

**Majors: HRM  
S.No. H38**

**“Analyzing the Impact of Compensation Equity on Employee Turnover Intention and the Mediating Effect of Job Satisfaction in the Restaurant Industry in Islamabad”**



**By:**

***(Sania Zafar)***

***(01-321222-042)***

**Supervisor:**

***(Qurat-ul-Ain Waqar)***

**Department of Business Studies**

**Bahria University Islamabad**

**Fall 2023**

# FINAL PROJECT/THESIS APPROVAL SHEET

## Viva-Voce Examination

Viva Date 29 / 01 / 2024

**Topic of Research:** (Analyzing the Impact of Compensation Equity on Employee Turnover Intention and the Mediating Effect of Job Satisfaction in the Restaurant Industry in Islamabad)

**Names of Student(s):**

Enroll #

- Sania Zafar

01-321222-042

**Class:** (MBA 1.5)

**Approved by:**

---

**(Qurat-ul-Ain Waqar)**

Supervisor

---

**(Hira Idrees)**

Internal Examiner

---

**(M. Jaffer)**

External Examiner

---

**Dr.Syed Haider Ali Shah**

Research Coordinator

---

**Dr.Khalil Ullah Mohammad**

Head of Department

Business Studies

## ABSTRACT

The restaurant industry worldwide grapples with persistent high turnover rates, with emerging economies, notably Pakistan, facing pronounced challenges in this regard. While restaurants contribute significantly to economic expansion and job development, the sector contends with operational risks, particularly employee turnover, rendering it high-risk for investors. In Islamabad, the vibrant restaurant industry, integral to the city's cultural and economic vitality, confronts the pressing issue of retaining skilled and motivated workers, as evidenced by prevalent high turnover rates. This research delves into the crucial examination of how compensation equity impacts employee turnover intentions within the restaurant sector, with a particular focus on the mediating role of job satisfaction. Utilizing self-administered questionnaires distributed among 300 employees in restaurant industry in Islamabad through stratified random sampling, the study employed SPSS and smart-PLS for data analysis. The findings robustly supported all hypotheses (H1–H3), establishing a significant correlation between compensation equity and turnover intentions. Notably, the study affirmed the mediating influence of job satisfaction in the relationship between compensation equity and these critical outcomes. The practical implications of this research extend to policymakers and organizational managers, offering valuable insights into the dynamics of employee turnover intentions, particularly as influenced by enhanced compensation equity strategies. By illuminating the complex relationship between wage fairness and employee turnover intentions in the restaurant industry, this study closes a significant research gap and adds to the body of knowledge. Keywords: Employee turnover intention, job satisfaction, compensation equity, TRA, and the Pakistani restaurant industry. The study builds on the theory of reasoned action, expanding its application to investigate how compensation equity, in conjunction with job satisfaction, shapes employees' behavioral intentions in the restaurant industry. As a result, the study's conclusions provide insight into the complex function that pay equity plays in raising job satisfaction and decreasing the likelihood of employee turnover in the particular setting of Islamabad's restaurant sector.

## Table of Contents

FINAL PROJECT/THESIS APPROVAL SHEET .....	2
ABSTRACT .....	3
CHAPTER 1.....	7
INTRODUCTION.....	7
1.1 Introduction .....	7
1.2 Scope of the Study.....	9
1.3 Significance of Study .....	10
1.4 Statement of Research Problem .....	10
1.5 Research Questions and Objectives.....	11
1.6 Research Gap and Contributions .....	13
1.7 Key Concepts and Definitions .....	14
1.8 Structure of the Thesis.....	14
CHAPTER 2.....	16
LITERATURE REVIEW .....	16
2.1 Introduction .....	16
2.2 Theories Employed for This Study.....	16
2.2.1 Theory of Reasoned Action (TRA) .....	16
2.2.2 Equity Theory .....	17
2.3 Theoretical Framework .....	17
2.4 Compensation Equity Defined .....	18
2.4.1 Compensation Equity and its Application .....	19
2.4.2 The Nature of Compensation Equity.....	19
2.4.3 Functions of Compensation Equity .....	19
2.4.4 Summary of Compensation Equity.....	20
2.5 Job Satisfaction Defined .....	20
2.5.1 Job Satisfaction and Its Application.....	21
2.5.2 Nature of Job Satisfaction .....	21
2.5.3 Functions of Job Satisfaction.....	22
2.5.4 Summary of Job Satisfaction .....	22
2.6 Employee Turnover Intention Defined.....	22
2.6.1 Employee Turnover Intention and Its Application .....	23
2.6.2 Nature of Employee Turnover Intention .....	23

2.6.3	Function of Employee Turnover Intention .....	23
2.6.4	Summary of Employee Turnover Intention .....	24
2.7	Hypothesis Development .....	24
2.7.1	Compensation Equity and Employee Turnover Intention .....	24
2.7.2	Mediation: Job Satisfaction .....	25
2.7.3	Compensation Equity and Job Satisfaction .....	25
2.8	Summary .....	26
CHAPTER 3.....		27
RESEARCH METHODOLOGY.....		27
3.1	Introduction .....	27
3.2	Research Design .....	27
3.3	Research Process.....	28
3.4	Data Collection Technique .....	28
3.5	Population and Sampling .....	29
3.5.1	Sample Size .....	29
3.6	Instrumentation .....	30
3.7	Measurement Scales and Items .....	30
3.7.1	Compensation Equity .....	30
3.7.2	Turnover Intention Scale .....	30
3.7.3	Job Satisfaction.....	31
3.8	Pilot Test.....	31
3.9	Ethical Considerations.....	31
CHAPTER 4.....		33
FINDINGS AND ANALYSIS .....		33
4.1	Introduction .....	33
4.2	Statistical Tool .....	33
4.3	Demography.....	33
4.4	Descriptive Statistics .....	34
4.5	Regression Analysis .....	35
4.6	Validity and Reliability Analysis.....	36
4.7	Correlation Analysis .....	37
	Compensation Equity-Employee Turnover Intention.....	37
	Job Satisfaction-Employee Turnover Intention .....	37

Compensation Equity-Job Satisfaction .....	38
4.8    Structural Model Test .....	38
4.9    Summary .....	39
CHAPTER 5.....	40
DISCUSSIONS AND LIMITATIONS .....	40
5.1    Introduction .....	40
5.3    Contributions and Future Research Directions .....	41
5.4    Limitations.....	42

# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

Considering the restaurant industry in Islamabad, the research reported in this thesis examines the mediating role that job satisfaction plays in the relationship between employee turnover intentions and compensation equity. The relationship's mediation function of job satisfaction was also examined in the study. A basic overview of the research setting, research difficulties, study scope, study significance, research questions and objectives, definitions of keywords, and a chapter summary are provided in this chapter.

The restaurant industry throughout the world struggles with high turnover (Smith, 2018). However, emerging nations like Pakistan are particularly affected by it. Restaurants can contribute significantly to economic expansion and job development (H. Parsa, 2014). Despite the restaurant industry's significant social, cultural, and economic importance, there are a few risks to business operations that restaurant managers must deal with, one of which is employee turnover. Because of the numerous problems that negatively impact company operations, such as employee churn, investors view the industry as high-risk (Hua, 2016). Pakistan's restaurant industry, especially in Islamabad, is expanding and is a major economic driver in the nation (ZAMEER et al., 2014). Islamabad's lively and fast-paced restaurant industry is essential to the city's thriving cultural and economic environment. Nonetheless, the business continues to struggle to retain skilled and motivated workers, as shown by the high turnover rates that are typical in the field. Employee turnover results in significant expenses for hiring, training, and lost productivity in addition to impairing operational efficiency. According to (H. Parsa, 2014), there is a serious risk to restaurant operations from employee turnover. Several factors have been shown to influence employee turnover, and one important mediator in this relationship is job satisfaction. Understanding how compensation equity relates to employees' intents to stay or leave the restaurant business requires an understanding of job satisfaction, which is a reflection of people's contentment and fulfillment with their employment (Edwin A. Locke, 1969).

Compensation equity can play a crucial role in motivating employees to achieve organizational goals and decrease their turnover intentions (Alvi et al., 2014). Therefore, this study

aims to explore the impact of compensation equity on employee turnover intentions in the restaurant industry in Islamabad and its impact on restaurant success. Pakistan is the eighth-largest market in the world for hospitality (Burhan, 2021). There are a number of advantages to using compensation equity in the restaurant industry. First, it can raise employee motivation and output, which will enhance customer satisfaction and boost the restaurant's bottom line (Alvi et al., 2014). Second, compensation equity can aid in staff retention, lowering attrition rates and related expenses (Romanoff, 1986). Thirdly, compensation equity has the potential to raise staff morale, which in turn fosters a happy workplace and increased job satisfaction (Sarkar, 2016). The current study focused on TRA, which holds that every person's activity is motivated by an intention to carry out that particular behavior, by examining the effects of salary equity on employee turnover intentions and work satisfaction. (Aman-Ullah et al., 2022). In this study, compensation equity acts as a motivator for employees' intents to stay on the job or leave. This study adds new information about how compensation equity affects employee turnover intentions in the restaurant industry in Islamabad. The poor incentive system of Islamabad's restaurant sector, where employees receive lower remuneration, served as the impetus for conducting this study (Aman-Ullah et al., 2022).

