Model with P-Values)



Structural Model Assessment - Coefficient of Determination (R²)

According to Klärner and Raisch (2013), the R² outcomes for this study are presented in Table 4. The R² values for Job Embeddedness stand at 0.493, indicating a substantial level of explanation. Meanwhile, Employee Productivity demonstrates a weak level with an R² of 0.009, and Turnover Intentions exhibit a substantial level with an R² of 0.493. These R² levels align with the standards of acceptance, where values of 0.02 (weak), 0.13 (moderate), and 0.26 (substantial) are observed, consistent with the literature (Cohen, Cohen, West, & Aiken, 2013). The obtained R² values of 1% and 49% in this study signify a moderately acceptable level of prediction in empirical research (Bhunia, 2013; Gaur & Gaur, 2006).

Structural Model Assessment - Effect Size (F₂)

Effect sizes are categorized (0.00 to 0.15 as small), (0.16 to 0.35 as medium), or (above 0.35 as large) (Sarstedt, Ringle, & Hair, 2021). The study results, detailed in Table 4, indicate a small effect on Employee Productivity (0.027), a

medium effect on Turnover Intentions (0.318), and a large effect on Job Embeddedness (0.455).

Structural Model Assessment - Predictive Relevance (Q²)

In terms of Predictive Relevance (Q²) values:

- For Employee Productivity, the Q²predict value is -0.003, suggesting a limited predictive relevance. And the Mean Absolute Error (MAE) is 0.833, and the Root Mean Square Error (RMSE) stands at 1.009.
- For Job Embeddedness, the Q²predict value is 0.474, indicating a notable level of predictive relevance. The RMSE is 0.731, and the MAE is 0.544.
- For Turnover Intentions, the Q²predict value is 0.473, similarly indicating a significant predictive relevance. The RMSE is 0.730, and the MAE is 0.532.

These results suggest that Job Embeddedness and Turnover Intentions have a higher level of predictive relevance compared to Employee Productivity, as illustrated in Table 4.

Structural Model Assessment - Model Fitness

Through Smart PLS4, the model fit guides were used to assess in what way fit the estimated model fits the observed data and how well the model represents the causal associations among the variables in the data. As per standards, Generally, lower values for fit indices indicate a better fit of the model to the data. The values of SRMR (Standardized Root Mean Residual) under the saturated model is 0.076, and underestimated model is 0.083 indicating a good fit because the lower the SRMR, the better the model fit, and both values are relatively low, indicating a good fit. The Degree of Unweighted Least Square (d_ULS) indicated through analysis under the saturated model is 1.477, and under the estimated model is 1.741 in the acceptable range because the smaller values indicate a better model fit. The estimated model's value is slightly higher than the saturated model, but it is still within an acceptable range. The Degree of Geodesic (d-G)

indicating the values under the saturated model is 0.655 and under the estimated model is 0.691, which are similar to d_uls, yet lower values are preferred. Both values are relatively close, suggesting a reasonably good fit. The chi-square values under the saturated model are 1144.926, and under the estimated model, are 1177.603, which is being used to assess the change between the detected and expected covariance matrices. In most cases, a significant p-value (usually $p < 0.05$) indicates a poor fit. But the values extracted

through analysis under this study are relatively close, indicating a reasonably good fit. The Normed Fit Index (NFI) under the saturated model is 0.686, and under the estimated model is 0.677. NFI ranges from 0 to 1, with higher values indicating a better fit. Both values are close, suggesting a reasonably good fit (Table 4).

Therefore, keeping in view the Model Fit Indices, the estimated model seems to have a reasonably good fit for the data.

Table 4
R-Square Result

Construct	Coefficient of Determination (R2)		Effect Size (F ²)	Predictive Relevance (Q2)			Model Fitness		
	R ²	R ² Adjusted	F ²	Q ²	RMS E	MAE	Measure	Saturated Model	Estimated Model
Employee Productivity	0.429	0.427	0.027	–0.003	1.009	0.833	SRMR	0.076	0.083
Job Embeddedness	0.612	0.608	0.445	0.474	0.731	0.544	d_uls	1.477	1.741
Turnover Intentions	0.479	0.249	0.318	0.473	0.730	0.532	d_G	0.655	0.691
							Chi-square	1144.926	1177.603
							NFI	0.686	0.677

