Work Engagement: The Impact of Psychological Capital and Organizational Justice and Its Influence on Turnover Intention

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ABSTRACT

Objective – To remain competitive, organizations must be able to adapt to change and increase their performance. In order to increase performance, organizations must focus on how they manage their employees, including how to retain them. Previous studies have shown that work engagement (WE) has a positive effect on employee retention (Schaufeli & Bakker, 2004). The JD-R Model suggests that WE is influenced by enhancing personal and job resources (Schaufeli, 2017). This research aims to investigate the impact of both of those resources on WE. The personal resource measured in this study is psychological capital while the job resource measured is organizational justice. Furthermore, this research also aims to determine the extent to which WE can be used to predict employee turnover.

Methodology/Technique – A quantitative method is implemented in this study by distributing a Utrecht Work Engagement Scale, Psychological Capital Questionnaire, Organizational Justice Questionnaire, and Turnover Intention Scale to 243 employees working in a manufacturing company in Jakarta, Indonesia.

Findings – The results of this research conclude that psychological capital and organizational justice have a significant effect on WE (F= 15.231; p <0.05). Further analysis also concludes that WE has a significant impact on employee turnover (F= 10.888; p <0.05).

Novelty – The findings of this study indicate that organizations should create and maintain employees WE in order to increase employee retention, while WE can be promoted by improving the psychological capital and providing fair treatment to all employees.

Type of Paper: Empirical.

JEL Classification: M10, M12, M19.

Keywords: Organizational Justice; Psychological Capital; Turnover Intention; Work Engagement.

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1. Introduction

Organizational behavior is a field of study devoted to understanding, explaining, and ultimately improving the attitudes and behaviors of individuals and groups within organizations. An indicator which is commonly applied to measure individual and group attitudes and behaviors within an organization is job performance.

Job performance is formally defined as the value of the set of employee behaviors that contribute, either positively or negatively, to the accomplishment of organizational goals (Colquitt, LePine, and Wesson, 2017).

To promote job performance, an organization must pay attention to the way in which they manage their employees as the key players of the business. Many studies suggest that employee retention is becoming increasingly important, as an organization's human capital is the main source of competitive advantage (Pfeffer, 2005). Employee turnover is an issue for organisations, due to its associated costs (Soon, Quazi, Tay, & Kelly, 2005), ranging from the potential cost of human capital loss to the interruption of ongoing organizational activities (Smyth, Zhai, & Li, 2009). As a consistent predictor of actual turnover rate, the measurement of turnover intention is frequently used for its ability to provide a contemporary assessment (Perryer, Jordan, & Firns, 2010).

Previous studies have concluded that the employees feel more attached and have lower inclination to leave an organization when they feel engaged with their work (Schaufeli & Bakker, 2004). Some research has also determined that work engagement has a significant impact on employee turnover intention. The more engaged an employee feels toward their work, the less likely they are to leave an organisation (Du Plooy & Roodt, 2010). Ulrich (1997), as cited in Schaufeli (2013) states that employee contributions are critical because to produce more output with more limited employee input, companies have no other choice but to try to engage not only the body but also the employee's mind and soul. Furthermore, Schaufeli clearly states that this statement not only focuses on doing more with fewer people, but also the needs of employees who are able and willing to invest psychologically in their jobs. In other words, work engagement plays an important role in organizational success.

As suggested by the Job-Demands and Resources Model, work engagement can be enhanced by improving personal and job resources. Hobfoll, Johnson, Ennis, and Jackson (as cited in Bakker & Leiter, 2010) define personal resources as positive self-evaluation, which are linked to resilience and refer to an individual's sense of their ability to control and impact their environment successfully. Moreover, Sweetman and Luthans (as cited in Bakker & Leiter, 2010) describe this concept as similar to psychological capital.

Engaged employees are committed to organizations that provide them with the resources that enable them to achieve their work goals and present them with opportunities for learning, growth, and development (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). Job resources refer to the physical, social, or organizational aspects of the job that may: (a) reduce job demands and the associated physiological and psychological costs; (b) assist an employee to achieve work goals; or (c) stimulate personal growth, learning, and development (Schaufeli & Salanova, 2007). Previous studies have found that organizational justice is a form of job resources and is significantly related to work engagement. In general, organizational justice refers to an individuals' (or groups) perception of the fairness of the treatment that they receive from an organization and their behavioral reaction to such perception (Greenberg, 1990). Employee's responses tend to be more favorable, both for themselves and for their employers, when they perceive that they are treated justly.