Several studies have highlighted the importance of fair compensation methods in raising employee commitment, satisfaction, and overall organizational success (Smith, 2018). Still, little is known about the particular dynamics that exist inside Islamabad's restaurant industry. By examining the relationship between employee turnover intention and views of compensation equity in this particular setting, the research aims to close this gap. This research provides important insights that can guide targeted actions and regulations within the restaurant industry by breaking down the components of compensation equity and identifying their unique impact on job satisfaction and consequent turnover intentions. A thorough grasp of these dynamics is essential as the restaurant industry develops to create an atmosphere at work that is not just financially equitable but also supportive of long-term employee satisfaction and loyalty. Given the high rate of turnover and low retention among Islamabad restaurant employees, we propose that considering remuneration equality could be a viable solution for restaurant employees, we propose that considering remuneration equality could be a viable solution.. In a similar vein, we contend that by examining employees' turnover intention, job satisfaction, and compensation equity in a single study, the current research will add to the for restaurant employees; we propose that considering remuneration equality could be a viable solution. literature.



## 1.2 Scope of the Study

This study aims to uncover the impact of compensation equity on employee turnover intentions with the mediating effect of job satisfaction in the restaurant industry in Islamabad. Moreover, this study adopted the definition of compensation equity by (Sady, 2015) as “all employees must receive equal pay for equal work regardless of age, gender, ethnicity, race, or other status.” By extending beyond the confines of the healthcare sector, where previous studies have predominantly concentrated, this research aims to capture the industry-specific nuances and challenges faced by employees in the bustling culinary landscape of Islamabad. The previous study (Aman-Ullah et al., 2022) [base paper] only covered the healthcare sector, whereas this study expands on the previous studies by covering the restaurant industry in Islamabad and also studies the mediating role of job satisfaction between compensation equity and employee turnover intention. The study employs a quantitative approach, including survey research of restaurant employees, restaurant owners and managers. The focus of this study will be Islamabad's restaurant sector, to thoroughly examine the complex links between job satisfaction, employee turnover intentions, and compensation equity. The scope of the industry includes a wide variety of roles, such as those held by cooks, waiters, managers, and administrative staff as well as different types of restaurants, including fast-food chains, fine-dining restaurants, and local eateries in Islamabad. A representative sample of employees will be given quantitative surveys to complete to measure their judgments of job satisfaction, compensation equity, and turnover intention. By concentrating on one particular industry, the study hopes to offer insights that are immediately relevant to the distinct dynamics and issues that employers and employees encounter in Islamabad's restaurant industry. The obtained data will be examined statistically using tools such as SPSS to investigate the link between compensation equity, employee turnover, and job satisfaction in the restaurant sector in Islamabad. It is expected that the study's findings will make a substantial contribution to both academic research and practical expertise, regarding how compensation techniques can be enhanced to improve job satisfaction and retention in the particular setting of Islamabad's restaurant industry.

### **1.3 Significance of Study**

This study on the impact of pay equity on employee turnover intentions with the mediating role of job satisfaction in the restaurant industry in Islamabad is quite important. To address the issue of high turnover rates in the restaurant industry, it is imperative to comprehend how compensation fairness affects employees' intentions to leave. The research aims to provide useful insights that can help businesses improve job satisfaction and make strategic decisions about compensation structures by examining how employees view the fairness of their compensation. Within the specific context of Islamabad's thriving restaurant industry, the research provides a detailed examination of the linkages between compensation equity, job satisfaction, and turnover intentions, thereby academically advancing current theories. The study adds methodological value by including job satisfaction as a mediating variable, which broadens our comprehension of the complex dynamics linking compensation policies to employee turnover intentions. The study adds knowledge on human resource management and has practical consequences for employers in the sector. It offers a sophisticated understanding of the relationship between turnover intention and compensation equity. In the end, it is anticipated that the findings would assist companies, policymakers, and industry leaders by providing direction for enhancing retention tactics and ensuring compensation equity within the particular framework of Islamabad's restaurant industry.

### **1.4 Statement of Research Problem**

The restaurant industry in Islamabad faces challenges in retaining skilled employees and maintaining high levels of performance. The industry is highly competitive, and employee turnover is a significant challenge for restaurant owners (Weisberg Jacob, 2006). Employee turnover is a universal phenomenon, affecting business entities of all sizes and types (Uhl-Bien, 2014). The average annual rate of employee turnover among restaurant workers can exceed 50% (US Government, 2016). Managers in the restaurant sector of the hospitality business view staff turnover as a major concern. A common issue facing businesses is that a high employee turnover rate can seriously impair profitability and interrupt operations (Jha, 2014). The particular business issue is that some managers of restaurants don't have plans in place to lower employee turnover. Restaurants continue to be vulnerable to high employee turnover rates due to the lack of compensation equity which could negatively affect the company's capacity to maintain its

competitiveness(Newman, 2002). Increased employee turnover may cause serious operational problems that could adversely affect the profitability of the restaurant.

Compensation equity can play a crucial role in reducing employee turnover intentions and motivating them to achieve organizational goals. Although the importance of compensation in shaping employee decisions has long been acknowledged, little is known about the precise mechanisms by which compensation equity affects employees' intentions to leave Islamabad's restaurant industry. The need to identify the mediating role of job satisfaction and investigate how employees' satisfaction or dissatisfaction with their jobs may serve as a link between their perceptions of fair compensation and their intentions to remain in or leave their positions further exacerbates this research challenge. The research challenge stems from the practical need to create focused strategies for talent retention in the restaurant business, taking into account the unique intricacies of Islamabad's compensation policies in order to promote a more stable and contented workforce.

## **1.5 Research Questions and Objectives**

The main goal of this study is to investigate the impact of compensation equity on employee turnover intentions with the mediating effect of job satisfaction in the restaurant industry in Islamabad. The following are the specific research questions, considering the research gaps:

- i. What is the impact of compensation equity on employee turnover intention in the restaurant industry in Islamabad?
- ii. What role does job satisfaction play in mediating the relationship between compensation equity and employee turnover intention in Islamabad's restaurants?
- iii. What is the impact of compensation equity on job satisfaction in the restaurant industry in Islamabad?

Considering the research questions of this study, the valid research objectives of this study are listed below.

- i. To assess the impact of compensation equity on employee turnover intention in the restaurant industry in Islamabad.

- ii. To investigate the mediating role of job satisfaction between compensation equity and employee turnover intention in Islamabad's restaurants.
- iii. To examine the impact of compensation equity on job satisfaction in the restaurant industry in Islamabad.

A summary of the problem statement, research questions, and objectives is illustrated in Table 1.1.

**Table 1.1:** A Summary of Problem Statement, Research Questions, and Objectives

<b>Problem Statement</b>	<b>Research Questions</b>	<b>Research Objectives</b>
<p>Little research has been conducted on the effectiveness of compensation equity in the restaurant industry in Islamabad. There is a need to explore the role of compensation equity in impacting employee turnover intentions in the restaurant industry in Islamabad.</p>	<p>RQ 1 What is the impact of compensation equity on employee turnover intention in the restaurant industry in Islamabad?</p> <p>RQ 2 What role does job satisfaction play in mediating the relationship between compensation equity and employee turnover intention in Islamabad's restaurants?</p> <p>RQ 3 What is the impact of compensation equity on job satisfaction in the restaurant industry in Islamabad?</p>	<p>To assess the impact of compensation equity on employee turnover intention in the restaurant industry in Islamabad.</p> <p>To investigate the mediating role of job satisfaction between compensation equity and employee turnover intention in Islamabad's restaurants.</p> <p>To analyze the impact of compensation equity on job satisfaction in the restaurant industry in Islamabad.</p>

## **1.6 Research Gap and Contributions**

Many gaps have initiated this research, including the lack of research on the role of pay equity in reducing employee turnover intention and the mediating role of job satisfaction in the restaurant industry in Islamabad. While there has been some research on the effectiveness of compensation equity in other industries in Islamabad, there is minimal research that investigates the impact of salary equity on employee turnover intentions with the mediating effect of job satisfaction in the restaurant industry in Islamabad. This is particularly relevant given the unique challenges faced by the restaurant industry, such as high turnover rates and a competitive labor market.

Furthermore, while there is some research on employee turnover in the restaurant industry in Islamabad, there is limited research on the mediating function of job satisfaction, which is essential to comprehending the complex linkages between compensation practices and turnover intentions. The existing studies frequently offer generic insights. Understanding the mediating relationship of job satisfaction between compensation equity and employee turnover is crucial for restaurant owners and managers who wish to lower the expenses related to excessive turnover and increase employee retention rates (Medina, 2012). This research gap presents an opportunity for researchers to contribute to the understanding of the role of compensation equity in influencing employee turnover intention by offering a targeted investigation of the particular mechanisms linking job satisfaction, compensation equity, and turnover intentions in the unique context of Islamabad's restaurant industry. Furthermore, this study will contribute to the understanding of the unique challenges faced by the restaurant industry in Islamabad and how these challenges may impact the effectiveness of compensation equity. Finally, this study will contribute to the broader literature on employee turnover and organizational success. Overall, this study has the potential to inform both academic research and practical interventions aimed at improving job satisfaction and reducing turnover rates in the restaurant industry in Islamabad.

## 1.7 Key Concepts and Definitions

The important terminology for the study is listed in Table 1.2 in order to promote uniform knowledge of the foundational concepts in this research and to resolve any discrepancies in definitions.