Structure Model Assessment – Direct Effects – Path Coefficient Analysis

The conventional technique for exploring mediation effects in regression analysis was initially introduced by (Baron & Kenny, 1986; Sobel, 1982). However, researchers have put forth alternative methodologies to address this matter, as suggested by (Joe F Hair, Ringle, & Sarstedt, 2011); Henseler (2010), MacKinnon, Lockwood, and Williams (2004). Iacobucci, Saldanha, and Deng (2007) proposed an alternative approach for testing mediating effects using PLS-SEM, encompassing both endogenous and exogenous

variables. Despite the growing popularity of PLS-SEM in mediation analysis, there remains a gap in comprehensive comparisons with traditional regression analysis.

To anticipate trends and analyze the impacts of specific pathways, a nonparametric technique called bootstrapping was employed. Bootstrapping assesses the statistical significance of various factors, including Path Coefficient, Direct Effects, Specific Indirect Effects, and Total Effects, along with Lower Level Confidence Interval of 5% and Upper-Level

Confidence Interval at 95%, using 10,000 bootstrap samples (Hair Jr et al., 2021).

To achieve this, the Conditional Mediation-CoMe Analysis was executed. This method combines mediation and moderation analyses to explore and assess how mediated relationships vary due to contextual factors, following the approach proposed by (Hayes, 2018); Preacher and Hayes (2004). The CoMe index quantifies the impact of a moderator on a mediated relationship (Hayes, 2015). A significant departure from zero in the CoMe index indicates that a conditional mediation effect is influenced differently at varying levels of the moderator (Hayes, 2018; Igartua & Hayes, 2021).

Structure Model Assessment – Hypothesis Testing (Direct Effects-Model-I)

Hypothesis 1: This assesses the association between Compensation Reduction and Job Embeddedness, and the results supported by the findings that Compensation Reduction has a significant negative influence on Job Embeddedness, with a Beta= -0.538, $t= 3.366$, $P< 0.000$. This suggests that reduction in compensation has a negative effect on Job Embeddedness and it reduces Job embeddedness which was also argued by researchers in their research that Compensations Reduction is one of the forces that directly or indirectly affect Job embeddedness (Ampofo & Karatepe, 2022; Khairunisa & Muafi, 2022).

Hypothesis 2: Under hypothesis 2, the association between Compensation Reduction and Employee Productivity was assessed, and the results indicate a negative effect of

Compensation Reduction on Employee Productivity with Beta= -0.112, $t= 3.037$, $P< 0.001$, and it is also supported by previous research made by Winda, Nayati, and Arik (2017) that the reduction in compensation, directly and indirectly, affects both career development and employee performance, including work quality.

Hypothesis 3: The influence of Compensation Reduction on Turnover Intentions was assessed, and the results indicated that Beta= -0.471, $t= 7.226$, and $P< 0.000$ has a significant negative effect, and the study made by Z. Hassan (2022) also highlights the importance of reward and compensation in employee retention and suggests that compensation reduction may have a negative effect on employee turnover.

Hypothesis 4 & 5: Under this study assessed the influence of Job Embeddedness on Turnover Intentions and Employee Productivity. The extracted results revealed the strong positive influence of Job Embeddedness over Turnover Intentions as it reduces job turnover intentions with Beta= 0.295, $t= 3.280$, $P< 0.003$ and increases Employee Productivity with Beta= -0.234, $t= 6.386$, $P<0.000$. The results were also supported by previous research (Zia, 2022 #10) (Ampofo & Karatepe, 2022) in which it was argued that when employees have strong links and social connections within the organization, they may feel a sense of belonging and support, reducing their intentions to leave and high levels of fit between an individual's values and the organization's culture and mission can create a sense of purpose and satisfaction, decreasing turnover intentions.

