

# BULLETIN OF MANAGEMENT REVIEW

VOL- 1, ISSUE- 4, 2024

## BULLETIN OF MANAGEMENT REVIEW (BMR)

ONLINE ISSN: 3006-2276

PRINT ISSN: 3006-2268

[HTTPS://THECRSSS.COM/INDEX.PHP/JOURNAL/ISSUE/ARCHIVE](https://thecrsss.com/index.php/JOURNAL/ISSUE/ARCHIVE)



### How Pay Transparency and Living Wage Demands Impacts on Employee Work Ethics Under Inflation Pressures

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## Abstract

This research aims to assess the moderating effect of perceived inflation on the relationship between pay transparency and living wages demands and employees' work ethics. Participants were selected from 512 employees currently working in private organizations in Karachi, Sindh, Pakistan through consecutive sampling. A set of questions with items constructed on 7-point Likert scale closed-ended questions with relevant data was adopted to collect data. The research sought to establish the effect of transparent pay practices and the call for a living wage in promoting ethical employee behavior during inflation. In this research study, Structural Equation Modeling (SEM) was used to evaluate data and Smart PLS software was used. Specially, pay transparency, living wages, and work ethic were examined with the key findings as Living wages and pay transparency both had an effect on work ethics. Furthermore, perceived inflation was also found to moderate the relationship between these independent variables and employee work ethics. The findings of this study offered useful information for organizational policymakers and HR managers for promoting ethical standards at work by implementing clear pay systems and establishing proper wages standards more particularly in the inflationary contexts.

**Keywords:** Pay Transparency, Living Wage Demand, Employee Work Ethics, Perceived Inflation, Private Organizations, Karachi, Structural Equation Modeling, Smart PLS

## 1. Introduction

The global economic environment characterized by inflation persists and affects the pecuniary performance and self-organizational proactivity of personnel. When inflation is used to determine the value of things, employees are incentivized to behave in certain ways regarding pay transparency and demands for living wages (Ali et al., 2023). These dynamics are effective for organizational sustainability and increased employee satisfaction in developing countries especially in where economic stability is still in its infancy (Nasir, 2024). Comparatively, research focusing on inflation and employee pay strategies would seem to indicate that there are concerns needed program and fair wage policies to of ethical standards at work (Wong, Cheng, Lam & Bamberger, 2023). The purpose of this paper is to investigate the moderating role of perceived inflation in the relationship between pay transparency and living wage demands and employee work ethics.

According to Wong et al. (2023) pay transparency entail dissemination of information regarding compensation policies of an

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organization with an aim of enhancing job satisfaction and ethical practices of workers. Two, transparent pay practices reduce sentiments of unfairness, thus also improving organizational trust with the workers and their bosses (Heery et al., 2023). In addition, reward management structures have the potential to enhance employee performance and this re-affirms the need for transparent remuneration policies (Al Rashdi, 2020). Two significant factors related to work ethics originate from the demand for the living wage that guarantees the ability of employees to satisfy their basic needs; the living wage would come under applied ethics especially in inflationary economies (Arrowsmith & Parker, 2023). The idea of the living wage is also becoming popular all over the world since it embraces the tenets of international human rights and equality on wages (Ikhsan et al., 2024).

Nonetheless, its impact is manageable because inflation affects the nominal pay demands for living wages and work ethics or erodes employee morale once the inflated prices negate the value of the increase (Ullah, 2024). These stress affects morale, and ethical standards of employee, thus organizational should find approaches that counter the following economic issues (Hussain et al., 2024). Research has revealed that in such financial instability, honest and reasonable practices can be adopted in order to protect and sustain the values of employees' and organizational integrity (Fontana & Dawkins, 2024). In addition, putting in place living wage policies can improve on organizational commitment and output consequently boosting organizational performance (Ton et al., 2023).