**Table 1.2: Definition of Key Terms**

<b>Construct</b>	<b>Definitions</b>
<b>Compensation Equity</b>	The act of offering fair and equal remuneration to employee based on their skills.
<b>Employee Turnover Intention</b>	The willingness of the worker to quit within a specified window of time.
<b>Restaurant Industry</b>	A sector that includes the preparation and serving of food and drinks to customers in restaurants, cafes, fast-food chains, and other food service establishments.
<b>Job Satisfaction</b>	The level of contentment an employee experiences in their work environment.

## 1.8 Structure of the Thesis

The background, introduction, issue description, research gap and contributions, research questions, and objectives are covered in this chapter, which focuses on the study setting. It also provides an overview of the research.

**Chapter 2:** The major ideas and various viewpoints on the study's central constructs are examined in the second chapter. It also looks at the theoretical framework created for this investigation and describes how the hypotheses came to be.

**Chapter 3:** The study methodology, instrument development, research design, and data collection technique are all covered in the third chapter.

**Chapter 4:** The study's survey results are the main topic of the fourth chapter. It also discusses testing hypotheses and validating and reliable hypotheses.

**Chapter 5:** The study's overall conclusions are reviewed in the fifth chapter. It also includes a discussion of the study's limitations and results as well as suggestions for additional research.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter builds on the introductory chapter by discussing the ideas and literature related to the study's overall goal: to analyze the impact of compensation equity on employee turnover intentions with the mediating effect of job satisfaction in the restaurant industry in Islamabad. It strives to provide a thorough knowledge of the connection between compensation equity and employee turnover intentions along with job satisfaction, considering a variety of theoretical viewpoints, empirical research, and industry-specific elements. Two theories, TRA and equity theory are practically discussed in this chapter. The theoretical ideas about compensation equity, job satisfaction, and employee turnover intentions are covered in the following areas.

#### 2.2 Theories Employed for This Study

This study employs two theories, TRA and Equity Theory, to understand the impact of compensation equity on employee turnover intentions with the mediating effect of job satisfaction in the restaurant industry in Islamabad. Employees seek fair compensation by comparing their own input-output ratios to those of their peers, according to the Equity Theory. Perceived compensation inequalities can influence inclinations to leave the restaurant business, where workloads and responsibilities can differ. Furthermore, TRA asserts that a person's opinions and subjective norms have an impact on their intention to quit a job. In the restaurant industry, workers' intentions to leave may be influenced by how their compensation compares to peer expectations and societal norms. Through the integration of these theoretical frameworks, the study is able to conduct a thorough investigation of the various factors that influence employee turnover intention in the context of the restaurant industry in Islamabad. This allows for the elucidation of the complex relationship between compensation equity, individual attitudes, and social norms.

##### 2.2.1 Theory of Reasoned Action (TRA)

To conceptually support the relationship between compensation equity, job satisfaction, and turnover intentions, the current study used the theory of reasoned action (TRA). (Fishbein, 1975) presented TRA as a theoretical model for attitudes (Feeley, 2003). Every step taken by an



individual or a company, according to TRA, is supported by a good reason that motivates them to act in a particular way (Fishbein, 1975). Better performance and employee retention are two possible explanations for organizations. Employees may be motivated by compensation equity, perks, and working conditions. This way, each party acts in a way that serves their own interests. Productivity will surpass expectations if there comes a point when both parties' expectations align. To increase employee retention and performance, organizations give their workers competitive compensation. Because TRA involves the psychology of the employees, the process functions well and increases employee happiness. (McKinlay, 2001) found that contented workers have very low turnover intentions and would much rather stay in their current positions.

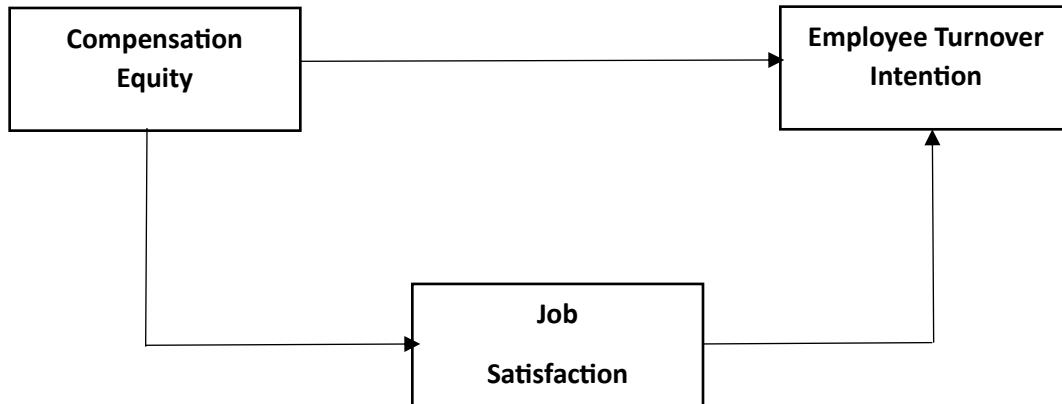
### **2.2.2 Equity Theory**

According to equity theory developed by (J. Stacy Adams, 1976), people seek and evaluate justice based on how their inputs—such as their work and abilities—compared to the outcomes of their colleagues. Workers in the restaurant industry evaluate the equity of their compensation by contrasting it with industry standards and the salary of their colleagues. If workers believe their compensation is unjust, their job happiness may decline. Research indicates that fair wage policies positively affect workers' motivation (Eder Paschoal Pinto, 2011). Employees are more likely to feel satisfied and motivated if they believe that their work and the benefits they receive are fairly balanced (Sady, 2015). However, there may be unfavorable effects like lower work satisfaction and more intentions to leave if there is a perceived unfairness, where people feel underpaid in comparison to their colleagues. Equity Theory provides a useful framework for comprehending the dynamics of compensation equity and its possible impact on employee turnover intentions in Islamabad's restaurant industry.

### **2.3 Theoretical Framework**

The research model has been crafted after an extensive literature review and is depicted in Figure 1.1. The research model for analyzing the role of compensation equity in impacting employee turnover intention with mediating effects of job satisfaction in the restaurant industry in Islamabad includes the following components. The independent variable in this study is compensation equity. Compensation equity refers to the fair and just distribution of rewards and benefits in relation to employees' contributions within an organization (Romanoff, 1986). The mediating variable in this study is job satisfaction. Employee job satisfaction is a key factor that

reduces employee turnover intentions (Aleem et al., 2012). The dependent variable in this study is employee turnover intentions. This refers to the employee's intent to leave the job within a certain time period (Ruxandra Vasilescu, 2013). Overall, the research model proposes that compensation equity has a direct impact on employee turnover intention, which is mediated by job satisfaction, which will be investigated in this study.



**Figure 1.1** Research Model

## **2.4 Compensation Equity Defined**

According to the legal notion of compensation equity, all workers, regardless of age, gender, ethnicity, race, or other status, must be paid equally for equal work. (Sady, 2015). This means that all employees must be compensated in lieu of their equal efforts. Compensation equity is vital in influencing employee turnover intentions as it provides a clear target and a reward for achieving it (Sady, 2015). It motivates employees to perform better, work harder, and take ownership of their tasks. Financial compensation, such as bonuses and commissions, are the most effective in motivating employees to perform better (Newman, 2002). Non-financial compensation, such as recognition and praise, is also found to be effective in boosting employee morale and motivation (Aman-Ullah et al., 2022). Compensation equity has the potential to inspire workers to put in more effort and do better work (Sady, 2015). Employee motivation to stay with the company is higher when they believe their efforts are valued and acknowledged (Hameed et al., 2014).

### **2.4.1 Compensation Equity and its Application**

The idea that people should be compensated according to their contributions, abilities, and roles within the company is the foundation of compensation equity (Newman, 2002). Employers who place a high priority on compensation equity are more likely to draw top talent (Sady, 2015). Furthermore, by encouraging commitment and loyalty, a just and open remuneration plan improves employee retention. The motivation and performance of employees are directly impacted by compensation equity (Romanoff, 1986). Employee motivation to work well in their roles is higher when they believe their efforts are fairly compensated, which enhances organizational success.

### **2.4.2 The Nature of Compensation Equity**

The prosperity of the restaurant industry and the welfare of its staff depend on the intricate nature of compensation equity (Uhl-Bien, 2014). In this dynamic workplace, compensation equity encompasses not only the monetary elements but also the perception of fairness in the opportunity and reward distribution among staff members. Compensation equity is crucial in Islamabad's thriving restaurant industry, where knowledgeable and driven employees are essential to delivering great dining experiences. Workers in this sector frequently evaluate the equity of their pay in relation to coworkers at the same restaurant, taking into account elements like job duties, experience, and roles (Kim Soon Hong, 2020). Furthermore, because restaurant jobs range widely, from waiters and cooks to managers, compensation equity is applicable to a number of job categories, each of which has a distinct skill set and adds to the overall quality of service. Islamabad's restaurant business is renowned for having a varied workforce, which may raise issues with regard to cultural and demographic disparities when assessing compensation equity. The inclusion of elements like tips, flexible work hours, and professional development opportunities in the compensation package shapes employees' perceptions of fairness in general (Eder Paschoal Pinto, 2011).