Table 5

PLS-SEM (Structural Measurement Model Assessment- Hypothesis Testing-Model I)

PLS-SEM (Bootstrapping)				
Hypothesis & Path	Beta	T	P	Results
H1: Compensation Reduction -> Job Embeddedness	-0.538	3.366	0.000	Accepted
H2: Compensation Reduction -> Employee Productivity	-0.112	3.037	0.001	

H3: Compensation Reduction -> Turnover Intentions	-0.471	7.226	0.000
H4: Job Embeddedness -> Turnover Intentions	-0.295	6.386	0.000
H5: Job Embeddedness -> Employee Productivity	-0.234	3.280	0.003

Structure Model Assessment - Indirect Effect (Mediation Analysis Model-II)

Hypothesis 6 (H6): H6 Shown the results, after applying the Process method through smartPLS-4 with bootstrapping technique @ sample of 10000, with single-tailed with biased accelerated at 0.5 percent significance level, that Job Embeddedness under negative effects of Compensation Reduction also has negative effect over Turnover Intentions and the F-Square effect size $F^2 = 0.318$ as indicated in table 4 showed that due to negative effect of Compensation Reduction, Job Embeddedness of employees decreased and its effect on Turnover Intentions increased.

However, their job satisfaction and commitment might continue to erode over time, eventually leading to decreased productivity and an increased desire to leave once better opportunities arise (Ohunakin & Olugbade, 2022). The values of the results with Beta=-0.671, T=7.226, P< .000 reflect the negative consequences of managerial decision of Compensation Reduction as researchers have argued in their studies the reduction in compensation not only results in weakening Job Embeddedness but also increases the turnover intentions like employees who feel injustice and

unfair deduction of compensation have low level of loyalty and affiliations with organization and its intentions of leave the organization increased (Effendy et al., 2023; Ghafoor, Ansari, & Moazzam, 2021; Obaze, Samikon, & Ogbodoakum, 2023) and this is the price of change context, under which the potential negative consequences that TEVT sector is facing as the ratio of employee turnover during last year increased and potential damaging the TEVT sector's reputation and employee morale.

Hypothesis 7 (H7): H7 was processed in the same manner as H6, and the extracted results revealed from smartPLS-4 reflecting the scenario with Beta = -0.125, T=3.037, P<0.001 that Compensation Reduction also affected Employee Productivity because the employees who are experiencing a reduction in their compensation, leading them to feel of demotivation and decreased job satisfaction. Employees might feel that their hard work is not being appropriately rewarded, leading to a decline in their commitment and engagement with their tasks. This can result in a drop in overall productivity, as employees Embeddedness has a lower negative effect on Employee Productivity (Anjanarko & Jahroni, 2022; Arninda, 2023; Hidayati & Zulher, 2022; Nurlina, 2022)

Table 6

Mediation Analysis Model -II

PLS-SEM (Bootstrapping) Mediation Analysis													
Total Effect				Total indirect effect				Specific Indirect Effects					
Path	B	T	P	Path	B	T	P	Path	B	T	P	LLCI 5%	ULCI 95%
CR -> EP	-0.125	3.037	0.001	CR -> EP	0.112	3.475	0.000	CR -> JE -> EP	0.013	0.265	0.001	0.114	0.326
CR -> TI	-0.697	7.226	0.000	CR -> TI	0.471	2.267	0.012	CR -> JE -> TI	0.226	3.475	0.000	0.097	0.168

Structure Model Assessment – Moderation Analysis (Model-III)

Further moderation effect in the relationship of Compensation Reduction on Turnover Intentions and Employee Productivity through Job Embeddedness was examined by a factor of Perception of Fairness & Equality. Initially, it was assessed without the inclusion of the moderating effect, and the value of R^2 value for Job Embeddedness was 0.422 showing a 42.2% change in Job Embeddedness and with the inclusion of interaction terms $PFE \times CR \rightarrow JE \rightarrow TI$ R^2 raised to 0.494 demonstrating a 7.2% rise and $PFE \times CR \rightarrow JE \rightarrow EP$ R^2 lowered to -0.004 demonstrating an adverse effect.

Moderation Effect

Under hypothesis 8 (H8) & hypothesis 9 (H9), the moderation effect of the Perception of Fairness and Equality was examined through a conditional mediation process under smartPLS4 with the bootstrapping process. The conditional indirect effects of Perception of Fairness & Equality on the mediating effect of Compensation Reduction on Turnover Intentions and Employee Productivity through Job Embeddedness were reflected with Beta = -0.014, $T=4.445$, $P<0.003$ and with Beta = -0.005, $t=0.447$, $P<0.002$, indicating that the results showing no moderation effect.

