

Employee Engagement Measurement which Affecting Turnover at ABC Banking Company

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Abstract—In 2017, there were 84 employees had voluntarily quit in ABC bank indicating 1.90% turnover ratio. This number was the highest record for the last 4 years, and almost reaching the maximum allowed limit (2.00%). This turnover resulted financial loss for the company, therefore the number must be reduced. Some research in the past found low engagement level allowed an employee to have an intention to quit. This research purpose was to reveal the most dominant factor affecting the employee engagement. The object of this research was the staff-level permanent employee of ABC bank, situated in central office Surabaya. Employee engagement construct was formed from job and organization engagement factors, with seven antecedent factors (job characteristic, perceived organizational support, perceived supervisor support, coworker relations, rewards and recognition, organizational justice and self-consciousness), and the intention to quit as the consequence factor. From 266 participants found 37.22% were disengaged, and 72.73% of them had an intention to quit. The model analysis implied that perceived supervisor support had a highest influence on engagement, and consequently effecting the intention to quit. This research concluded that supervisor role improvement is required to support human resource strategy to achieve the competitive advantage.

Keywords—Employee Engagement, Human Resource, Supervisor Roles, Turnover.

I. INTRODUCTION

ABC bank is a well-developed regional government bank company which the operations has widely spread all over the country. However, this company is still having problem with the employee turnover.

Based on the information in Table 1, in 2017, this company had loss financially over than ten billion rupiahs because of the voluntary resignation of 84 employee. This cost number considering the recruitment, training and development costs spent by company for the new hire employees also the possible losses caused by vacant positions, competencies gap and even unsatisfactory customers. This great number of loss due to the employee turnover became a serious concern within organization and had to be reduced accordingly.

Based on the company development process scheme, business plan was built based on employee relations within organization, which was predicted from employee satisfaction and engagement. This implied that employee

engagement became an important construct and expected to predict employee turnover.

Employee engagement was initially introduced by Kahn [1]. He defined personal engagement as the harnessing of organization member's selves to their work roles. Engaged people employ and express themselves physically, cognitively, and emotionally during role performance. At the opposite side, personal disengagement defined as the uncoupling of selves from work roles. Disengaged people withdraw and defend themselves physically, cognitively, or emotionally during role performances. In Kahn's perspective, each employee seemed unconsciously ask themselves three questions and to personally engage or disengage based on the answer. The questions were: (1) How meaningful is it for me to bring myself into this performance? (2) How safe is it to do so? and (3) How available am I to do so? He then concluded that engagement considering three psychological conditions: meaningfulness, safety, and availability [1]. Kahn is not the only researcher set the definition of engagement. Many definitions found either in academic or practitioner perspectives [2]. Table 2 describe employee engagement definitions from some researchers.

II. METHOD

A. Employee Engagement Measurement Model

Since the engagement concept initiated by Kahn [1], there remain a lack of agreement and consensus on its meaning and the very definition of engagement [2]. However, in the academic literature, there are two streams of research that provide models of employee engagement [3]. Kahn found that there were three psychological conditions associated with engagement and disengagement at work. Empirical test done by May *et al.* [4] also found Kahn's psychological conditions were significantly related to engagement.

The other model of engagement comes from the burnout literature which describes job engagement as the positive antithesis of burnout noting that burnout involves the erosion of engagement with one's job [5].

Saks [2] had found that employee engagement negatively related to intention to quit. It means by increasing the engagement level of employee will reduce the turnover. Hence, it is important to measure the current condition of employee engagement especially for employee in staff level, and at the same time measuring the intention to quit level. High level of engagement has become the great expectation of the company which rely their business on the employee commitment and performance. Human resource

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division function as an employee champion must be able to find the way to increase the employee contribution, and therefore, the engagement as well.

By knowing the antecedent factors of engagement for sure will help HR division to take some improvement actions efficiently and effectively to increase the employee engagement, and consequently will reduce the turnover intention.

According to Maslach *et al.* [5], six areas of work-life lead to burnout and engagement: workload, control, rewards and recognition, community and social support, perceived fairness and values.

