

THE EFFECT OF EMPLOYEE EXPLOITATION ON COMPANY PROFITS AND EMPLOYEE RETENTION

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Abstract

This research aims to analyze the effect of employee exploitation on company profits and employee retention with job satisfaction as a mediating variable. Employee exploitation is an important issue in the modern business world because it can affect the financial aspects and sustainability of an organization. Research data was collected through a questionnaire involving 100 respondents from various industrial sectors. Analysis was carried out using the Partial Least Squares (PLS) method. The research results show that employee exploitation has a significant negative influence on job satisfaction and employee retention. In addition, employee exploitation does not directly affect company profits. Job satisfaction is proven to have a significant positive influence on employee retention and acts as a mediator in the relationship between employee exploitation and employee retention. This research provides theoretical implications that confirm the importance of ethical human resource management in creating job satisfaction and employee loyalty. The practical implication is that companies are advised to reduce exploitative practices and focus on developing a healthy work environment to support organizational sustainability

Keyword: Employee exploitation, job satisfaction, company profits, employee retention

1. Introduction

Employee exploitation has become a major concern in management and human resource studies. This exploitative practice involves unfair or unethical actions towards employees, such as providing low wages, unequal workloads, and lack of career development support. Although some organizations argue that these practices can increase company profits in the short term, their impact on employees is often destructive, which can ultimately impact the

overall sustainability of the company. Employees are the main asset of an organization that determines the company's operational and strategic success. However, excessive exploitation can reduce job satisfaction, which is an important element in creating employee loyalty to the company. This decrease in job satisfaction can lead to high levels of employee turnover, decreased productivity, and reduced employee retention, which in the end can burden companies with high recruitment and training costs. Previous research shows that job satisfaction acts as a link between the working conditions provided by the company and end results such as employee loyalty or retention. However, the relationship between employee exploitation and company profits and employee retention through job satisfaction as a mediator has not been widely researched. Therefore, this study aims to fill this gap by exploring how employee exploitation affects company profits and employee retention through job satisfaction as a mediating variable. This research is expected to provide theoretical contributions in the development of human resource management literature and practical implications for organizations in managing their human resources more ethically and sustainably. Thus, the results of this research can be a guide for companies to increase profits while retaining employees through more humane management strategies.

2. Literature Review

2.1 Employee exploitation

Employee exploitation is defined as company actions or policies that take excessive advantage of employees for organizational gain without providing equal compensation or support (Allain et al., 2013). Forms of exploitation can include low wages, heavy workloads, and lack of career development opportunities (Wright & Nyberg, 2021). Research by Green (2020) shows that this exploitation not only harms employees but also has the potential to damage the company's reputation.

2.2 Job satisfaction

Job satisfaction is defined as an employee's positive or negative feelings towards his or her job (Locke, 1976). Low job satisfaction is often associated with exploitative practices, such as unfairness in wages and lack of recognition of employee contributions (Robbins & Judge, 2015). Research by Meyer et al. (2016) found that low job satisfaction can cause a decrease in employee productivity and loyalty.

2.3 Company profits

Company profits are often the primary measure of organizational success. According to Porter (1985), profitability depends not only on operational efficiency but also on effective human resource management. Some studies, such as those conducted by Becker et al. (2018), shows that an exploitative approach in employee management can increase short-term efficiency but reduce the sustainability of profits in the long term due to high employee turnover rates.

2.4 Employee retention

Employee retention refers to an organization's ability to retain employees who perform well over a long period of time (Allen et al., 2003). According to Cascio (2010), low retention is often caused by job dissatisfaction, which can be influenced by exploitative practices. Research by Hom et al. (2017) show that organizations that do not support employees ethically have high turnover rates, which have a negative impact on organizational efficiency and productivity.

3. Material and Method

3.1 Design Study

This research uses a quantitative approach with an explanatory research method, which aims to explain the causal relationship between the variables in the research. The population in this research are all university students in Indonesia who have work experience and who are currently working in the retail and leasing industry. The research period took place from October to November 2024, with data collection through a questionnaire survey.