This is because while examining the private sector in Karachi Sindh Pakistan there would prove to be the best opportunity to look into such dynamics given the economic instability of the area and inflation (Nasir, 2024). That is, Distelhorst & Shin (2023) show the potential social effects of supply chain initiatives involving management control, in this case increasing workers' wages. Applying pay transparency and living wage policies in such environments can have a massive impact on the overall work ethic since overall compensation policies help to preserve the ethical nature of the environment during bad economic conditions

## **2. Objectives**

1. To examine the impact of pay transparency on employee work ethics in private organizations in Karachi, Sindh, Pakistan.
2. To investigate the effect of living wage demands on employee work ethics in the context of private sector employment.
3. To analyze the moderating role of perceived inflation on the relationship between pay transparency, living wage demands, and employee work ethics.

## **3. Literature Review**

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Pay Transparency has received much interest in the recent past as more companies look forward to creating goodwill and helping in the reduction of inequality within the employees. Wong, Cheng, Lam, and Bamberger (2023) has explained properly that pay transparency can remove the perceptions of unfairness which leads to pay insecurity and the reaction of foul play and corruption in most cases must be eradicated among the employees. The research in the area has shown that when organizations are fair with employees in pay matters, their employees have high levels of satisfaction and commitment towards the organization (Heery, Hann & Nash, 2023). However, performance-based pay that links organizational pay structures to individual performance has been advanced to increase employees' motivation and productivity (Al Rashdi, 2020). Nevertheless, pay transparency seems to have different results in different cultures because collectivist culture affects employees' orientation to equity and fairness (Wong et al., 2023).

Another important determinant of employee work ethic and productivity in developing economies is living wage claims. Arrowsmith and Parker (2023) observe that adequate wages are crucial to improving staff quality of life by alleviating their economic burden. What they did discover in their surveys of New Zealand employers was that firms with living wage policies in place experienced improved morale among their workers and lower rates of turnover. Likewise, Ikhsan, Nuraeni & Meiriyanti, (2024) also emphasize on ethical considerations acceptable measures in the determination of wages that protect labour rights and social justice. It is also shown that living wages improve the employees' commitment and performance, which is also explained that ethical compensation has a significant positive influence on ethical action (Ton et al., 2023).

There is a clear threat of inflation to ethical practice as it declines wages and income levels to the employee while at the same time increases employee cost burden. In Bangladesh's RMG sector, Ullah (2024) explains that workers' plight is to meet the living wage despite workers being faced with more inflation. The negative impact of inflation on employee stress is well understood; insecurity in a person's financial situation, increases stress levels and makes people act unethically in their attempts to alleviate the situation (Ali, Khokhar & Sulehri, 2023). Hussain et al. (2024) similarly demonstrate how economic risk negatively affects governance structures and leads to higher probabilities of mis booking in non-financial firms. To address these issues it calls for embracing a number of policy interventions aimed to reducing inflation's impact on the workforce such as promoting fairness in compensation for altering burden sharing to reflect individuals' capacities; sharing of information to address the problem of low awareness level among employees to ensure they understand the impacts of inflation.

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## 4. Empirical Studies

In the current world, research has tended to explore more on the effects of pay transparency on employee work ethics. Pay transparency means the exposure of information regarding the remuneration policies of the organizations to the workers (Wong et al., 2023). Research evidence suggests that pay transparency improves organizational commitment and builds trust in the organization (Heery, Hann & Nash, 2023). This decreases perceptions of inequality that leads to ethical practices and decrease in cases of unethical practices including embezzlement (Ali et al., 2023). Moreover, such instructions make it possible to increase employees' commitment and loyalty because people feel they are paid a fair share of the outcomes (Arrowsmith & Parker, 2023). The positive influence of pay transparency on work ethics substantiate the value of communicating policy and practices that provide for their policies that enhance ethicality.