Saks [2] classified the engagement type based on the roles and responsibilities where employee may choose to engage in. There were six types of engagement: job engagement, task engagement, team engagement, business-unit engagement, organization engagement and learning engagement.

Engagement measurement model used in this research based on May *et al.* [4] and Saks [3], illustrated in Figure 1. The engagement types in this model were job and

organization engagement, because these types follow the conceptualization of engagement as role related [1], [6]. The engagement reflects the extent to which an individual is psychologically present in a particular organizational role. The two most dominant roles for most organizational members are their work role and their role as a member of an organization. Therefore, the model explicitly acknowledges this by including both job and organization engagements.

This also follows from the notion that people have multiple roles and as suggested by Rothbard [6] as well as May *et al.* [4], research should examine engagement in multiple roles within organizations.

1) *Antecedents of Employee Engagement*

The study of engagement antecedent variable had been previously examined by May *et al.* [4], Saks [3], and Christian *et al.* [7]. All of them were based on Kahn's [1] conceptual foundation. The antecedents of engagement were mostly based on Saks's [3] model, with additional variables: coworker relations and self-consciousness taken from May *et al.* [4] model.

TABLE 1.
 SUMMARY RECORD OF EMPLOYEE TURNOVER 2014-2017

Year	Permanent employee	Voluntary resigned employee	Turnover ratio	Average performance level (1 – 5)	Financial loss
2014	3878	64	1.65%	3.03	Rp 7,239,568,562
2015	3903	81	2.08%	2.95	Rp 9,830,423,961
2016	4517	46	1.02%	3.11	Rp 4,801,859,904
2017	4410	84	1.90%	3.07	Rp 10,316,733,738

Source: HR division record

TABLE 2.
 EMPLOYEE ENGAGEMENT DEFINITIONS

Source	Definition
Kahn (1990)	The harnessing of organizational members selves to their work roles and employing and expressing oneself physically, cognitively, and emotionally during role performances
Leiter and Maslach (1998)	An energetic experience of involvement with personally fulfilling activities that consists of energy, involvement, and efficacy
Rothbard (2001)	One's psychological presence in and focus on role activities and attention and absorption in a role
Schaufeli <i>et al.</i> (2002)	A positive fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption
Rich <i>et al.</i> (2010)	A multidimensional motivational concept reflecting the simultaneous investment of an individual's physical, cognitive, and emotional energy in active, full work performance
Christian <i>et al.</i> (2011)	A relatively enduring state of mind referring to the simultaneous investment of personal energies in the experience or performance of work

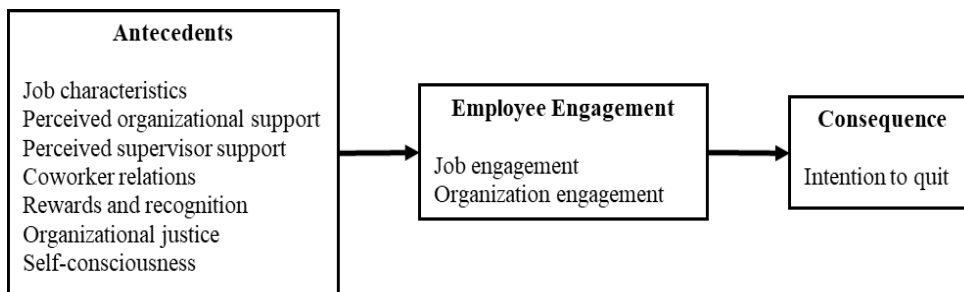


Figure 1. A model of the antecedents and consequence of employee engagement

a. Job Characteristic

According to Kahn [1], [8], psychological meaningfulness can be achieved from task characteristics that provide challenging work, variety, allow the use of different skills, personal discretion, and the opportunity to make important contributions. This is based on Hackman and Oldham's [9] job characteristics model and the five core job characteristics (i.e. skill variety, task identity, task significance, autonomy, and feedback).