3.2 Data Analysis

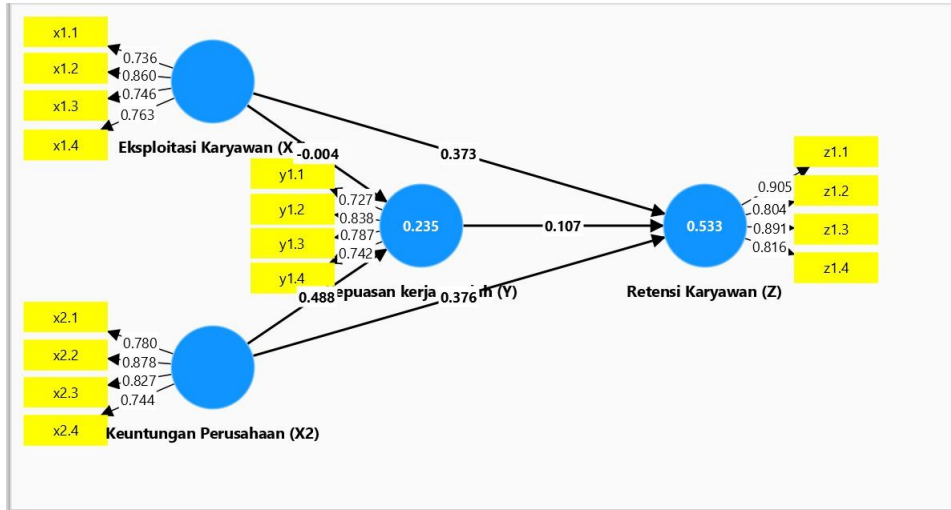
The study design uses Partial Least Squares-Structural Equation Modeling (PLS-SEM) to analyze the relationship between variables. Validity and reliability testing is carried out before analyzing causal relationships

1. Validity and Reliability Testing
 - Convergent Validity: Measured using the Average Variance Extracted (AVE), where a value ≥ 0.5 is considered adequate.
 - Discriminant Validity: Using the Fornell-Larcker Criterion to ensure that each variable correlates more strongly with its indicators than with other variables.
 - Reliability: Using Composite Reliability (CR) and Cronbach's Alpha to ensure internal consistency, with a value ≥ 0.7 considered reliable.
2. Evaluation of the Measurement Model (Outer Model) The outer model is used to evaluate the relationship between latent variables
3. Evaluation of the Structural Model (Inner Model)
 - Using path coefficients to evaluate relationships between variables.
 - Calculating the R-Square value to measure the predictive strength of the structural model.
 - Multicollinearity Testing
4. Interpretation of Results and Conclusions The results of the analysis are interpreted to address the research problems, evaluate the research model, and support or reject the formulated hypotheses.

Figure 1. Research Model

4. Result

Table 1. Convergent Validity



Based on the diagram above, Convergent Validity for each construct, namely Employee Exploitation (X1), Company Profits (X2), Low Job Satisfaction (Y), and Employee Retention (Y), shows good validity. This can be seen from the loading factor value of each indicator for each construct, all of which are more than 0.7. This high loading factor value indicates that each indicator is significantly able to represent the construct being measured. For example, the Employee Exploitation construct has indicator loading values ranging from 0.736 to 0.860, while Employee Retention has indicator loading values between 0.804 to 0.905.

Overall, the convergent validity of the constructs used in this research has met the recommended criteria, namely with a loading factor of more than 0.7 on each indicator. Thus, each construct has been measured reliably by its indicators, indicating that the constructs used in this research are relevant and reliable to support further analysis.

Table 2. Outer Loadings

Indikator	Outer Loadings	AVE
X1.1 <- X1	0,736	0,605
X1.2 <- X1	0,860	
X1.3 <- X1	0,746	

X1.4 <- X1	0,763	
X2.1 <- X2	0,780	0,654
X2.2 <- X2	0,878	
X2.3 <- X2	0,827	
X2.4 <- X2	0,744	
Y1.1 <- Y	0,727	0,600
Y1.2 <- Y	0,838	
Y1.3 <- Y	0,787	
Y1.4 <- Y	0,742	
Z1.1 <- Y	0,905	0,731
Z1.2 <- Y	0,804	
Z1.3 <- Y	0,891	
Z1.4 <- Y	0,816	

Tabel 2. Outer Loadings

Table 3. R Square

	R-square	R-square adjusted
Kepuasan kerja rendah (Y)	0.235	0.220
Retensi karyawan (Z)	0.533	0.519

Although an R^2 value closer to 1 indicates a better model, in social science research, an R^2 value between 0.1 to 0.3 is often considered adequate because human behavior is complex and influenced by many factors (Field, 2013). In this research, the R-Square value of 0.235 indicates that 23.5% of the variation in the variable Low Job Satisfaction (Y) can be explained by the independent variables, namely Employee Exploitation (X1) and Company Profits (X2). In addition, 53.3% of the variance in Employee Retention (Z) is explained by Unequal Compensation, Excessive Workload, and Lack of development opportunities. The optimal R^2 value shows that the independent variables (X1, X2, and Y) have a significant influence in explaining variability in employee retention.