Another string of concern is living wage demands which also affect the employee work ethics. According to Ton et al. (2023) a living wage is one that enables the employee to meet his/her basic needs in terms of foods, shelter and health care. A study showed that there is a positive relationship between employees' living wage and satisfaction with jobs done and ethical manners (Ikhsan et al., 2024). For example, Arrowsmith & Parker (2023) who noted that organizations that have adopted living wage standards have recorded low turnover and higher morale from their employees. These results imply that equality in compensation policies avails a indicate in cultivating ethics and well being of persons. Furthermore, calling for living wages is appropriate where work conditions have been found to prevailing in underdeveloped/developing nations, there is economic instability, inflation constraints impacting employees' welfare (Nasir, 2024).

As we have already seen inflation presents a major hurdle when it comes to sustaining ethical practices organizational environments. Due to the effects of inflation on the purchasing power of wages, employees find themselves experiencing higher levels of financial pressure, and this can optionally make him/her adopt unethical behaviours in order to fight this (Ullah, 2024). Thus, moderating role of inflation while examining the link between pay transparency, demand for living wage and work ethics is important. For instance, Hussain et al. (2024) explain how economic risk hurts governance structures and raises the risk of accounting distortions in non-financial firms. Managing the impacts of inflation necessitates integration of diverse approaches that entails issues such as disclosure and remuneration (Fontana & Dawkins, 2024). This is supported by Ali, Khokhar, and Sulehri (2023) who also pointed out that there is a

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clear need to balance the fiscal forces so as to enhance the practice of ethical work climate.

The relationship between pay transparency, the calls for a living wage, and perceived inflation is pronounced in the private sector of Karachi-Sindh, Pakistan. Economic fluctuations characterize this region, and these fluctuations create a background against which these variables determine employee work ethic (Distelhorst & Shin, 2023). Studies made on similar contexts show comparisons that prove that approaches to clear pay structures and living wage standards contribute in improving organizational moral and ethical organizational issues, despite increase in inflation rates (Heery et al., 2023). Its application can assist to strengthen the working relationships and portraying the unity of ethical statuses within organizations that will promote organizational performance outcomes (Nasir, 2024).

These relationships also reveal variations within as well as between different economic settings, and comparative analyses of such patterns accentuate their significance. For instance, Balestra, Hirsch, and Vaughan-Whitehead (2023) conducted comparative research where the living wage projects for OECD countries were compared and concluded that everyone has to gain from fair remuneration policies since they encourage compliance to the right standard and employee satisfaction. Such results echo those indicated by Ton et al. (2023) in their baseline study of the Rainforest Alliance Living Wage Strategy. So when it comes to pay transparency, living wage demands, and other policies to counteract the impacts of inflation are highly antecedents for ethical workplace practices for organization culture.

## **5. Hypotheses**

Based on the literature review, the following hypotheses are formulated for this study:

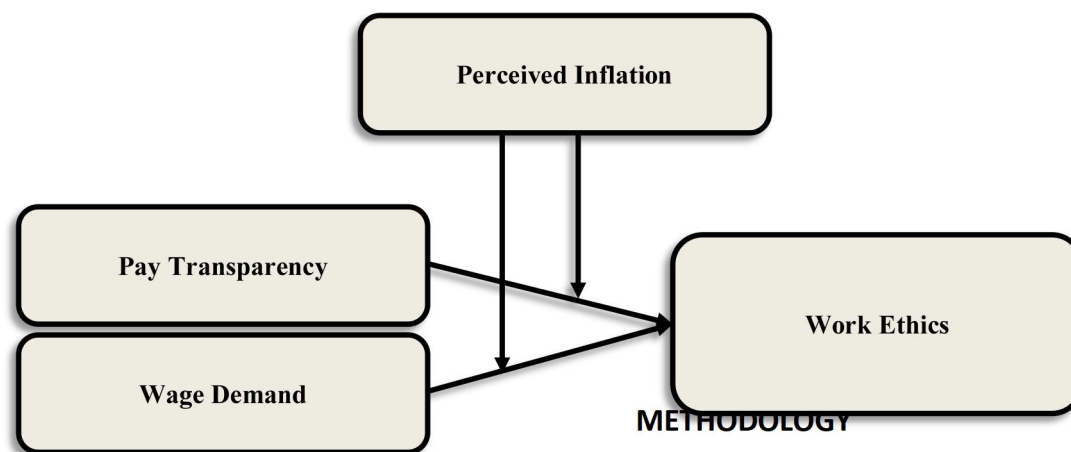
1. H1: Pay transparency positively impacts employee work ethics.
2. H2: Living wage demands positively impact employee work ethics.
3. H3: Perceived inflation negatively moderates the relationship between pay transparency and employee work ethics.
4. H4: Perceived inflation negatively moderates the relationship between living wage demands and employee work ethics.

