The Effect of Work Compensation on Intention to Stay in the Hotel Industry During the COVID 19 Pandemic with Job Embeddedness as Mediation

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Abstract

**Purpose** - This study aimed to analyze the effect of work compensation on the intention to stay in the hotel industry during the COVID 19 pandemic mediated by job embeddedness.

**Methodology** - A quantitative approach was used on 670 graduates who majored in hotel management based on purposive sampling. The sample size was estimated at 30% of the total population (201 graduates) working in the hotel industry, collecting 145 respondents. Furthermore, the data were analyzed using the Partial Least Square Structural Equation Modelling (PLS-SEM).

**Findings** - The results showed that work compensation affected the graduates’ intentions to stay and job embeddedness in the hotel industry during the COVID 19 pandemic. Job embeddedness affected the intention to stay and mediated its relationship with compensation.

**Originality** - The effect of work compensation on graduates’ intention to stay in the hotel industry during the pandemic was investigated to gain a better understanding. Furthermore, testing job embeddedness as a mediator of the relationship between work compensation and staying intentions produced a new theoretical understanding. Novelty in this study found that graduates still have the intention to stay in the hotel industry due to the job embeddedness that has been formed as a result of the work compensation received which is still in line with their expectations even in the conditions of the COVID 19 pandemic.

1. Introduction

The COVID 19 pandemic caused major impacts, especially in tourism and hospitality sector. This spread to Indonesia in February 2020, leading to new policies limiting social activities globally. Furthermore, the Indonesian tourism and hospitality development was significantly affected as indicated by the continuous decline in tourists from the beginning of the pandemic until April 2021. There was an 81.78% decline in the number of foreign tourists with 511.44 thousand from January to April 2021 compared to 2020 with 2.81 million (The Indonesian Central Bureau of Statistic, 2021). Therefore, this decrease impacted the occupancy rate, showing 34.63% for star classification hotels in March 2021 (The Indonesian Central Bureau of Statistic, 2021). As a result, the decrease by 1.44 points than the previous month with 36.07% impacted changes in the hotel business and human resources.
The movement restrictions declined occupancy rates and the number of employees. This was supported by the Indonesia Association of Hotels and Restaurants (2020), which reported 8.1 million layoffs based on various hotel policies in May 2020. Some hotels were unable to compensate their workers, hence alternated them as needed while encouraging some to find other jobs and return during normal operations. Furthermore, following the paralyzed hotel business operations from the pandemic, employees mainly from hospitality education backgrounds questioned whether to continue working in the sector or find alternative jobs. As a result, some left their work organizations and found better jobs (Bajrami et al., 2021; Balz & Schuller, 2021; Redondo et al., 2021).

The hotel industry’s turnover increases when more employees leave. Most studies have discussed employee’s intention in the hotel industry for several years (Asghar et al., 2021; Jung et al., 2021; Sadiqe et al., 2021; Shi et al., 2021). Furthermore, it is necessary to determine why most of them leave and their intention to stay (Adi et al., 2020; Bellamkonda et al., 2021). Intention to stay is a decision to maintain a job (Chang et al., 2019), hence understanding this can help implement a good retention program in the hotel environment (Davern, 2021; Immaneni et al., 2021; Mohamed et al., 2020).

Job embeddedness is when employees with an attachment to the organization rarely leave, despite the instability in the hospitality industry. Yu et al. (2020) argued that employees with job embeddedness feel closer to colleagues, work, and organizations, maintaining their membership. An individual with a strong bond with the organization has a positive behavior in achieving organizational goals (Akgunduz & Sanli, 2017; Arasli et al., 2017). Therefore, job embeddedness is important for hotel industry employees.

Compensation is among the most important variables for employees. Therefore, it is used to attract, retain, and motivate employee attachment to the organization and their staying intentions (Naveed et al., 2020; Wono et al., 2021). However, the pandemic caused a compensation reduction in the hospitality industry (Sidhu et al., 2020; Wong et al., 2021). Most studies claimed that salary is important in motivating individuals to stay in the hospitality industry (Widokarti et al., 2019).