### **2.4.3 Functions of Compensation Equity**

In the workplace, compensation equity fulfils a number of vital roles that all contribute to the general well-being of the workforce and the company. First of all, it draws and holds on to exceptional talent like a strong magnet (Rubery, 1995). Prospective workers are more inclined to select and remain with a company that has equitable wage structures. In addition to assisting businesses in finding qualified workers, this lowers the expenses and inconveniences brought on

by excessive employee turnover (Bonds, 2000). Compensation equity also helps to match individual efforts to organizational goals. Employee commitment to accomplishing company goals is higher when they believe there is a direct correlation between their efforts and just reward (Jacobs & Roodt, 2007). To motivate group activities toward common goals and improve overall organizational performance, this alignment is essential. Compensation equity promotes increased performance and productivity. Workers are more inclined to go above and beyond in their responsibilities and positively impact the company's performance when they believe that their efforts are valued (Delaney & Huselid, 1996). All things considered, the benefits of pay equity go far beyond financial concerns; it is crucial to establish an environment at work that is just, open, and supportive of both individual and organizational development.

#### **2.4.4 Summary of Compensation Equity**

Past studies acknowledged the effects of compensation equity on employee turnover intentions. For example (Aman-Ullah et al., 2022) discovered that offering better compensation reduces employee turnover and increases employee retention. Studies also show that without compensation equity, organizations suffer from declined productivity and high turnover (Fiona McDermid, 2020).

#### **2.5 Job Satisfaction Defined**

In the current study, the relationship between employee turnover intentions and wage fairness is mediated by job satisfaction. The assessment of an employee's sentiments and perspectives regarding their workplace, type of work, relationships with colleagues, social media, and pay is known as job satisfaction. (Medina, 2012). Job satisfaction follows the satisfaction of several employees' demands and wants related to their work. However, each person has various wants and needs. There is a significant correlation between compensation equity and job satisfaction (Kakyom Kim, 2010). Work satisfaction and plans to leave the job are significantly correlated.

### **2.5.1 Job Satisfaction and Its Application**

Job satisfaction is critical for firms looking to improve workplace dynamics, productivity, and employee well-being to comprehend job satisfaction and its applications (Medina, 2012). The direct relationship between job satisfaction and employee retention and turnover rates is one of the main applications of job satisfaction (Aleem et al., 2012). Happy workers are more likely to stick with their current company, which lowers the expenses and inconveniences brought on by excessive staff turnover. This application emphasizes how crucial it is to design work settings that foster a sense of fulfillment in addition to meeting job-related goals. Contented workers tend to be more involved in their work, show greater levels of dedication, and take the initiative to help the company reach its objectives (Kakyom Kim, 2010). By putting policies in place that support a healthy workplace culture, acknowledge employee accomplishments, and match job positions to individual talents and interests, organizations may make the most of this application. Skilled workers looking for workplaces that value their well-being are more likely to be drawn to organizations that are recognized for emphasizing and improving job satisfaction (Aman-Ullah et al., 2022). This application emphasizes how crucial it is to have a strong employer brand and how job satisfaction affects an organization's reputation in the cutthroat labor market.

### **2.5.2 Nature of Job Satisfaction**

Job satisfaction is a complex construct that involves a multitude of factors that work together to determine an individual's level of fulfillment and pleasure in the workplace (Edwin A. Locke, 1969). The comprehensive viewpoint on job satisfaction takes into account extrinsic elements like benefits and pay as well as intrinsic elements like connections with coworkers and superiors. Job satisfaction is a dynamic concept that is subject to change. It is impacted by changing organizational structures, life events, career progression, and work conditions (Mark A. Tietjen, 1998). Sustaining a positive work environment and addressing shifting circumstances require constant observation and adjustment. An individual's general well-being is directly correlated with their level of job satisfaction. Employee satisfaction is positively correlated with improved physical and mental health, reduced stress levels, and increased life satisfaction (Medina, 2012). This link highlights how a person's life outside of the workplace is affected holistically by their level of job satisfaction. There is a close relationship between employee engagement and motivation and job happiness (Mark A. Tietjen, 1998). Employee satisfaction increases the

likelihood that they will be driven to meet objectives, take an active role in their work, and benefit the company.

### **2.5.3 Functions of Job Satisfaction**

The various aspects of job satisfaction play a crucial role in the overall prosperity and well-being of an organization (Edwin A. Locke, 1969). The most important of these is how it affects employee retention; contented workers are more likely to stick with their current company, which lowers turnover rates and the related expenses of hiring new staff (Aleem et al., 2012). Furthermore, job satisfaction is essential for increasing output, creating a healthy work environment, and drawing in top talent by building a strong employer brand. Positively impacting company goals, contented individuals make discretionary effort and commitment, which is closely linked to employee engagement. Another noteworthy benefit is a decrease in absenteeism, as contented workers demonstrate higher attendance and punctuality (Kakyom Kim, 2010).

### **2.5.4 Summary of Job Satisfaction**

Job satisfaction includes the gratification that workers experience from their jobs, which are impacted by a variety of elements such as the type of work, the workplace culture, and interpersonal connections. Important roles that job satisfaction plays include improved productivity, retaining employees, and developing a positive work environment. Its effects include attracting talent, lowering absenteeism, and enhancing workers' physical and emotional well-being. Several studies support the impact of job satisfaction on employee performance (Mark A. Tietjen, 1998). Another study reveals that job satisfaction considerably reduces employee turnover intention (Medina, 2012).

## **2.6 Employee Turnover Intention Defined**

Employee turnover refers to the rate at which employees leave a company or organization and are replaced by new employees (Al-Kahtani, 2015). It is often measured as a percentage of the total workforce that leaves over a given period, usually a year. High employee turnover can be a concern for organizations as it can be costly and disruptive to business operations (Bonds, 2000). The costs of employee turnover can include recruiting and training new employees, lost productivity, and a decrease in employee morale.

### **2.6.1 Employee Turnover Intention and Its Application**

The intention of employees to leave their current position, often known as employee turnover, is a crucial component of organizational management (Weisberg Jacob, 2006). It is crucial to comprehend the variables impacting turnover intention and how they apply to employee retention, organizational stability, and long-term success. Numerous factors, such as job satisfaction, organizational loyalty, leadership effectiveness, work-life balance, and perceived justice in compensation, all have an impact on employees' intention to leave their jobs (Kim Namhyun, 2012). By identifying these elements, companies may focus on the areas that need care and action in order to successfully reduce turnover intentions. Organizations can apply focused retention efforts by knowing the causes of turnover intentions. These could include providing possibilities for professional growth, resolving issues with pay and benefits, and improving job happiness through better working circumstances.

### **2.6.2 Nature of Employee Turnover Intention**

An employee's decision regarding how long to stay with a company is influenced by a variety of personal factors, such as life circumstances, career goals, and job happiness. Turnover intentions are greatly influenced by the company climate, which includes workplace culture, communication, and leadership effectiveness (Weisberg Jacob, 2006). If workers believe their workplace is unfavorable or unsupportive, offers little room for advancement, or pays them insufficiently for their contributions, they are more likely to think about quitting (Jha, 2014). One important factor influencing turnover intention is work-life balance. If workers feel that their obligations in their personal lives and at work are out of balance, they could think about quitting. Work-life balance is important, and companies that encourage it are likely to see fewer employees intend to leave.

### **2.6.3 Function of Employee Turnover Intention**

According to (Uhl-Bien, 2014), there are many causal factors that make it difficult for restaurant managers to lower staff turnover. According to (Medina, 2012), employee turnover may have a detrimental effect on operational costs and the retention of skill sets required to sustain corporate operations and competitive advantage. Employee turnover may result in the loss of key staff members, including cooks, waitresses, and entertainers, which could reduce a restaurant's competitive edge. Therefore, in order to ensure the longevity of their companies, restaurant

managers must comprehend and put into practice techniques to lower personnel turnover. Employers can lower employee attrition rates by providing compensation equity. This is due to the fact that satisfied workers are less likely to quit their jobs and feel valued by the company (Bonds, 2000). All things considered, pay fairness may be a useful instrument for lowering staff churn. Organizations can lower employee turnover rates and boost job satisfaction by offering wage parity, which will result in more dependable and effective staff (Al-Kahtani, 2015).

#### **2.6.4 Summary of Employee Turnover Intention**

Employee turnover intention has been reviewed in several studies. The restaurant industry faces many turnover challenges due to the lack of fair compensation practices (Uhl-Bien, 2014). Another study shows that turnover intentions are directly linked to organizational commitment and affects the relationship (Bonds, 2000).

### **2.7 Hypothesis Development**

These hypotheses provide a framework for investigating the impact of compensation equity on employee turnover intention in the restaurant industry in Islamabad.

#### **2.7.1 Compensation Equity and Employee Turnover Intention**

According to (Silaban, 2018), high turnover intention may be caused by unfair compensation. Employees are likely to leave their jobs soon if they are dissatisfied with the pay they receive for their efforts. In a similar vein, (Lyons, 2019) claimed that employee satisfaction with compensation has a substantial impact on turnover, making it a complex issue. Previous research revealed a strong negative correlation between intentions to leave and compensation (Oh, 2019). In the meantime, (Ghafoor, 2017) came to the conclusion that there was a higher influence of compensation equity on turnover intention in Pakistan.

**H1: There is a significant negative relationship between compensation equity and employee turnover intention in the restaurant industry in Islamabad.**

Hypothesis 1 suggests a negative relationship between compensation equity and employee turnover intention in the restaurant industry in Islamabad.