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Figure 1. Conceptual Framework



This research adopts a quantitative research approach to examine the effects of pay transparency and living wage demands on work ethics amongst employees amidst inflating prices. Questionnaire was conducted on 512 respondents of private organizations in Karachi, Sindh, Pakistan by employing non-probability consecutive sampling technique. Exclusion criteria having the origin from the public sector, unemployed individuals, students, or entrepreneurs. A 7-point Likert-type questionnaire with closed-ended questions was used to gather data on the study's variables: transparency, the living wage requirements, perceived inflation rate, and work ethical standards of the employees. The samples collected through the developed questionnaire were based on validated scales from previous studies of (Pollin et al.,2008; Glasmeier, 2014; Bivens et al.,2014; Card & Krueger, 1995; Neumark & Wascher, 2008; Reeves & Venator, 2014)

## 6. Data Analysis

The statistical analyses were conducted by applying Structural Equation Modeling (SEM) through Smart PLS. This approach enables the analysis of interaction effects of several variables as well as the testing of mediating and moderating effects. The study was conducted to establish direct relationships between pay transparency and demands for living wages with work ethic of employees and mediating role of perceived inflation. This way of thinking offers a concrete due process of how compensation policies and provision of economic

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incentives affect the ethical standards of the employees in organizations.

## RESULTS

Table 1 also shows the outer loadings of the latent variables. Outer loadings are also known in SmartPLS as the loadings of a latent variable on its measures. Outer loadings, or simply factor or regression weights, describes how closely the proposed latent variable is related to its reflective indicators (Hair et al., 2010). Higher coefficients point more towards the accuracy of estimates of the closeness of the latent variable to its indicators in terms of the measurement model (Kibria et al., 2021). Hair et al (2016) suggest that any outer loading value of an indicator should be 0.7 or higher in order to be worthwhile.

**Table 1. Outer loadings (Factor Loading Analysis)**

<i>No.</i>	<i>Items Code</i>	<i>PT</i>	<i>WD</i>	<i>PI</i>	<i>WE</i>
1	PT1	0.709			
2	PT2	0.812			
3	PT4	0.833			
4	PT5	0.788			
5	PT6	0.716			
6	WD1		0.822		
7	WD2		0.876		
8	WD3		0.711		
9	WD4		0.791		
10	WD6		0.812		
11	WD8		0.797		
12	PI1			0.851	
13	PI2			0.733	
14	PI3			0.781	
15	PI4			0.794	



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16	WE1	0.709
17	WE2	0.841
18	WE3	0.809
19	WE4	0.779

All the constructs of the study Pay Transparency (PT), Wage Demand (WD), Perceived Inflation (PI) and Work Ethics (WE) reveal acceptable level of loadings of more than 0.7 implying that there are highly significant relationships between the latent variables and their respective reflection indicators. To be precise, PT1, PT2, PT4, PT5, and PT6, items for Pay Transparency perfectly range between 0.709 and 0.833 which is indeed high enough. For Wage Demand items, WD1, WD2, WD3, WD4, WD6 and WD8 are 0.711 to 0.876, indicating higher positive associations. For Perceived Inflation, items PI1, PI2, PI3, and PI4 have loadings between 0.733 and 0.851, were retained in the model. Similarly, total Work Ethics items WE1, WE2, WE3 and WE4 have been loading higher and significant and are ranging from 0.709 to 0.841. These findings reaffirm the measurement model since all the indicators have high loading and thus signify their ability to measure the intended latent constructs.