This scenario raises several questions, (1) the effect of work compensation on hotel management graduates’ intention to stay in the hospitality industry during the pandemic. (2) The effect of work compensation on the graduates’ job embeddedness in the hotel industry during the pandemic. (3) The effect of job embeddedness on the graduates’ intention to stay in the hotel industry during the pandemic. (4) Measuring job embeddedness as a mediator between work compensation and staying intentions. Previous studies focused on turnover intention (Asghar et al., 2021; Chen & Wu, 2017; Li et al., 2019; Sadiqe et al., 2021; Shi et al., 2021; Wang et al., 2020), job satisfaction (Ampofo, 2021; Ferdian & Denitri, 2020; Koo et al., 2020; Sobaib & Hasanein, 2020; Viseu et al., 2020), work environment (Anggreni et al., 2018; Başer & Ehtiyar, 2021; Octafian & Nugraheni, 2020; Teo et al., 2020), and employee performance (Hayat et al., 2019; Kosmajadi, 2021; Sarwar & Muhammad, 2020; Syardiansah et al., 2020). However, there is a lack of studies on the effects of compensation and job embeddedness on the intention to stay in the hotel industry.

2. Research Method

A quantitative approach was used with a causal study to determine causal and effect relationships between variables (Malhotra, 2002) (Allen & Rao, 2000). Furthermore, the effects of the independent variable (cause) were analyzed, namely work compensation on the endogenous as the intention to stay in the hotel industry amid the pandemic. The mediating effect of job
embeddedness on the relationship between work compensation and the staying intention was analyzed.

The population included 670 hotel management graduates determined through purposive sampling. The sample was estimated at 30% of the total population of 201 graduates working in the hotel industry, collecting 145 respondents. This consisted of 78 or 53.8% male and 67 or 46.2% female graduates. Most of the respondents (72 or 49.7%) were aged 20-25, 53 (36.6%) between 26-30, 15 (10.3%) 31-35, and 5 (3.4%) above 35.

Based on the literature, work compensation affects an individual’s job embeddedness and intention to stay in the hotel industry (Elshaer & Azazz, 2021; Milliman et al., 2018; Zainuddin & Noor, 2019). Other studies conjectured that job embeddedness affects intention to stay in the hotel industry (Khana et al., 2021; Shehawy et al., 2018). These arguments formed four hypotheses as follows.

\[ H_1: \text{Work compensation enhanced the hotel management graduates’ intention to stay in the hotel industry during the COVID 19 pandemic.} \]

\[ H_2: \text{Work compensation enhanced the hotel management graduates’ job embeddedness in the hotel industry during the COVID 19 pandemic.} \]

\[ H_3: \text{Job embeddedness enhanced the hotel management graduates’ intention to stay in the hotel industry during the COVID 19 pandemic.} \]

\[ H_4: \text{Job embeddedness mediates the relationship between work compensation and the hotel management graduates’ intention to stay in the hotel industry during the COVID 19 pandemic.} \]

This study used primary and secondary data collected through an online questionnaire with a Likert scale. The items for each variable (independent against mediating and dependent variable) were adapted from previous studies (Arasli et al., 2017; Dewi, 2021; Ferdian et al., 2021; Hussien, 2021; Robinson et al., 2014) with a minor modification. Meanwhile, this study measured compensation through work suitability, meeting needs, timely payments, and other guarantees. Job embeddedness was measured by work engagement, like-mindedness with coworkers, and good relations. Furthermore, the intention to stay in the industry was measured through the desire for a career in the same organization and the intention to stay instead of finding other jobs.

Before using the questionnaire, the validity and reliability tests were conducted. The Structural Equation Modelling (SEM) was applied for econometric and psychometric insights in social sciences studies because it can test the theoretically validated and additive causal model (Haenlein & Kaplan, 2004; Statsoft, 2013). Furthermore, the data analysis used the PLS-SEM (Partial Least Square Structural Equation Modelling). This method includes the Covariance-based SEM (CB-SEM) and Partial Least Square–SEM (PLS-SEM) approaches with strengths and weaknesses, especially with statistical assumptions and the produced fit statistic. The CB-SEM has several limitations and only follow certain criteria, 1) the sample should be large; 2) the data should be normally distributed; 3) the constructs’ indicators should be reflective; and 4) the indetermination of factors (errors) caused by the program’s inability to estimate results because the model is unidentified (Reinartz et al., 2009; Sarstedt & Hwang, 2020). Therefore, these limitations can be solved by the Partial Least Square–SEM (PLS-SEM), estimating complex cause-effect relationship models with latent variables. Furthermore, it is a robust or invulnerable multivariate statistical technique that simultaneously handles multiple responses and explanatory variables (Ramzan & Khan, 2010).
3. Results and Discussions

3.1 Measurement Model

The reflective measurement model was evaluated by internal consistency and indicator reliability, and convergent and discriminant validity (Sarstedt et al., 2014). This was conducted with composite reliability (CR), Average Variance Extracted (AVE), and Cronbach Alpha value. Figure 1 and Table 1 show the results of the reflective measurement model, including the outer loading, indicator reliability, composite reliability, AVE scores, and the Cronbach Alpha value.