Table 7

PLS-SEM (Model-III Moderation Analysis)

	Hypothesis & Path	Beta	T	P	Hypothesis Results
Model III (with Moderation effects)	H8: Moderation Effect ($PFE \times CR$)-> $JE \rightarrow TI$	-0.014	4.445	0.003	Accepted
	H9: Moderation Effect ($PFE \times CR$)-> $JE \rightarrow EP$	-0.003	0.447	0.002	Rejected

F-Square

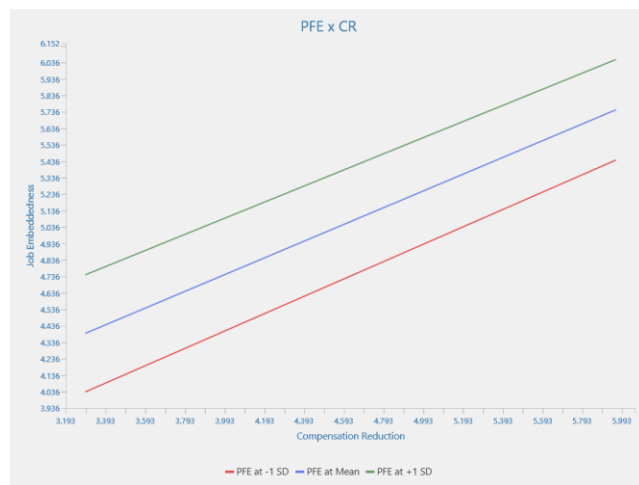
Further F^2 test was conducted to check the significance of the moderation effect in accordance with guidelines provided by (Cohen, 1992). In path $CR \times PFE \rightarrow JE \rightarrow TI$, the F-Square effect size was 0.024, which suggests that there is a large negative moderating effect of ($CR \times PFE$) in the model. Specifically, it confirms that Perception of Fairness and Equality weakens the relationship between Compensation Reduction and Job Embeddedness, which has ultimately effects on Turnover Intentions and in the path ($PFE \times CR$)-> $JE \rightarrow EP$, the F-Square effect size was very small, which is @ -0.003 and hypothesis was rejected. The findings of the

previous researchers also support these results as the fairness factor in the reduction of compensation has an inverse relationship with turnover intentions and employee productivity (Berry, 2010 #6)(Ohunakin, 2022 #7)(Nambejja, 2023 #8).

Simple Slope Analysis

In Figure 4, a slope analysis has been included to make the moderating effect clearer. The line appears to be steeper when Compensation Reduction is low, suggesting that the impact of Job Embeddedness on Turnover Intentions is more pronounced when Perception of Fairness & Equality is low (Wang et al., 2022).

Figure 3
Slope Analysis



Discussion

The present study delved into the intricate dynamics of Compensation Reduction, Perception of Fairness & Equality, Job Embeddedness, Employee Productivity, and Turnover Intentions within the context of the TEVT sector in Punjab, Pakistan. The examination of these factors sheds light on the interplay between compensation-related changes, employees' perceptions of fairness and equality, their commitment to the organization, productivity levels, and intentions to leave.

The conclusions of this research substantiate numerous established theories in the field of human resource management. The role of Job Embeddedness as a crucial mediator in the relationship between Compensation Reduction and Employee Productivity is consistent with existing research (Chen & Management, 2022; Zia et al., 2023). The negative influence of Compensation Reduction on Job Embeddedness and its subsequent impact on Turnover Intentions align with social exchange theory, highlighting the importance of employee-organization relationships (Stofberg, Bussin, & Mabaso, 2022).

Moreover, the moderating effect of the Perception of Fairness & Equality on the association between Compensation Reduction

and Turnover Intentions emphasizes the significance of distributive justice and its implications for turnover decisions (Raza, Ul Hadi, Mujtaba, & Economics, 2022; Truitt, 2023). The study contributes to the understanding of how these theoretical constructs interact within the unique context of the TEVT sector, thereby enriching existing knowledge.

The findings of this study carry meaningful, practical implications for organizations, particularly those operating within the TEVT sector. The identified negative impact of Compensation Reduction on Job Embeddedness emphasizes the need for organizations to prioritize fair and equitable compensation systems. By ensuring that employees perceive their compensation as just and equal, organizations can mitigate the erosion of their social ties and affiliations, thereby fostering a higher level of commitment and Job Embeddedness.