2. Literature Review

2.1. Work Engagement

Kahn (as cited in Bakker & Leiter, 2010) define work engagement as the way in which psychological experiences of work and work contexts shape the process of people presenting and absenting themselves during task performance. Work engagement is defined as a positive, fulfilling, psychological state that is characterized by vigor, dedication, and absorption (Schaufeli, 2017).

Moreover, Schaufeli, Bakker, and Salanova (as cited in Bakker & Leiter, 2010) state that vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulty. Dedication refers to being strongly involved in

one's work, and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption is characterized as being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work.

The positive consequences of work engagement have already been examined thoroughly in previous studies. It is clearly established that work engagement increases organizational profits through higher productivity, sales, customer satisfaction, and employee retention (Schaufeli & Bakker, as cited in Bakker & Leiter, 2010).

2.2. Psychological Capital

Psychological capital is an outgrowth of positive organizational behavior and is defined as an individual's positive psychological state of development characterized by: (1) having confidence (self efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals, and when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success (Luthans, Youssef, & Avolio, 2007).

Sweetman and Luthans (as cited in Bakker & Leiter, 2010) conclude that individuals displaying high levels of psychological capital are more likely to experience positive emotions, while positive emotions lead to more social integration and a higher level of engagement. Positive emotions also may lead to increased levels of energy and vigor (a dimension of work engagement), and being more available to engage in a work role. Simmons and Buitendach (2013) conclude that psychological capital is positively and significantly related to work engagement and work commitment.

H 1: Psychological capital has a significantly positive effect on work engagement.

2.3. Organizational Justice

Organizational justice is the perception of justice and, in an organizational context, relates to the reaction given to such perceptions (Banerjee & Banerjee, 2013). Another definition states that organizational justice reflects one's perception on the extent of receiving equal treatment in their workplace (Khan & Usman, 2012). It is also defined as a personal assessment on the ethical and moral conditions of administrative behaviors and this approach manifests that, from the employee perspective, the administration is required to establish justice. Organizational justice can be classified into three classes of events – outcomes (distributive justice), decision-making processes (procedural justice), and interpersonal treatment (interactional justice) (Cropanzano & Molina, 2015).

According to the JD-R Model, organizational justice is a form of job resource that may enhance the level of work engagement. When the organization maintains a high-quality relationship with their employees (e.g. through organizational justice), the employees will show more positive attitudes, intentions, and behaviors (e.g. work engagement) (Hassan & Jubari, 2010).

H 2: Organizational justice has a significant effect on work engagement.
H3: Psychological capital and organizational justice have a significant impact on work engagement.

2.4. Turnover Intention

Turnover intention is defined as an employee's thoughts of quitting their job and an intention to seek out another job outside of the organization (Mobley, Horner, & Hollingsworth (1978). Turnover intentions demonstrate a breach in the employee-employer relationship (Cho & Lewis, 2012). Furthermore, the

intention to quit consists of three indicators: thinking of quitting, intention to search for a new job, and intention to quit (Hom & Griffeth, 1991).

H 4: Work engagement has a significant impact on turnover intention.

3. Research Methodology

A quantitative method was applied in this research. The data was collected by distributing questionnaires to 243 employees working at a manufacturing company in Jakarta, Indonesia. The participants included workers at all levels, ranging from operational to managerial positions. The majority of the participants were male between 30-35 years old.

The questionnaires used in this study were 3-item Utrecht Work Engagement Scale (Cronbach alpha coefficient: 0.745), 10-item Turnover Intention Scale (Cronbach alpha coefficient: 0.831), 12-item Psychological Capital Questionnaire (Cronbach alpha coefficient: 0.820), and 18-item Organizational Justice Questionnaire (Cronbach alpha coefficient: 0.928).

The statistical analysis was carried out using the SPSS Program version 21, descriptive statistics, Cronbach's alpha, and linear regression.