Table 4. F Square

	f-square
Kepuasan kerja rendah (Y) -> Retensi Karyawan (Z)	0.019
Keuntungan perusahaan (X2) ->Kepuasan kerja rendah (Y)	0.185
Keuntungan perusahaan (X2) -> Retensi Karyawan (Z)	0.152
Eksplorasi karyawan (X1) -> Kepuasan kerja rendah (Y)	0.000
Eksplorasi karyawan (X1) -> Retensi Karyawan (Z)	0.177

In this test, the influence of latent variable predictors is assessed based on the level of strength of influence, namely weak, medium, or large, on the model structure. The F^2 value is used as a reference to determine the suitability of variables in the research model. If the F^2 value shows a weak influence, then this indicates that the research hypothesis was rejected in the testing process.

5. Discussion

The research results show that employee exploitation is negatively related to job satisfaction. This finding is consistent with previous research by Rhoades & Eisenberger (2002), which highlighted that employees who feel exploited tend to lose motivation and feel unappreciated. Factors such as low wages, excessive workload, and lack of career development opportunities are the main reasons for the decline in job satisfaction. And confirmed that job satisfaction acts as a major predictor of employee retention. Employees who are satisfied with their work tend to be more loyal and stay with the company. This is in line with the findings of Tett & Meyer (1993), which states that the level of job satisfaction influences employees' decisions to stay or leave the organization. Employee exploitation directly negatively impacts employee retention. High levels of exploitation increase employees' intention to leave (turnover intention), which has an impact on reducing

retention. This study supports research by Kalleberg & Marsden (2015), which shows that exploitative practices worsen employee loyalty to the company. This research reveals that employee exploitation can provide short-term benefits through cost efficiency, as explained by Stiglitz (2019). However, in the long run, this practice can be detrimental to the company due to the increased costs of turnover, recruiting, and training new employees. This study found that job satisfaction acts as a mediator between employee exploitation and employee retention. When employees are satisfied with their jobs despite exploitation, retention can increase. However, high levels of exploitation tend to decrease job satisfaction, which ultimately has a negative impact on retention. And it also highlights that company profits depend not only on cost efficiency but also on employee welfare. Companies that fail to consider the impact of exploitation on employee job satisfaction and retention risk reduced productivity and increased operational costs.

6. Conclusion, Implication, and Recommendation

Conclusion

This research shows that employee exploitation has a negative influence on job satisfaction. Exploitative practices such as excessive workload and unfair compensation lower employees' job satisfaction levels, which adversely affects their well-being. And it also has a negative influence on employee retention directly or indirectly through job satisfaction. Low levels of job satisfaction are an intermediary factor that worsens employee retention, increasing the risk of employee turnover.

Overall, although employee exploitation may provide short-term benefits to a company, its long-term effects on job satisfaction and employee retention are potentially detrimental to the organization. A more sustainable strategy is needed to ensure a balance between company profits and employee welfare.

Implication

1. Theoretical Implications

The results of this research emphasize the importance of building a fair and supportive work environment to increase employee loyalty while maximizing company performance. It is also hoped that it can become a basis for further research in the areas of labor exploitation, employee welfare and effective retention strategies.

2. Practical Implications

- For Business Leaders:

It is important to realize that company profits do not only come from labor cost efficiency, but also from employee satisfaction and loyalty. Making employees feel valued can create a positive effect on the company's financial results.

- For Organizations:

Organizations must focus more on creating a work environment that supports and empowers employees, such as providing fair rewards, career development opportunities, and balance between work and personal life.

- For Human Resources Providers
reducing exploitative practices and replacing them with more humanistic approaches, such as employee welfare programs or transparent feedback systems.

Recommendation

This study has several limitations, including the use of a cross-sectional design that limits the ability to identify long-term causal relationships. Future research could use longitudinal designs to examine changes in relationships between variables over time. Additionally, this study focuses on employee perceptions without considering managerial perspectives that could provide a more balanced view. By exploring these findings, this research makes a significant contribution to the literature on the relationship between employee exploitation, organizational dynamics, and firm performance.

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