Table 2 illustrates the Average Variance Extracted (AVE), Divergent Validity, Composite Reliability and Cronbach's Alpha of the constructs used in this research. AVE is applied in SmartPLS to determine the construct reliability which represents the extent of communality of the observed variables by the underlying construct. AVE's range from 0 to 1, with value of greater than 0.90 indicating excellent reliability for the construct. Hair et al. (2016) have pointed out that AVE values more than 0.5 are significant. All the constructs defined in this study; Pay Transparency (PT), Wage Demand (WD), Perceived Inflation (PI) and Work Ethics (WE) have AVE values greater than 0.5 hence they all qualify for construct reliability. Similarly, for PT, AVE = 0.612, which can be considered acceptable, Similarly, WD has = 0.609, PI = 0.521, whereas WE has = 0.682.

SmartPLS has provisions to test the discriminant validity which focuses that the constructs are different from one another. This is important in order to posit that the constructs are tapping different facets of the phenomenon under investigation. The discriminant validity is evaluated by the degree of correlation between the two constructs and if the correlations are high then the constructs are similar. Hair et al., (2016) state that the discriminant validity has an acceptable value of 0.7 so that the constructs are not closely related to each other. In this research, all the constructs present greater than acceptable amounts of divergent validity values and are

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as follows: PT (0.779), WD (0.714), PI (0.740), and WE (0.775).

**Table 2: Covariance and Internal Consistency of Constructs**

<i>Variable</i>	<i>AVE</i>	<i>Divergent</i>	<i>Composite Reliability</i>	<i>Cronbach's Alpha</i>
<i>PT</i>	0.612	0.779	0.801	0.783
<i>WD</i>	0.609	0.714	0.823	0.801
<i>PI</i>	0.521	0.740	0.791	0.758
<i>WE</i>	0.682	0.775	0.808	0.701

Cronbach's Alpha is widely used to measure the internal consistency of a construct, namely, the extent to which the items of a construct measure exactly the same construct. The closer the value of Cronbach's Alpha search for to 1 the better, which means more reliability. According to Baghozzi and Yi (1988), and Hair et al. (2016), it is acceptable to have a Cronbach's Alpha of 0.7 and above for this study. In the present research, the Cronbach's Alpha value greater than the threshold level has been obtained for PT (0.783), WD (0.801), PI (0.758) and WE (0.701) showing that internal consistency of the constructs is acceptable.

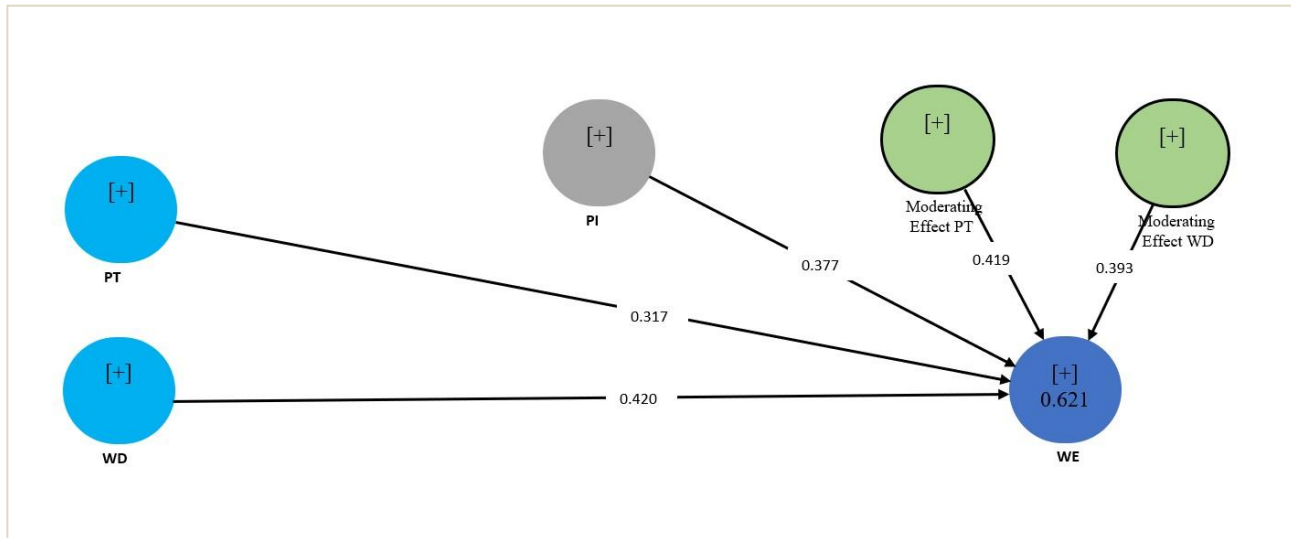
Composite Reliability (CR) is another internal consistency measure and it relies on the corrected item-total coefficient of the measures that define each construct. It can be seen that a higher Composite Reliability means that the indicators have a high level of homogeneousness in measuring the construct. Cr valuable greater or equal to 0.7 is considered to be good according to Hair et al (2016). Accordingly, all the CR values of PT (0.801), WD (0.823), PI (0.791), and WE (0.808) are higher than 0.7, indicating the selected indicators truly represent the four constructs. Overall, the reliability and internal consistency and discriminant validity measures of all constructs as presented in Table 2 provide evidence for the adequacy of the measurement model in this study. These findings provide