Furthermore, the study underscores the importance of addressing Turnover Intentions through a holistic approach. Recognizing that employees' perceptions of fairness and equality play a vital role in moderating the association between Compensation Reduction and Turnover Intentions, organizations should prioritize the communication of transparent compensation policies and equitable practices. This approach can lead to higher levels of Job Embeddedness and reduced Turnover Intentions.

While this study contributes valuable insights, it is essential to acknowledge its limitations. The research was confined to the TEVT sector in Punjab, Pakistan, limiting the generalizability of the findings to other sectors or regions. Additionally, the study predominantly relied on self-reported data, which might introduce common method bias and potential response biases. Future research could address these limitations by employing diverse samples and incorporating objective performance metrics.

Conclusion

In conclusion, our study navigated the intricate connections within the TEVT sector, focusing on the repercussions of Compensation Reduction and the role of Perception of Fairness & Equality. These factors intertwine to influence Employee Productivity and Turnover Intentions, offering insights into the broader organizational picture. Our findings highlighted a significant link between Compensation Reduction and reduced Job Embeddedness, weakening affiliations and associations over time. This erosion resulted in lower Employee Productivity and heightened Turnover Intentions, painting a portrait of a TEVT sector struggling with turnover and diminished productivity. This study emphasizes the urgency for the TEVT sector to prioritize fair compensation practices, countering misconceptions arising from compensation cuts. This shift holds implications beyond the surface, affecting the organization's intellectual assets and the costs incurred to retain them. Guided by social exchange theory, our research emphasized the concept of Job Embeddedness, capturing how employees connect with their organizations. The TEVT sector's current state underscores the importance of strategic interventions to reverse these negative trends. Our study provides a roadmap for the TEVT sector, advocating for equitable compensation policies to safeguard intellectual capital. It also highlights the significance of perceived fairness and equality in nurturing Job Embeddedness. By addressing these gaps, our work offers practical guidance for fostering a more positive organizational environment in Punjab's TEVT sector.

Future Research Directions

Building on the present study's foundation, future research could explore these relationships across different sectors and regions to ascertain the universality of the findings. Additionally, investigating the long-term effects of addressing the Perception of Fairness & Equality on Employee Productivity and Turnover Intentions

could yield insights into sustainable HRM practices.

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Annexure

The study is being conducted by Asghar Hayyat & Sara Iftikhar Ph.D. Scholars, at Ghazi University Dera Ghazi Khan. The primary objective of this study is to highlight the importance of Perception of Fairness and Equality of employees regarding Compensation Reduction which is the core cause of getting weakened the Job Embeddedness resulted in lower employee productivity and their turnover intentions. Therefore, you have been requested to share your response toward this issue. I assure you that any response you make will be strictly confidential and used only for this research study. If you have any query, you can contact at E-mail: asgharhayyat@gmail.com or Cell: 0092 333 6481634.

Section 1: (Demographic Variables)

1 Gender	Male	Female	Others
2 Age	18-30	31-45	46-60
3 Qualification	Graduate	Masters	Above
4 TEVT (Link)	Administration	Gradute	
5 District	Bhakkar	Layyah	Kot Addu Dera Ghazi Khan Muzaffargarh Rajanpur

Section 2: (Research Variables)

Please Tick (✓) your responses using the following scale:

(1= Strongly Disagree, 2= Disagree, 3= Somewhat Disagree, 4=Neutral, 5= Somewhat Agreed, 6= Agree, 7=Strongly Agree)

Item	Code & Questions	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agreed	Agree	Strongly Agree
Employee Productivity								
1	E1: How often do you successfully complete your tasks within the given time frame, considering the impact of Compensation Reduction on your ability to meet work deadlines?	1	2	3	4	5	6	7
2	E2: To what extent are you able to generate innovative solutions to work-related challenges, even when facing the effects of Compensation Reduction?	1	2	3	4	5	6	7
3	E3: How satisfied are you with the quantity of your work output, and how does this perception relate to Compensation Reduction?	1	2	3	4	5	6	7
4	E4: To what degree do you believe the production targets set by the company are attainable for you, considering the effects of Compensation Reduction?	1	2	3	4	5	6	7
5	E5: How effectively do you minimize wastage of raw materials while performing your tasks, given the context of Compensation Reduction?	1	2	3	4	5	6	7
6	E6: How focused are you on your work tasks without engaging in non-productive conversations, considering the influence of Compensation Reduction?	1	2	3	4	5	6	7
7	E7: How content are you with the quality of your work output, and how does this satisfaction correspond with Compensation Reduction?	1	2	3	4	5	6	7