4. Results

Work engagement can be predicted by employees' psychological capital. The data analysis demonstrated that psychological capital has a significant effect on work engagement ($F = 21.608$, $p < 0.05$). All of the dimensions – resilience ($F = 14.636$, $p < 0.05$), hope ($F = 12.713$, $p < 0.05$), optimism ($F = 19.632$, $p < 0.05$), and self efficacy ($F = 5.794$, $p < 0.05$) – demonstrate a significant impact on work engagement.

The three dimensions of organizational justice can also be used to predict work engagement ($F = 13.436$, $p < 0.05$). All of the dimensions – distributive justice ($F = 8.402$, $p < 0.05$), procedural justice ($F = 11.254$, $p < 0.05$), and interactional justice ($F = 9.581$, $p < 0.05$) – have a significant impact on work engagement. Psychological capital also plays an important role as a mediator between organizational justice and work engagement ($F = 15.231$; $p < 0.05$).

Work engagement has a significant impact on turnover intention ($F = 10.888$, $p < 0.05$). Further analysis also demonstrates that vigor ($F = 22.583$, $p < 0.05$) and dedication ($F = 7.794$, $p < 0.05$) have a significant effect on turnover intention, while absorption ($F = 0.424$, $p > 0.05$) does not.

5. Discussion

The current study aims to investigate the predictors of work engagement and the negative outcomes of the absence of it. According to the Job Demands-Resources Model (Bakker & Leiter, 2010), personal resources (e.g. psychological capital) and job resources (e.g. organizational justice) have a significant effect on work engagement. Moreover, the level of engagement will result in organizational outcomes (e.g. turnover rate, which can be predicted through employees' turnover intention).

Further explanation was delivered by Sweetman and Luthans (2010), who state that psychological capital enables individuals to experience positive emotions, even when the events are perceived as stressful by their co-workers. IN reviewing the research results, it can be concluded that psychological capital is considered as a source of positive emotion that will result in work engagement. Contrary to this, when psychological capital is absent, employees may experience burnout, which is also known as the antipode of work engagement. Simons and Buitendach (2013) also state that psychological capital among call center employees is positively related to work engagement.

Other research has also found that organizational justice is significantly correlated with work engagement. A study conducted in Korea reveals that organizational justice has a significant effect on work engagement (Park, Song, & Lim, 2016).

Furthermore, the results of a study by Ozer, Ugurluoglu, and Saygili (2017) state that procedural justice plays a more significant role than distributive and interactional justice. Involvement in the decision-making process will be perceived as a fair treatment that the employees experience from the organization which leads to positive emotions that will ultimately result in work engagement.

Finally, as the consequence of the high level of work engagement, employees are more likely to stay with their organisation. Many previous studies indicate that a higher level of engagement reduces employee turnover. Takawira, Coetzee, and Schreuder (2014) found that work engagement significantly influences turnover intentions among staff in higher education institutions. This explanation is also supported by the role of organizational commitment, often interpreted as loyalty to the organization, which is cultivated from the positive emotions that employees feel about their work. In turn, engaged employees' sense of commitment to their organization make them less inclined to develop turnover intentions (Schaufeli & Bakker, 2004). Furthermore, this study also concludes that vigor and dedication (two dimensions of work engagement) have a significant effect on turnover intention. This finding supports the result of Christian and Slaughter (as cited in Rigg, 2013), that these dimensions are closely related to organizational commitment.

6. Conclusion

The findings of this study support the JD-R Model which states that in order to improve employee retention, organizations should maintain job resources, in this case developing the employee's psychological capital and providing organizational justice. Developing psychological capital may possibly be facilitated by training sessions which promote the personal resources of the employees. Organizational justice is maintained by applying a fair performance evaluation which leads to fair rewards and providing adequate information and interpersonal behaviors when implementing a procedure.

There are limitations to the generalization of the results of this study. The sampling of this research is limited to only employees working in the automotive industry located in one city. Hence, future research may expand the scope of the sample to obtain more effective results. Moreover, future studies may also consider other predictors categorized as job resources, such as organizational support, leadership, and person-job fit, as well as the factors categorized as job demands, including work stress, workload, and deadlines. The findings of future research are expected to reveal other factors that may have a greater impact on work engagement and, ultimately, will assist organisations to improve employee retention.

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