![Figure 1. Measurement Model](image)

Figure 1 above depicts the summary of the measurement model of the study. The values in the measurement model were acceptable with outer loading above 0.70. In this section, the measurement model is administered to examine the effect of work compensation toward job embeddedness and intention to stay in the hotel industry.

### Table 1. Reflective Measurement Model

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Indicators</th>
<th>Outer Loadings</th>
<th>Cronbach Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Compensation</td>
<td>WC1</td>
<td>0.839</td>
<td>0.896</td>
<td>0.923</td>
<td>0.705</td>
</tr>
<tr>
<td></td>
<td>WC2</td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>WC3</td>
<td>0.866</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>WC4</td>
<td>0.826</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>WC5</td>
<td>0.793</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Embeddedness</td>
<td>JE1</td>
<td>0.808</td>
<td>0.730</td>
<td>0.844</td>
<td>0.644</td>
</tr>
<tr>
<td></td>
<td>JE4</td>
<td>0.779</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>JE5</td>
<td>0.819</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention to Stay in the Hotel Industry</td>
<td>ISH1</td>
<td>0.746</td>
<td>0.826</td>
<td>0.878</td>
<td>0.589</td>
</tr>
<tr>
<td></td>
<td>ISH2</td>
<td>0.768</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ISH3</td>
<td>0.737</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ISH4</td>
<td>0.800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ISH5</td>
<td>0.786</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table 1 shows that work compensation, job embeddedness, and intention to stay in the hotel industry had a Cronbach's Alpha value of 0.896, 0.730, and 0.826, respectively. The composite reliability value of work compensation was 0.923, job embeddedness 0.844, and the intention to stay in the hotel industry 0.878. This indicated that internal consistency reliability was accepted...
because the Cronbach's Alpha value and composite reliability were above 0.70. Furthermore, all items' loadings were acceptable (outer loadings ranging from 0.737 to 0.873) onto their respective factors, verifying their indicator reliability. The measurement model that collected the respondents’ data had sufficient convergent validity based on the AVE values. This included work compensation with 0.705, job embeddedness 0.644, and intention to stay in the hotel industry 0.589, above the required minimum of 0.50.

The last stage of the measurement model evaluation assessed the discriminant validity using the Heterotrait-Monotrait Ratio of Correlations (HTMT) analysis. Table 2 shows that the HTMT value lacked a discriminant validity problem (HTMT <0.85 criteria), implying that its criterion did not detect collinearity issues among the latent constructs.

Table 2. HTMT assessment

<table>
<thead>
<tr>
<th></th>
<th>Intention to Stay in the Hotel Industry</th>
<th>Job Embeddedness</th>
<th>Work Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Stay in the Hotel Industry</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Embeddedness</td>
<td>0.835</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Work Compensation</td>
<td>0.837</td>
<td>0.778</td>
<td>1</td>
</tr>
</tbody>
</table>


3.2 Structural Model

The second evaluation in the PLS-SEM analysis was the structural modeling or path analysis following the hypothesis. This study aimed to establish the effect of work compensation on the intention to stay in the hotel industry during the COVID 19 pandemic. Table 3 reports the structural model with path coefficients, T-statistic, and significance levels of the hypothesis (the result of Bootstrapping). The path coefficients were acceptable when their significance was at least 95% of the confidence level. The path analysis output (Table 3) shows that all hypotheses were accepted.

Table 3. Path coefficients, observed t-statistics, and significance levels

<table>
<thead>
<tr>
<th>Path Analysis</th>
<th>Path Coefficient B</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Work Compensation -&gt; Intention to Stay in the Hotel Industry</td>
<td>0.579</td>
<td>10.187</td>
<td>0.000</td>
<td>Accept</td>
</tr>
<tr>
<td>H2 Work Compensation -&gt; Job Embeddedness</td>
<td>0.666</td>
<td>21.697</td>
<td>0.000</td>
<td>Accept</td>
</tr>
<tr>
<td>H3 Job Embeddedness -&gt; Intention to Stay in the Hotel Industry</td>
<td>0.305</td>
<td>4.449</td>
<td>0.000</td>
<td>Accept</td>
</tr>
</tbody>
</table>

Notes: *p<.05, **p<.01, ***p<0.001


The path coefficients for hypotheses (H1) revealed that work compensation positively affects the intention to stay in the hotel industry at (β= 0.579 and t=10.187). Hypotheses (H2) revealed that work compensation with (β= 0.666 and t=21.697) positively affects job embeddedness in the hotel industry. Furthermore, hypothesis (H3) discovered that job embeddedness positively affects the intention to stay in the hotel industry at (β= 0.305 and t=4.449).