### **2.7.2 Mediation: Job Satisfaction**

The sum of an employee's positive or negative opinions regarding their work is what is known as job satisfaction (Alvi et al., 2014). These attitudes are transformed into intents or beliefs, which are then transformed into actions (Fishbein, 1975). Since job satisfaction is impacted by turnover intentions, it was utilized as a mediator in this study. Moreover, prior research has demonstrated a strong correlation between job satisfaction and turnover intention (Aman-Ullah et al., 2022). According to studies, there is a substantial correlation between compensation and job satisfaction (Ghafoor, 2017). Additionally, by bridging the gap between the dependent variable (employee turnover intentions) and the independent variable (compensation equity), the added mediator will assess the indirect impacts. Every activity must have a purpose, according to the TRA (Yzer, 2017). As a result, by offering compensation equity, employers provide their employees a reason to stay with them.

**H2: Job satisfaction significantly mediates the relationship between compensation equity and employee turnover intention in the restaurant industry in Islamabad.**

Hypothesis 2 suggests that job satisfaction mediates the relationship between compensation equity and employee turnover intention in the restaurant industry in Islamabad. The null hypothesis (H0) assumes job satisfaction does not mediate the relationship between compensation equity and employee turnover intention.

### **2.7.3 Compensation Equity and Job Satisfaction**

According to (Ramlall, 2001), workers are happy in their jobs when they believe they are being paid fairly. When evaluating the effect of pay increases on job satisfaction, (Mark A. Tietjen, 1998) discovered that, because pay increases boost job satisfaction, an employee's income had a substantial positive association with their degree of satisfaction. Therefore, the hypothesis would be:

**H3: There is a significant positive relationship between compensation equity and job satisfaction in the restaurant industry in Islamabad.**

Hypothesis 3 suggests a positive relationship between compensation equity and job satisfaction in the restaurant industry in Islamabad.

## **2.8 Summary**

This chapter reviewed the relevant literature on the role of compensation equity in impacting employee turnover intentions and the mediating effect of job satisfaction in the restaurant industry in Islamabad. The theoretical frameworks of equity theory and the theory of reasoned action provided a foundation for understanding the relationship between compensation equity, job satisfaction and employee turnover intention. The discussion of job satisfaction as the mediator highlighted their impact on employee turnover intention. Furthermore, the link between compensation equity, job satisfaction, and employee turnover intention emphasized the significance of compensation equity in achieving positive outcomes within the restaurant industry. The subsequent chapter will present the methodology employed to investigate the impact of compensation equity on employee turnover intention and the mediating effect of job satisfaction in the restaurant industry in Islamabad.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter covers the study's methodology after an extensive literature review in the previous chapter. This chapter is divided into seven sections. The first section covers the research design and the research process employed to accomplish the goals of this study. This includes sampling and data collection procedures. The second section covers the development of the research instrument. The subsequent sections provide the rationale behind the application of statistical analysis and partial least squares data analysis approaches to evaluate the reliability and validity of the study model. Lastly, a discussion of the study's ethical issues is included.

#### 3.2 Research Design

Selecting an appropriate research design is a crucial undertaking in every scientific investigation. According to (Alex Opoku, 2016), choosing the right research methodology is essential to developing a deeper comprehension of a phenomenon. This study adopts a quantitative research design considering the study's goals and objectives to analyze the impact of compensation equity on employee turnover intention with the mediating effect of job satisfaction in the restaurant industry in Islamabad. It gathers numerical data to thoroughly assess the effects of compensation equity on employee turnover intentions. The majority of studies on hospitality have employed survey questionnaires as their primary means of gathering data (Runyan, 2012). A review of 274 publications published in the top four hospitality journals between 2008 and 2010 was carried out by (Runyan, 2012). 67% of the 274 published papers, according to their narrative, employed surveys to gather data.

This approach can offer standardized data to describe the variables under investigation and their correlations with other variables (Y. Malhotra, 1999). Hence, in this study, the quantitative survey approach was used because of its suitability with the study's objectives to collect data from the respondents and examine the relationships between compensation equity, job satisfaction, and employee turnover intention. A cross-sectional survey approach generated the primary research

data for this study. For data analyses, correlational statistical procedures were applied to generate plausible explanations for relationships between variables.

### **3.3 Research Process**

The investigation of the impact of compensation equity on employee turnover intention and the mediating effect of job satisfaction in the restaurant industry in Islamabad began with a thorough study of the literature. In keeping with its goals, the study employs a quantitative research design and a survey instrument that are both in line with standard procedures in the hospitality industry. The study utilized stratified random sampling to choose participants from the target demographic of employees in Islamabad's restaurants. The goal of the study was to examine the relationships between job satisfaction, employee turnover intention, and compensation equity, which guided the population and sampling decisions. The study questionnaire is constructed with an emphasis on job satisfaction, compensation equity, and employee turnover intention, as detailed in the instrument creation section. The questionnaire, which consists of 16 items, measures responses using Likert scales. The assessment scales and items used to assess job satisfaction, turnover intention, and compensation equity are described in depth in the following sections, which draw on reputable measurements and well-established research. Additionally, emphasis is placed on the inclusion of a pilot test, demonstrating a dedication to improving research instruments. 30 participants in a variety of roles across restaurants offered insightful feedback that helped to clarify the questionnaire. The total effectiveness of the research tools was improved by this iterative procedure. In general, the methodology chapter exhibits a methodical approach, utilizing well-established research techniques and stressing the significance of fine-tuning instruments for delving into the intricate dynamics of job satisfaction, compensation equity, and employee turnover intention in Islamabad's fast-paced restaurant sector.

### **3.4 Data Collection Technique**

The data is collected through administering an online questionnaire to participants in Islamabad's restaurant industry. By utilizing a stratified random sampling technique, a range of positions, such as cooks, waiters, and managerial personnel, are included in the participant selection process, guaranteeing a varied representation that accurately reflects the industry's complexity. To get precise and informative answers, the questionnaire is purposefully designed to

target important variables like compensation equity, job satisfaction, and employee turnover intentions. A pilot study was conducted to ensure that the survey instrument is clear and relevant and that it is effective in gathering data. Participant confidentiality is strictly protected throughout the process, and ethical standards are followed; this creates a reliable environment for data collecting in the particular context of the restaurant industry in Islamabad.

### **3.5 Population and Sampling**

The term population refers to the universe of units from which the sample has to be selected (Creswell, 2009). Individuals, cities, nations, regions, and organizations can all be considered units. The intent of this study was to analyze the connections between job satisfaction, employee turnover intention, and compensation equity in the restaurant industry in Islamabad. The study's population of interest consists of workers in Islamabad's restaurant sector. This broad demographic, which includes professions like cooks, waitstaff, managerial staff, and administrative people, represents the range of occupations within the thriving restaurant industry in Islamabad. The selection of Islamabad as a population base was because of its growing trend of restaurants. Using work roles as the basis for stratification, participants are divided into discrete groups that correspond to various jobs in the restaurant business. This makes it possible to look more closely at how compensation equity affects employees' intentions to leave.

Sampling is one of the most important research tools. It is a crucial component of methodology since it is used to choose the respondents from whom information is gathered, examined, and deduced. (Chisnall, 2005)states that there are two basic types of sampling techniques: probability and non-probability sampling methods. On the basis of stratified random sampling by making strata of various roles in the restaurant business, participants were randomly selected from each stratum.

#### **3.5.1 Sample Size**

Data was collected from 15 restaurants in Islamabad, including (Cheezious, Pizza Hut, Monal, etc) to make the findings more generalizable. About 300 online questionnaires were dispersed among chosen establishments. Out of 300 questionnaires, 264 were received, resulting in a response rate of 88%. To protect respondents' privacy and honesty, they were not obliged to reveal who they were at any time during the survey. In the dynamic environment of Islamabad's

restaurant industry, this strategy not only preserved participants' anonymity but also encouraged a more candid and open exchange of ideas regarding compensation equity, job satisfaction, and employee turnover intention.

### **3.6 Instrumentation**

(Chisnall, 2005) asserts that a well-crafted research instrument can entice participants to offer accurate and truthful data. The literature review served as the basis for designing the study's questionnaire. The questionnaire consisted of four sections and a total of 16 questions. The first section was related to the personal profile, comprising 5 demographic variables, including gender, age, job type, work experience, and education. These questions were mandatory to answer. The second section consisted of 6 questions related to compensation equity, the third section consisted of 5 questions related to employee turnover intention and the fourth section consisted of 5 questions related to job satisfaction. Scales to measure the concept of the study were selected from previous studies based on the definition of the variables in the study, as presented in Table 1.2. These measures utilise a five-point Likert scale. The scale provided respondents with a number of brief statements associated with measuring each category within the variable, ranging from Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

### **3.7 Measurement Scales and Items**

The following section discusses the items used to measure each of the variables included in this study:

#### **3.7.1 Compensation Equity**

To measure compensation equity, a questionnaire with six items was taken from the study by (Johanim et al., 2006) showing a reliability of 0.78. Examples of the selected items are, “My pay is generally equal to the pay of my colleagues of the same level/position”, “I received the amount of pay that commensurate the work I do”, and “My pay is generally equally to the pay of similar job in other companies of the same industry.”