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confidence with future analysis using the constructs and confirm the assessment of the study's latent variables is valid and reliable.



**Figure 2: Measurement Model**

SmartPLS literature yields R-Squared ( $R^2$ ) and F-Squared ( $F^2$ ) as two typical approaches of model fit indices. Duration squared ( $R^2$ ) indicate the proportion of variance in the dependent variable accounted by the independent variables in the mode, and  $F^2$  represents the magnitude of the latent variables on the dependent variable (Kothari, 2004). In this study, regression coefficients of determination were not computed for most of the latent variables, save for WE which had an  $R^2 = 0.621$ . This in fact implies that the independent variables account for 62.1% variability of the Work Ethics construct, a high level of consistency between the predictors and this dependent variable.

**Table 3. R Square and F Square Analysis (Model Fit Test)**

<i>Latent Variables</i>	<i>R Square</i>	<i>F Square</i>
PT	--	0.430
WD	--	0.519

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<i>PI - PT*</i>	--	<b>0.411</b>
<i>PI-WD*</i>		<b>0.498</b>
<i>WE</i>	<b>0.621</b>	--

Instead, the  $F^2$  values in the given model indicate the extent of the influence of each of the latent variables to the dependent variables.  $F^2$  values of greater than .25 mean that the independent latent variables have a strong impact on the dependent variable. Table 3 shows that the  $F^2$  values of Pay Transparency (PT), Wage Demand (WD), as independent and Perceived Inflation with Pay Transparency (PI-PT\*), and Perceived Inflation with Wage Demand (PI-WD \*)as moderator are 0.430, 0.519, 0.411 and 0.498, respectively. These values indicate that the effect sizes are moderate to high for these latent variables: that is, they bear some medium to large responsibility for the level of the model's dependent variables.

## 7. Hypothesis Testing

In Smart PLS, coefficient analysis is a basic feature for assessing the impact of one or many predictor variables on a dependent variable (Hair et al., 2010). It is useful in identifying strength and or direction of the predictor and dependent variables relationship. Because this analysis enables the researcher to determine the proportion of total variation of the dependent variable that can be accounted for by the variation in the predictor variable, it is possible to determine the level of the former that is significantly influenced by the latter, Baghozzi and Yi (1988). The relationships utilizing SmartPLS algorithm offer a stepwise approach that can ease the solution finding process by estimating the path coefficients that define these linkages as suggested by Hair et al., (2020). This paper also employs bootstrapping, a statistical method, to examine the reliability of path coefficients by resampling the data and calculating statistics of concern to assess the stability of the coefficients (Hair et al., 2020).