The coefficient of determination (R²) showed a substantial amount of variance (R² values 0.437 and 0.662) in the job embeddedness and intention to stay in the hotel industry explained by
the predictor (work compensation). Figure 1 shows that work compensation explained 43.7% ($R^2 =0.437$) of the variance in the job embeddedness construct and 66.2% ($R^2 =0.662$) in the intention to stay in the hotel industry. The effect size function ($f^2$), similar to the traditional partial F-test (Götz et al., 2010), explained the increase in $R^2$ relative to the proportion of variance of the unexplained dependent variable. Table 4 presents the $f^2$ column that revealed the relations effect sizes.

### Table 4. Factor of the research model

<table>
<thead>
<tr>
<th></th>
<th>$f^2$</th>
<th>Effect size</th>
<th>$f^2$</th>
<th>Effect size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Embeddedness</td>
<td>0.159</td>
<td>Moderate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Compensation</td>
<td>0.550</td>
<td>Substantial</td>
<td>0.776</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

Notes: $f^2$ values of 0.02=weak; 0.15=moderate; and 0.35=substantial

Table 4 exhibits a moderate and substantial effect for the paths of job embeddedness and work compensation on intention to stay in the hotel industry, respectively. Furthermore, work compensation substantially affected job embeddedness in the hotel industry during the pandemic.

As a relative measure of predictive relevance, $q^2$ values of 0.02, 0.15, and 0.35 indicated that the exogenous constructs were small, medium, or large for a selected endogenous construct (Hair et al., 2014). Table 5 shows the predictive test relevance ($q^2$).

### Table 5. Test of predictive relevance ($q^2$)

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Intention to Stay</th>
<th>$q^2$ Job Embeddedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Compensation</td>
<td>0.381</td>
<td>0.267</td>
</tr>
</tbody>
</table>


Table 5 shows the result for $q^2$, with an omission distance of seven, implying that every 7 data points of the target construct were eliminated in a single blindfolding round. The omission distance of 7 obtained a $q^2$ value of 0.381 for intention to stay in the hotel industry and 0.267 for job embeddedness, indicating a large and medium predictive model, respectively. A higher $q^2$ value shows greater predictive relevance of the structural model. Therefore, the independent variable were predictors for job embeddedness and intention to stay in the hotel industry during the pandemic.

### 3.3 Mediating Analysis

The mediation analysis was conducted using the outcomes of the PLS-SEM algorithm and the bootstrap procedure, applying the direct, total and specific indirect, and total effect values. The mediating effects of job embeddedness on the relationship between work compensation and intention to stay in the hotel industry were analyzed and tabulated in Table 6.
The hypothesis H₁ showed that work compensation (β= 0.581 and t=9.955) positively influences job embeddedness. Therefore, job embeddedness mediated the relationship between work compensation and intention to stay in the hotel industry. This was supported by the Sobel test (independent vs. mediating and dependent), with a significant mediation effect of 4.167. The direct effect model showed that job embeddedness significantly mediated between work compensation and intention to stay in the hotel industry. This is because the coefficient of X to M and M to Y were significant in both relationships.

3.4 Discussion

The Effect of Work Compensation on Graduates’ Intention to Stay in the Hotel Industry During COVID 19 Pandemic

Hypothesis H₁ proposed a causal relationship between work compensation and intention to stay in the hotel industry. This was based on the belief that work compensation enhances the intention to stay in the hotel industry. The results showed a positive effect of work compensation on intention to stay in the hotel industry (β= 0.579 and t=10.187, p < 0.01), supporting hypothesis H₁. Furthermore, this demonstrated that work compensation significantly impacted the graduates’ intention to stay in the hotel industry. What can be explained from the results of this study is that during the COVID 19 pandemic, graduates still received work compensation that was still sufficient to meet the necessities of life. So, they still have the intention to stay in the hotel industry compared to looking for other jobs which also mostly experience a downturn due to the COVID 19 pandemic. Hotel management graduates who are satisfied with the work compensation received will increase their intention to stay in the hotel industry. This was consistent with Frye et al. (2020), which stated that financial compensation significantly influenced employee intention to stay in the hotel industry, increasing retention. Similarly, Kremer et al. (2021) stated that wage or compensation enhances an individual’s intention to stay in the industry.