8	E8: How well do you meet the technical requirements of your work processes, taking into account the impact of Compensation Reduction on your performance?	1	2	3	4	5	6	7
	Perception of Fairness & Equality							
9	PFE1: To what extent are you satisfied with the level of training provided in your current job, and how does this perception relate to Compensation Reduction?	1	2	3	4	5	6	7
10	PFE2: How satisfied are you with your pay, and how does this satisfaction intersect with Compensation Reduction?	1	2	3	4	5	6	7
11	PFE3: How much pride do you feel in being associated with your organization, and how is this sentiment influenced by Compensation Reduction?	1	2	3	4	5	6	7
12	PFE4: How likely are you to help colleagues with heavy workloads, and how does this willingness relate to your perception of Compensation Reduction?	1	2	3	4	5	6	7
13	PFE5: How would you rate the effectiveness of your organization in meeting its objectives, considering the effects of Compensation Reduction on this perception?	1	2	3	4	5	6	7
14	Compensation Reduction	1	2	3	4	5	6	7
15	CR1: To what extent does the presence of an attractive compensation system impact your commitment to the organization, even when Compensation Reduction is implemented?	1	2	3	4	5	6	7
16	CR2: How does the presence of equitable internal salary structures influence your perception of Compensation Reduction and its effects?	1	2	3	4	5	6	7
17	CR3: How does the presence of equitable external salary benchmarks influence your perception of Compensation Reduction and its implications?	1	2	3	4	5	6	7
18	CR4: To what extent does the presence of a salary system that reflects performance impact your commitment and motivation, considering Compensation Reduction?	1	2	3	4	5	6	7
19	CR5: How does the presence of a salary structure that encourages better performance relate to your overall job satisfaction, amid the context of Compensation Reduction?	1	2	3	4	5	6	7
20	CR6: To what degree does a salary that reflects the standard of living affect your motivation and dedication, despite the occurrence of Compensation Reduction?	1	2	3	4	5	6	7
21	Job Embeddedness	1	2	3	4	5	6	7
22	JE1: How effectively does your job utilize your skills and talents, even when facing Compensation Reduction, and how does this influence your commitment?	1	2	3	4	5	6	7
23	JE2: To what extent do you feel you are a good match for the organization, and how does this alignment relate to Compensation Reduction?	1	2	3	4	5	6	7
24	JE3: How highly do you perceive your abilities to be evaluated by the organization, and how does this assessment correspond to the effects of Compensation Reduction?	1	2	3	4	5	6	7
25	JE4: How well do you perceive a fit between your working style and the organization's, despite the occurrence of Compensation Reduction?	1	2	3	4	5	6	7

26	JE5: How strong are your relationships with fellow employees, and how do these connections contribute to your sense of commitment, even when faced with Compensation Reduction?	1	2	3	4	5	6	7
27	JE6: How effectively do you communicate and collaborate with employees from other teams, and how does this connectivity relate to your commitment in the context of Compensation Reduction?	1	2	3	4	5	6	7
28	JE7: To what extent are you a member of social clubs within the organization, and how does this involvement impact your commitment, even amid Compensation Reduction?	1	2	3	4	5	6	7
29	JE8: How well do the well-being benefits provided by the organization contribute to your sense of commitment, despite the presence of Compensation Reduction?	1	2	3	4	5	6	7
30	JE9: To what extent do you feel adequately compensated for your level of performance, and how does this compensation relate to your commitment amidst Compensation Reduction?	1	2	3	4	5	6	7
31	JE10: How willing are you to sacrifice for the organization, and how do these sacrifices relate to your commitment, even when facing Compensation Reduction?	1	2	3	4	5	6	7
32	Turnover Intentions	1	2	3	4	5	6	7
33	TI1: How likely are you to actively seek a new job next year, considering the impact of Compensation Reduction on your intention to leave?	1	2	3	4	5	6	7
34	TI2: How often do you contemplate quitting your current job, and how is this inclination influenced by the occurrence of Compensation Reduction?	1	2	3	4	5	6	7
35	TI3: How probable is it that you will search for a new job next year, and how does this likelihood relate to your perception of Compensation Reduction?	1	2	3	4	5	6	7