Hair et al (2010) noted that if T-statistic is greater than 1.96 at a 0.05 level of significance then path coefficient is a significant value. Hypotheses 1 to 7 have significant positive relationships with the path coefficients and T-statistics presented in table 4. For example, examining the Pt-We path, it obtained a beta equal to 0.317 and the T-stat greater than 1.96 (equal to 13.78), thus supporting the positive relation between Pt and We. Likewise, the return coefficients of the Wage Demand (WD) with WE have Beta value 0.420 and a T – statistic of 10. Additionally all P values are less than 0.05 which also confirm the significant relationship among all variables of the

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study.

**Table 4. Path Coefficient Analysis**

Hypotheses	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
PT -> WE	0.317	0.212	0.023	13.78	0.000
WD -> WE	0.420	0.232	0.042	10.00	0.001
PT -> PI*-> WE	0.419	0.230	0.036	11.63	0.002
WD -> PI*-> WE	0.393	0.217	0.033	11.90	0.003
PI-> EE	0.377	0.208	0.025	15.08	0.001

Further, the studies also show that Perceived Inflation (PI\*) also mediate between PT, WD, and WE. The interaction effect of PT -> PI\*-> WE has significant moderation with a beta value of 0.419 and T-statistic of 11.63 The interaction between WD -> PI\*-> WE also have significant moderation with a beta value of 0.393 and T-statistic of 11.90. Furthermore, the path from Perceived Inflation (PI) to Employee Engagement (EE) turns out to be significant too with the beta value of 0.377 with T-statistic 15.08 proving the mediating role of PI in the model, conclusively. All these results indicate that the relationships are strong and the postulated hypotheses in the study are confirmed by the significant path coefficients.

## 8. Discussion

The findings of this study provided insight on the moderators PT, WD, WE and the mediating role of PI\*. The positive associations between PT with WE and WD with WE are consistent with prior findings indicating that transparent pay arrangements promote honest and trust between employers and subordinates and hence, increase employees' motivation (Wong et al., 2023). The author postulates that where the employees reason that there is fairness in the pay determinations, they tend to be more committed to their organizations, and demonstrate good work ethics. These findings are consistent with the idea that transparency will reduce uncertainty

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and increase the employee's trust in the organizational system thereby improving the organizational performance (Ali, Khokhar, & Sulehri, 2023). However, the evidence confirmed the hypothesis that perceived inflation has a moderating effect on this relationship. Additional understanding of the economic factors that influence employee actions is revealed by this study. This finding is in tandem with the research indicating how appraisals of inflation, for example, can greatly affect worker assumptions and efficiency (Heery, Hann, & Nash, 2023).

The moderation of perceived inflation also affirms the research of Arrowsmith and Parker (2023) on how inflation as an external factor can change employees perception hence affecting their attitude to work and level of engagement. During inflation, employee might pressure their employers to increase their wages as a way of ensuring that at least they are not elongating the extra purchasing power, which, in turn, reinforces their loyalty to the organization (Lwin, 2020). In line with these results, lack of pay transparency and inadequate wage demand can be even more closely linked to external factors reflected in the literature on pay transparency and wage demand. More so, the study affirms the urgency of developing change readiness plans with regards to inflationary pressures with a view to encouraging organizational compensation strategies and employees' commitment and performance. In this manner, it becomes easy for organizations to address economic issues and create a culture that can enhance sustainable organizational performance (Ullah, 2024).

## **9. Recommendations**

From the observations and conclusion derived from this study, organizations should consider adopting measures that would enhance pay transparency so as to promote strong work ethics amongst workers. Clear communication of compensation and benefits policies not only promotes organizational transparency but also increases employees' motivation and organizational commitment. More to testing, it is advised that companies adopt clear contractual arrangements of pay and ensure that the criteria used in determining the remunerations are understood to eradicate opportunities of dissatisfaction from remunerational disparities. Further, taking into account the role of perceived inflation as a moderator, the organizations should implement the flexible wage policies, which are proactive to the outside environmental context. Maintenance of the employees' compensation at a level that is adjusted for inflation can prevent situations that put negative pressure on the employees' work motivation.