#### **3.7.2 Turnover Intention Scale**

To measure turnover intention (the intention to leave), a 6-item scale, adapted from the 15-item scale initially developed by (Jacobs & Roodt, 2007). Examples of selected items included in the TIS-6 are “How often have you considered leaving your job?”, “How often do you look forward

to another day at work?” and “How likely are you to accept another job at the same compensation level should it be offered to you?”. (Jacobs & Roodt, 2007) reported a Cronbach alpha coefficient of 0.91 for the 15-item version of the TIS scale.

### **3.7.3 Job Satisfaction**

To measure job satisfaction a five-item scale was adapted from (Ackfeldt et al., 2000) with a 0.80 reliability, above the threshold level of 0.70. Examples of selected items included in the scale are “My job is very worthwhile”, “I am very content with my job”, and “My job is very pleasant”.

### **3.8 Pilot Test**

To improve the research tools used to examine the relationship between employee turnover intention, job satisfaction and compensation equity in Islamabad's restaurant industry, a pilot study was carried out. The survey instrument was evaluated by 30 participants, representing a variety of roles from different restaurants. The participants focused on three main areas: clarity, relevance, and potential problems. Based on the feedback, changes were made to improve the questionnaire's comprehensibility. Logistics, such the best time to administer the survey, were also informed by the pilot study. The major investigation's data collection techniques were streamlined and the efficacy of the research instruments was ensured thanks to the lessons learnt from the pilot study.

### **3.9 Ethical Considerations**

There are significant ethical questions raised by the data collection from human participants. The main concerns raised by the current investigation were privacy and informed consent (Neuman, 1997). Since the study focused on the experiences and perceptions of employees, no psychological harm or other types of damage—legal or physical—were anticipated. Instead, participants were asked to complete the survey at their convenience, without being required to divulge any personal information. The questionnaire's cover letter contained explicit declarations and functioned as an informed consent form. Throughout the data collection procedure, the researcher additionally reminded respondents verbally that they were under no obligation to participate in the survey and that they might stop at any moment if they so desired. The goal of the study, the identities of the researchers, and the voluntary nature of participation were all made clear in writing to prevent any perceptions of dishonesty in the survey. The goal of the study and the

procedures for collecting and utilizing the data were made abundantly evident on the survey's first page. Every respondent received an assurance of confidentiality, and their identities were kept secret.



## CHAPTER 4

### FINDINGS AND ANALYSIS

#### 4.1 Introduction

After the research model and hypotheses were conceptualized and presented in Chapter Three, and after the research technique was covered in Chapter Four, a data analysis of survey responses was carried out to confirm and validate the model. Thus, the goal of this chapter is to present a thorough analysis of the information gathered from the respondents via the specially created questionnaire. The survey response analysis, which includes the response rate, as well as data screening and preliminary analysis that includes the power size, normalcy, missing data, and outliers, are also presented in this chapter. The assessment of the structural model comes after a discussion of the measurement model's validity and reliability in the following section. The study's final component tests hypotheses based on the findings of all the tests that were carried out.

#### 4.2 Statistical Tool

Utilizing the Statistical Package for the Social Sciences (SPSS), the data sheet and demographic analysis for this study were created (Henseler, 2015). SPSS was utilized to assess the study hypotheses.

#### 4.3 Demography

The demographics of the current investigation are computed using data from the participants and are shown in Table 1.3. The findings revealed that, of the 264 participants, 58.3% were men and 41.3% were women. Each participant was split into many age categories; of them, 30–40 years old accounted for the majority (67.4%), followed by 20–30 (26.9%), 40–50 years old (3.0%), and 50 and older (2.7%).

According to survey responses, the majority (52.3%) were undergraduates, followed by (42.0%) postgraduates and (5.7%) high school graduates. Besides that, 47% of employees had an experience of less than a year, followed by 26.9% of employees having an experience of 5-10 years, 21.6% of employees having an experience of 1-5 years and 4.5% of employees having an experience of over 10 years. Furthermore, 83% of employees had a full-time job, 6.8% had a part-time job, 5.7% had a freelance job and 4.5% were internees.

<b>Sr. No</b>	<b>Description</b>	<b>Category</b>	<b>No.</b>	<b>Percentage</b>
<b>1</b>	Gender	Male	154	58.3%
		Female	109	51.3%
		Prefer not to say	1	4.0%
<b>2</b>	Age	20-30	71	26.9%
		30-40	178	67.4%
		40-50	8	3.0%
		50 and above	7	2.7%
<b>3</b>	Education	High School Graduate	15	5.7%
		Undergraduate	138	52.3%
		Postgraduate	111	42.0%
<b>4</b>	Work Experience	Less than a year	124	47.0%
		1-5 years	57	21.6%
		5-10 years	71	26.9%
		Over 10 years	12	4.5%
<b>5</b>	Job Type	Internee	12	4.5%
		Part-time	18	6.8%
		Full-time	219	83.0%
		Freelance	15	5.7%
<b>Total</b>			264	

**Table 1.3 Demography**

#### **4.4 Descriptive Statistics**

Table 1.4 provides an illustration of the variable data's mean and standard deviation. The range is 4, with 1 serving as the minimum and 5 serving as the maximum. The standard deviation of compensation equity is 1.212, whereas the mean is 3.322. Employee turnover intention has a mean of 2.958 and a standard deviation of 0.958. The mean of job satisfaction is 3.44 whereas its standard deviation is 1.285 respectively. The variance of compensation equity is 1.471, 0.918 for employee turnover intention and 1.654 for job satisfaction.

Variable	Range	Minimum	Maximum	Mean	Standard Deviation	Variance
CE	4.00	1.00	5.00	3.3226	1.21269	1.471
ETI	4.00	1.00	5.00	2.9583	.95810	.918
JS	4.00	1.00	5.00	3.4417	1.28599	1.654
N		264				

**Table 1.4 Descriptive Statistics**

#### 4.5 Regression Analysis

Table 1.5 Regression Analysis for Mediation of Job Satisfaction between Compensation Equity and Employee Turnover Intention.

Variable	B	95%CI	SE B	$\beta$	R <sup>2</sup>	$\Delta R^2$
<b>Step 1</b>					0.744	0.744
<b>Constant</b>	0.695	[0.523,0.867]	0.087			
<b>Compensation Equity</b>	0.681	[0.633,0.730]	0.025	0.862		
<b>Step 2</b>					0.792	0.048
<b>Constant</b>	0.591	[0.433,0.749]	0.080			
<b>Compensation Equity</b>	0.329	[0.230,0.429]	0.051	0.417		
<b>Job Satisfaction</b>	0.370	[0.276,0.464]	0.048	0.497		

**Note:**

**CI=Confidence**

**Interval**

**\*\*\*p<0.001**

The effect of job satisfaction and compensation equity on the intention of employee turnover is displayed in Table 1.5. Step 1's R<sup>2</sup> value of .744 showed that, with  $F(1,262)=760$ ,  $p<0.001$ , the compensation equity explained 74.4% of the variance in the employee turnover intention. The results showed that employee turnover intention was favorably predicted by compensation equity ( $\beta=0.862$ ,  $p<0.001$ ). Step 2's R<sup>2</sup> value of 0.792 showed that work satisfaction and remuneration fairness could account for 48% of the variation in employee turnover intention, with  $F(2,261)=495.976$ ,  $p<0.001$ . Models 1 and 2's variance changed by 4.8%, according to the  $\Delta R^2$  value of 0.048, with  $\Delta F(1,261)=60.177$ ,  $p<0.001$ . The partial mediation was supported by the regression weights for compensation equity, which dramatically decreased from Model 1 to Model 2 but remained significant. Moreover, compensation equity has a direct as well as indirect effect on employee turnover intention.

#### 4.6 Validity and Reliability Analysis

The measurement model analysis was carried out using the SPSS method in order to assess the reliability. Table 1.4 displays the calculated Cronbach's alpha. The instrument's satisfactory reliability was indicated by Cronbach's alpha values for compensation equity (0.95), employee turnover intention (0.79), and job satisfaction (0.92).

Variable	Cronbach's Alpha	No. of Items
Compensation Equity	0.95	6
Employee Turnover Intention	0.79	5
Job Satisfaction	0.92	5
Total	0.973	16

**Table 1.6 Reliability Analysis**

#### 4.7 Correlation Analysis

		<b>CE</b>	<b>ETI</b>	<b>JS</b>
<b>CE</b>	Pearson	1	-.862**	.897**
	Correlation			
	Sig. (2-tailed)		<0.001	<0.001
	N	264	264	264
<b>ETI</b>	Pearson	-.862**	1	-.871**
	Correlation			
	Sig. (2-tailed)	<0.001		<0.001
	N	264	264	264
<b>JS</b>	Pearson	.897**	-.871**	1
	Correlation			
	Sig. (2-tailed)	<0.001	<0.001	
	N	264	264	264

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table 1.7 Correlation Analysis**

This table shows the correlation analysis of the variables compensation equity, job satisfaction, and employee turnover intention. The relationships among these variables are given below:

##### **Compensation Equity-Employee Turnover Intention**

The table shows a moderate negative relationship between compensation equity and employee turnover intention. It means that if there is an increase in compensation equity, then employee turnover intention will decrease moderately. So, there is a direct relationship among these variables.

##### **Job Satisfaction-Employee Turnover Intention**

The table shows a moderate negative relationship between job satisfaction and employee turnover intention. It means that if there is an increase in job satisfaction then employee turnover intention will decrease moderately. So, there is a direct relationship among these variables.