The Effect of Work Compensation on Graduates’ Job Embeddedness in the Hotel Industry

Hypothesis H₂ proposed a causal relationship between work compensation and job embeddedness in the hotel industry. This was based on the belief that work compensation enhances
job embeddedness. The results showed a positive effect of work compensation on job embeddedness in the hotel industry ($\beta= 0.666$ and $t=21.697$, $p < 0.01$), supporting hypothesis $H_2$. Furthermore, this demonstrated that work compensation significantly impacted the graduates' job embeddedness in the hotel industry during the pandemic. What can be explained here is that the work compensation received by graduates during the covid pandemic is still sufficient for living needs, so that their job embedding in the hotel industry can still be maintained. This was consistent with Zakaria & Astuty (2017), which showed a positive effect of employee job embeddedness in the industry. Similarly, Yam et al. (2018) stated that compensation is among an individual’s considerations towards job embeddedness with the employer.

**The Effect of Job Embeddedness on Intention to Stay in the Hotel Industry**

Hypothesis $H_3$ proposed a causal relationship between job embeddedness and intention to stay in the hotel industry. This was based on the belief that job embeddedness enhances the intention to stay in the hotel industry. The results showed a positive effect of job embeddedness towards intention to stay in the hotel industry ($\beta= 0.305$ and $t=4.449$, $p < 0.01$), supporting hypothesis $H_3$. This demonstrated that job embeddedness significantly impacted the graduates’ intention to stay in the hotel industry during the pandemic. During the covid pandemic, graduates still have good job embedding so that their intention to stay in the hotel industry can still be maintained. This strengthens that job embeddedness has a significant impact on the intention to stay in the hotel industry. Similarly, Shehawy et al. (2018) stated that job embeddedness affects employee intention to stay in the industry. This was supported by Sudibjo & Suwarli (2020), which stated that job embeddedness enhances an individual’s intention to stay in the industry.

**The Mediating Effect of Job Embeddedness on the Relationship between Work Compensation and Intention to Stay in the Hotel Industry**

The finding of $H_4$ demonstrated that job embeddedness mediated the relationship between work compensation and intention to stay in the hotel industry. This was confirmed with a 95% bootstrap confidence interval ($Z$-value:4.167*), supporting hypothesis $H_4$. Furthermore, it suggested that the strength of the relationship between work compensation and intention to stay in the hotel industry increases with job embeddedness. Therefore, the intention to stay depends on the work compensation influenced by job embeddedness in the hotel industry. What can be interpreted is that graduates have a strong intention to stay in the hotel industry, which is supported by job embeddedness that has been formed because the work compensation received is still in line with the graduates' expectations during the covid pandemic. This was consistent with Afsar et al. (2018), which stated that job embeddedness fully mediated compensation effects on intentions to stay in the hospitality industry. Similarly, Lyu & Zhu (2019) stated that job embeddedness mediates the relationship between work compensation and an individual’s intention to stay in the industry.

4. **Conclusions**

The overall findings showed that work compensation affects the hotel management graduates' job embeddedness subsequently on intention to stay. Furthermore, job embeddedness increased the relationship between work compensation and intention to stay in the hotel industry. Hotel management graduates view their work compensation enough to meet their expectations,
satisfying their intention to stay. This increases their motivation to perform and stay in the hotel industry during COVID 19 pandemic. Additionally, the hotel management graduates in Universitas Negeri Padang had a similar experience, affecting their decision to stay in the industry during the pandemic due to an interest in work compensation compared to other industries.

This study’s limitation was the methodological approach, namely quantitative. Based on the data valuation, this approach could symbolize the relationship between the relevant variables but failed to explain the issues in a wider context. Therefore, future studies can replicate this using a mixed-method, including a survey on hotel management graduates working in the hotel industry and interviews with the human resource manager. This will provide a more explicit, visible, meaningful, or detailed picture of the discussed issues. Investigating the effect of work compensation on graduates’ intention to stay in the hotel industry during the pandemic gave a better understanding of its causes and effects. Subsequently, testing the job embeddedness as a mediator between work compensation and intention to stay produced some new theoretical understanding. These findings provided significant insights with varying consequences for the hotel management to maintain or improve work compensation in increasing graduates’ job embeddedness and intention to stay during the pandemic.

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