Moreover, increase in inflation should be carefully watched and compensation regimes ought to be adapted to such changes.

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Subsequently, to integrate external economic factors, organizations are in a position to HE better compensation packages that meet employees 'expectations. Awareness raising activities, training programs and communication also in relation to financial literacy and inflationary perceptions could also be useful, to enable the employees to become more effective in their decision making due to the resulting awareness of how inflation affects purchasing power and work activities. All these would not only help to develop high work ethics among the employees, but also help to lead to elevation of organizational effectiveness in it's compensation policies by holding to, or adjusting for changes in outside economics.

## **10. Future Directions**

More research could be sought in future where more analysis of pay transparency hence wage demands will be done especially in relationship to the employee performance in the long run and its correlation to the existing variables. Such designs could give better insights on how these partnerships progress as well as if the effects of inflation on work ethics and engagement alter overtime. Moreover, future research could analyses other economic predictors – for instance, taxation or unemployment rates and the means by which it affects the actions of the employees in various industries. This would help to expand the current research and generate understanding of other externality factors that exist and affect organizational environment.

Another subject of possible future research could be to assess how the impact of pay transparency, as well as demands for higher wages, differ across cultures in relation to ethic attitudes to work. Due to the differences in the economic and cultures in the different countries and sectors it will be important to replicate the study in other countries or sectors. Understanding of these constructs in global context. Methodologically, more elaborate comparative cross-national comparisons that explored employees' perceptions of pay transparency and wage demands in both developed and developing economies could provide usable insights into the applicability of such conceptions of pay equity.

## **11. Implications**

The findings of this study hold important implications for practice and policy. By a practical note, it emphasizes the necessity of integrating external economic factors into the decision making processes of organizations, especially when designing the compensational policies. To policymakers, this implies that they should consider how inflation and economic instability influence the labour market, and, in turn, productivity of employees. More encouraging policies economically stability and reasonable safeguard

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against inflation may reduce the influence of some extraneous economic influences on work ethic and productivity. This research also adds to the current knowledge on the relationship between transparency and work-related processes, and provides useful recommendations for workplace professionals, including human resource managers, to enhance their organizational performance.

This paper also underscores the need for organizational practice since most business organizations should consider the flexible and transparent pay structure. This may encompass development of systems of reviewing Wages relative to conditions in the external environment such as inflation regime thus leading to well defined goals and objectives in organizations and reciprocally good needs of the employees. Besides, practicing work value clarification through a culture of pay to encourage good work ethics can positively impact organizational commitment. Such implications indicate the fact that, efforts aimed at mitigating their perceived economic loss together with enhancing reasons behind certain compensation decisions may foster organizational success in the long run.

## **12. Conclusion**

In conclusion, this study contributes to the understanding of the link between pay transparency, wage demand, and work ethics while suggesting that perceived inflation can mediate their relationship. Based on the findings, the organizations should ensure that pay structures are transparent and adapt to external economic factors so that the workforce remains motivated and committed. Understanding the internal and external environment by organizational analysis enables one to construct an environment that fosters active employee involvement and improved overall organizational performance. Therefore, this study adds to the literature on how economic fluctuations and organizational cultures and policies shape ethical and organizational workplace behaviors, and provides useful suggestions for enhancing organizational work ethics and performances during economic challenges.

This paper also provides a basis for further research on how change in economic factors influence compensation policies and in turn, engagement levels among employees. More research could be conducted with regard to the chronic impacts of these factors and differences across the cultures in order to obtain better understanding of how organizations should manage the risks arising from economic fluctuation. Finally, flexible compensation policies and practices, and transparency in salary determine low costs of adaptability to the existing economic changes and enhanced satisfaction among human beings and overall organizational performance.

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