## Compensation Equity-Job Satisfaction

The table shows a moderate positive relationship between compensation equity and job satisfaction. It means that if there is an increase in compensation equity, then job satisfaction will also increase moderately. So, there is a direct relationship among these variables.

### 4.8 Structural Model Test

The values taken from the structural model created using PLS bootstrapping to test the hypotheses H1 through H3 are summarized in Table 1.8 of the current study. Standard deviation, t-statistics, R<sup>2</sup>, F<sup>2</sup>, and the p-value for direct correlations are also included.

	Hypothesis	B	SD	t-value	R <sup>2</sup>	F <sup>2</sup>	p-value	Decision
H1	CE-> ETI	0.504	0.035	18.624	0.518	0.383	0.000***	Supported
H2	CE-> JS	0.523	0.034	15.823	0.274	0.377	0.000***	Supported
H3	JS-> ETI	0.994	0.0001	858.116	0.977	31.050	0.000***	Supported

**Table 1.8 Results of Structural Model**

R<sup>2</sup> is the percentage change in the criterion variable due to predictor variables. For H1 ( $\beta = 0.504$ , t-value=18.624, p=0.000), the results showed that compensation equity had a significant positive relationship with employee turnover intention; for H2 ( $\beta = 0.523$ , t-value = 15.823, p=0.000), the results showed that compensation equity had a significant positive relationship with job satisfaction; and for H3, the results showed a significant positive relationship between job satisfaction and employee turnover intentions. Employee turnover intention is the dependent variable, work satisfaction serves as the mediator, and compensation equality is the independent variable. The findings indicate that there is a 97.7% change in employee turnover intention and a 27.4% change in job satisfaction when compensation fairness is implemented. Furthermore, the effect size f<sup>2</sup> was computed in order to assess the impact of the exogenous constructions on the R<sup>2</sup> value. Strong effects were seen for H1, H2, and H3 according to the values for f<sup>2</sup> (H1=0.383, H2=0.377, and H3=31.050). As a consequence, the data supported each of the three hypotheses, H1 through H3.

## 4.9 Summary

The fourth chapter discusses the findings of a study that looked at the links between compensation equity and employee turnover intention while studying the mediating effects of job satisfaction in the restaurant industry in Islamabad. After conceptualizing the study model and assumptions, data from 264 respondents was examined using regression methods. Gender, age, education, work experience, and job type were among the variables indicated by the demographic profile of participants. The study proved survey question reliability with a high Cronbach's alpha of 0.973. Checks for data normality were performed before using regression analysis and Structural Equation Modeling (SEM). Regression analysis was utilized to investigate the relationships between compensation equity, job satisfaction, and employee turnover intention, and two models were discovered. Significant connections were found, with standardized coefficients and significance levels indicating the influence of predictors. Additional analysis includes summary item statistics, an SEM technique based on Partial Least Squares (PLS), correlation analysis, and descriptive statistics. Overall, Chapter 4 presents a detailed and insightful examination of the collected data, shedding light on the complex interaction of factors impacting employee turnover intention in the restaurant industry in Islamabad.

## CHAPTER 5

### DISCUSSIONS AND LIMITATIONS

#### 5.1 Introduction

This chapter continues from the previous chapter and discusses the results in relation to the aim of the research, which was to investigate the impact of compensation equity on employee turnover intention along with the mediating effects of job satisfaction in the restaurant industry in Islamabad. In addition to the discussion of the results of the present study, this chapter also identifies the major implications of the findings for academic research and industry practices. The first part of the chapter concludes the previous chapters and reviews the empirical findings based on the objectives of the study, which are presented in Chapter 1. The second part addresses the theoretical implications of the study. Lastly, the limitations of the study and future research directions are discussed.

#### 5.2 Discussion of Findings

In recent years, the restaurant industry in Islamabad has faced a significant challenge concerning the retention of skilled professionals, akin to the national issue experienced in the restaurant sector. A notable trend has emerged with restaurant staff relocating to other cities, amplifying concerns about a potential shortage of experienced personnel. The lack of compensation equity practices has exacerbated this situation, heightening the demand for skilled restaurant industry professionals in the country. Employee retention poses a critical concern in Islamabad, mirroring the broader issue faced by Pakistan, where a substantial number of experts opt for career changes or seek opportunities abroad. This trend is particularly pronounced in the restaurant industry, where professionals are frequently choosing to pursue alternative restaurants. Addressing this challenge, this research aims to spotlight the role of compensation equity in impacting employee turnover intention within the restaurant industry in Islamabad.

Moreover, this study seeks to contribute to the existing knowledge base on compensation equity, job satisfaction and employee turnover intentions within the unique context of the restaurant industry. By emphasizing the role of compensation equity, the research aims to offer insights and potential solutions to enhance retention strategies in a sector where turnover is a prevalent concern. To bolster the understanding of the intricate relationship between compensation



equity, job satisfaction, and employee turnover intentions, the study incorporates job satisfaction as a mediator. This addition aims to fortify the connections between these variables, providing a nuanced perspective on how compensation equity impacts job satisfaction and, consequently, influences employee turnover intentions within Islamabad's restaurant industry.

### **5.3 Contributions and Future Research Directions**

From a theoretical standpoint, the current study adds significantly to our understanding of wage equality and how it relates to employee intention to leave. Through job satisfaction, it also aids in the understanding of the connection between salary equity and employee turnover intentions. The primary focus of this study is on restaurant employees in Islamabad, an area that has not received much attention in previous research, adding uniqueness to the body of literature. After that, the study will add to the background of the job satisfaction mediation role that was previously absent from the restaurant industry.

Additionally, while evaluating employee turnover intention, the current study emphasizes the importance of salary equity under the influence of TRA. The current study will contribute significantly to the body of knowledge on employee turnover intention under TRA in the hotel industry. According to the TRA, employees' conduct is determined by their intentions to leave, and their attitude is shaped by the circumstances they are facing. (Feeley, 2003). TRA depends on the employee intentions to obtain favorable outcomes according to the employee expectations (Fishbein, 1975). Furthermore, the model that was developed (compensation equity–job satisfaction–employee turnover intention and compensation equity–job satisfaction–employee turnover intention) has not, in the researcher's opinion, been tested in tandem. For this reason, it will be a valuable addition to both Pakistani and restaurant industry literature. This study fills a vacuum in the literature on Pakistani hospitality studies by utilizing sophisticated SPSS data analysis approaches that were previously unexplored. In practical terms, the study would help the government, management, and restaurants in Islamabad better understand the demands of their hospitality workforce and address the poor employee retention rate. Furthermore, this study will help mitigate the negative consequences and effects of employee turnover intentions by lowering and anticipating them. It will also help to highlight how important employee satisfaction is. The present study aims to increase performance, improve hospitality metrics, and achieve sustainability by increasing the employee-to-population ratio.

## **5.4 Limitations**

A few shortcomings of the current study may present opportunity for future practitioners and researchers to overcome them. Due to constraints on time, resources, and accessibility, the current study only included 300 employees in the data collection; however, this number could be increased in the future to improve generalizability. The issue of compensation is pervasive in Pakistan's other businesses as well, not just in one particular field. Subsequent research endeavors may examine this paradigm across diverse industries. Furthermore, it was challenging to obtain responses from every employee within the brief study period. Consequently, 88% was the response rate, which met the researcher's expectations but was still insufficient. To increase the accuracy of the results, the number of responses should be increased in the future. Only employees, or a small portion of the hospitality business, provided the data. This model should be used to examine other parts in future research, such as owners and supporting personnel. The study takes a momentary picture of the relationship at a particular period between job satisfaction, compensation equity, and employee turnover intention. Since longitudinal data is not gathered, it is more difficult to examine how these relationships might alter over time and adapt to modifications in the external or organizational environment. Due to the study's focus on the restaurant industry in Islamabad, differences in regional areas and cultural influences might not be completely taken into consideration. As such, the results might not be indicative of the larger national or international context.

## **Questionnaire**

### **Analyzing the Impact of Compensation Equity on Employee Turnover Intentions and the Mediation Effect of Job Satisfaction in the Restaurant Industry in Islamabad**

This survey aims to determine the extent of compensation equity and job satisfaction in impacting employee turnover intentions.

Scale: Each question is measured against Five points Likert Scale with anchors labelled as:

Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5.

#### **Section 1: Demographic of Respondents (MCQ's Based)**

##### **Gender**

Male

Female

Prefer not to say

##### **Age**

1. 20-30

2. 30-40

3. 40-50

4. 50 and above

##### **Education**

1. Highschool Graduate

2. Undergraduate

3. Postgraduate

## **Work Experience**

1. Less than a year
2. 1-5 years
3. 5-10 years
4. Over 10 years

## **Job Type**

1. Internee
2. Part-time
3. Full-time
4. Freelance

## **Section 2: Compensation Equity (Likert Scale 1 to 5)**

Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5.

## **Section 3: Employee Turnover Intention (Likert Scale 1 to 5)**

Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5.

## **Section 4: Job Satisfaction (Likert Scale 1 to 5)**

Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5.

<b>Compensation Equity</b>	<b>Employee Turnover Intention</b>	<b>Job Satisfaction</b>
1. My pay is generally equal to the pay of my colleagues of the same level/position.	1. How often have you considered leaving your job?	1. My job is very worthwhile.

<p>2. My pay is generally equally to the pay of similar job in other companies of the same industry.</p>	<p>2. How often do you dream about getting another job that will better suit your personal needs?</p>	<p>2. I am very content with my job.</p>
<p>3. I believe there is consistency in how compensation is awarded for similar roles across different departments or teams.</p>	<p>3. How likely are you to accept another job at the same compensation level should it be offered to you?</p>	<p>3. My job is very pleasant.</p>
<p>4. I believe that my current salary reflects the level of responsibility and effort required for my role.</p>	<p>4. How often are you frustrated when not given the opportunity at work to achieve your personal work-related goals?</p>	<p>4. I am happy that I took this job.</p>
<p>5. I am satisfied with the overall fairness of the compensation practices in our organization.</p>	<p>5. How often do you look forward to another day at work?</p>	<p>5. I definitely like my work.</p>

## BIBLIOGRAPHY

- Ackfeldt, A.-L., Ackfeldt, A. L., & Coote, L. V. (2000). *An investigation into the antecedents of organizational citizenship behaviours An Investigation Into The Antecedents Of Organisational Citizenship Behaviours*. <https://www.researchgate.net/publication/43483406>
- Aleem, M., Hussain Khan, A., Musarrat Nawaz, M., & Hamed, W. (2012). Impact of job satisfaction on employee performance: An empirical study of autonomous Medical Institutions of Pakistan. *African Journal of Business Management*, 6(7), 2697–2705. <https://doi.org/10.5897/AJBM11.2222>
- Alex Opoku, V. A. J. A. (2016). *Choosing an appropriate research methodology and method*.
- Al-Kahtani, A. (2015). "Investigating Factors that Influence Employees' Turnover Intention: A Review of Existing Empirical Works." *International Journal of Biometrics*.
- Alvi, A. K., Khan, M. A., Ahmed, A. A., & Zulfiqar, M. (2014). A STUDY OF EMPLOYEE COMPENSATION AND EMPLOYEE JOB ENGAGEMENT ON BANKS OF LAHORE, PAKISTAN. *Sci.Int.(Lahore)*, 26(5), 2411–2414. [www.ccsenet.org/ijbm](http://www.ccsenet.org/ijbm)
- Aman-Ullah, A., Aziz, A., Ibrahim, H., Mehmood, W., & Aman-Ullah, A. (2022). The role of compensation in shaping employee's behaviour: a mediation study through job satisfaction during the Covid-19 pandemic. *Revista de Gestao*. <https://doi.org/10.1108/REG-04-2021-0068>
- Bonds, A. A. (2000). *ScholarWorks Employees' Organizational Commitment and Turnover Intentions*. <https://scholarworks.waldenu.edu/dissertations>
- Burhan, M. (2021). *Crisis management in the hospitality sector SMEs in Pakistan during COVID-19*.
- Chisnall. (2005). *Marketing research*. UK: McGraw-Hill.
- Creswell, J. W. (2009). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*.
- Delaney, J. T., & Huselid, M. A. (1996). The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39(4), 949–969. <https://doi.org/10.2307/256718>
- Eder Paschoal Pinto. (2011). *The Influence Of Wage On Motivation And Satisfaction*.
- Edwin A. Locke. (1969). *What is job satisfaction?*
- Feeley, T. H. (2003). *Using the theory of reasoned action to model retention in rural primary care physicians*. T.
- Fiona McDermid, J. M. K. P. (2020). *Factors contributing to high turnover rates of emergency nurses: A review of the literature*.
- Fishbein, M. , & A. I. (1975). *Intention and Behavior: An introduction to theory and research*. .
- Ghafoor, S. and A. G. (2017). *THE EFFECT OF FINANCIAL COMPENSATION AND PERCEIVED CAREER PROGRESSION ON EMPLOYEE TURNOVER INTENTIONS WITH SELF ACTUALIZATION AS A MEDIATOR*.

- H. Parsa, van der R. S. P. B. (2014). *Why Restaurants Fail? Part IV: The Relationship between Restaurant Failures and Demographic Factors*.
- Hameed, M. A., Ramzan, M., Kashif Zubair, H. M., Ali, G., & Arslan, M. (2014). Impact of Compensation on Employee Performance (Empirical Evidence from Banking Sector of Pakistan). In *International Journal of Business and Social Science* (Vol. 5, Issue 2). [www.ijbssnet.com](http://www.ijbssnet.com)
- Henseler, J. , R. C. M. , & S. M. (2015). *A new criterion for assessing discriminant validity in variance based structural equation modeling*. .
- Hua, D. L. & G. (2016). *An empirical framework to predict idiosyncratic risk in a time of crisis: Evidence from the restaurant industry*.
- J. Stacy Adams, S. F. (1976). *Equity Theory Revisited: Comments and Annotated Bibliography*.
- Jacobs, E., & Roodt, G. (2007). The development of a knowledge sharing construct to predict turnover intentions. *Aslib Proceedings: New Information Perspectives*, 59(3), 229–248.  
<https://doi.org/10.1108/00012530710752034>
- Jha, S. (2014). *Determinants of Employee Turnover Intentions: A Review*.
- Johanim, J., Adnan, Z., & Yahya, K. (2006). *Promoting Employee Intention to Stay: Do Human Resource Management Practices Matter?* <https://www.researchgate.net/publication/281190297>
- Kakyom Kim, G. J. (2010). *Effects of Individual and Organizational Factors on Job Satisfaction and Intent to Stay in the Hotel and Restaurant Industry*.
- Kim Namhyun. (2012). *Employee Turnover Intention Among Newcomers in Travel Industry*.
- Kim Soon Hong. (2020). *The effect of increasing employee compensation on firm performance: Evidence from the restaurant industr*.
- Lyons, P. , & B. R. (2019). *Employee turnover: Features and perspectives. Development and Learning in Organizations: An International Journal*.
- Mark A. Tietjen, R. M. M. (1998). *Motivation and job satisfaction*.
- McKinlay, A. , C. M. , & C. S. (2001). *Nurses' behavioural intentions towards self-poisoning patients: A theory of reasoned action, comparison of attitudes and subjective norms as predictive variables*.
- Medina, E. (2012). *Job Satisfaction and Employee Turnover Intention: What does Organizational Culture Have To Do With It?*
- Neuman, W. L. (1997). *The Impact of Cross-Cultural Communication on Foreign Managers' Leadership Style in China-Based International Organization*.
- Newman, M. (2002). *Milkovich–Newman: Compensation, Eighth Edition Front Matter 2. Strategic Perspectives Strategic Perspectives Chapter Two*.
- Oh, S. , & K. H. (2019). *Turnover intention and its related factors of employed doctors in Korea*.


- Ramlall, S. (2001). *A Review of Employee Motivation Theories and their Implications for Employee Retention within Organizations.*
- Romanoff, K. , B. K. , & B. E. (1986). *Pay Equity: Internal and External Considerations. Compensation & Benefits Review.*
- Rubery, J. (1995). PERFORMANCE-RELATED PAY AND THE PROSPECTS FOR GENDER PAY EQUITY. . *Journal of Management Studies.*
- Runyan, L. (2012). *Hospitality marketing research: Recent trends and future directions.*
- Ruxandra Vasilescu. (2013). *Tabel of Contents.*
- Sady, K. , A. M. , C. D. (2015). *Compensation Equity: Who, What, When, Where, Why, and How.*
- Sarkar, A. (2016). *Impact of compensation and benefits to employee motivation in a business.*  
<https://www.researchgate.net/publication/357768286>
- Silaban, N. and S. R. Y. T. (2018). *The Influence of Compensation and Organizational Commitment on Employees' Turnover Intention.*
- Smith, J. (2018). *Successful Strategies for Reducing Employee Turnover in the Restaurant Industry.*
- Uhl-Bien, R. L. and C. (2014). *Employee Turnover Issues in the Restaurant Industry.*
- US Government. (2016). *United States Bureau of Labor Statistics .*
- Weisberg Jacob, K. A. (2006). *Employee turnover intentions.*
- Y. Malhotra, D. G. (1999). *Extending the technology acceptance model to account for social influence: theoretical bases and empirical validation.*
- Yzer, marco. (2017). *Theory of Reasoned Action and Theory of Planned Behavior.*
- ZAMEER, H., Alireza, S., NISAR, W., & AMIR, M. (2014). The Impact of the Motivation on the Employee's Performance in Beverage Industry of Pakistan. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 4(1).  
<https://doi.org/10.6007/ijarafms/v4-i1/630>





Majors: MAM  
Majors/No. AM

*"Analyzing the Impact of Compensation Equity on Employee Turnover Intention and the Mediating Effect of Job Satisfaction in the Restaurant Industry in Indonesia"*



By:  
(Saria Zafer) (01-321202-049)

Supervisor:  
(Dianty-ai-Ain Negeri)

Department of Business Studies  
Bekris University Islamabad  
Fall-2023

P

Match Overview

18%

1	www.researchgate.net	2%
2	scholarworks.walden.edu	1%
3	www.researchgate.net	1%
4	scopus.org	1%
5	scopus.org	1%
6	Submitted to Open Univ.	<1%
7	scopus.org	<1%
8	Submitted to Sage Univ.	<1%
9	scopus.org	<1%
10	www.scopus.org	<1%
11	Submitted to Emerald	<1%
12	scopus.org	<1%