Jobs that are high on the core job characteristics provide individuals with the room and incentive to bring more of themselves into their work or to be more engaged [8]. Employees who are provided with enriched and challenging jobs will feel obliged to respond with higher levels of engagement.

Hypothesis-1: Job characteristic will be positively related to (a) job engagement and (b) organization engagement.

b. Perceived Organizational and Supervisor Support

Psychological safety involves a sense of being able to show and employ the self without negative consequences. An important aspect of safety stems from the amount of care and support employees perceive to be provided by their organization as well as their direct supervisor. Kahn [1] found that supportive and trusting interpersonal relationships as well as supportive management promoted psychological safety. An employee felt safe in work environment that were characterized by openness and supportiveness.

Supportive environments allow members to experiment and to try new things and even fail without fear of the consequences. Those conditions can be provided by the organization with the support from the supervisor [3]. May *et al.* [4] also found that supportive supervisor relation was positively related to psychological safety.

Employees' who have higher perceived organizational support might become more engaged to their job and organization in order to help the organization reach its objectives [10]. In other words, when employees believe that their organization is concerned about them and cares about their well-being, they are likely to respond by attempting to fulfill their obligations to the organization by becoming more engaged.

In addition, because employees tend to view their supervisor's orientation toward them as indicative of the organization's support [10], perceived supervisor support is also likely to be an important predictor of employee engagement. In fact, a lack of support from supervisors has been found to be an especially important factor linked to burnout [5]. First-line supervisors are believed to be especially important for building engagement and to be the root of employee disengagement.

Hypothesis-2: Perceived organizational support will be positively related to (a) job engagement and (b) organization engagement.

Hypothesis-3: Perceived supervisor support will be positively related to (a) job engagement and (b) organization engagement.

c. Coworker Relations

Individuals who have rewarding interpersonal interactions with their co-workers also should experience greater meaning in their work. Psychological meaningfulness may be achieved when individuals are treated with dignity, respect and value for their contributions [4]. When individuals are treated with dignity, respect and value for their contributions, and not simply as the occupant of a role, they are likely to obtain a sense of meaningfulness from their interactions. Individuals also derive meaning from the social identities they receive from salient group memberships. To the extent that co-worker interactions foster a sense of belonging, a stronger sense of social identity and meaning should emerge. Alternatively, loss of a social identity should be associated with meaningfulness [4].

Interpersonal relations among employees that are supportive and trusting should also foster psychological safety [1]. The bases for interpersonal trust can be either cognitive or affective. Cognitive-based trust concerns the reliability and dependability of others. Affective trust is rooted in the emotional relationships between individuals. Individuals who trust each other emotionally generally express concern for the welfare of each other, believe in the 'intrinsic virtue' of such relationships and are willing to make future emotional investments in the relationship.

Co-workers who support each other during tough times at work, have mutual respect for one another and value each others' contributions engender trust and heightened perceptions of psychological safety and engagement [4].

Hypothesis-4: Coworker relations will be positively related to (a) job engagement and (b) organization engagement.

d. Rewards and Recognition

Kahn [1] reported that people vary in their engagement as a function of their perceptions of the benefits they receive from a role. Furthermore, a sense of return on investments can come from external rewards and recognition in addition to meaningful work. Therefore, one might expect that employees' will be more likely to engage themselves at work to the extent that they perceive a greater amount of rewards and recognition for their role performances.

Maslach *et al.* [5] have also suggested that while a lack of rewards and recognition can lead to burnout, appropriate recognition and reward is important for engagement. When employees receive rewards and recognition from their organization, they will feel obliged to respond with higher levels of engagement

Hypothesis-5: Rewards and recognition will be positively related to (a) job engagement and (b) organization engagement.

e. Organizational Justice

The safety dimension identified by Kahn [1] involves social situations that are predictable and consistent in terms of organizational justice. A review of organizational justice research found that justice perceptions are related to organizational outcomes such as job satisfaction,

organizational commitment, organizational citizenship behaviour, withdrawal, and performance [11].

The effect of justice perceptions on various outcomes might be due in part to employee engagement. In other words, when employees have high perceptions of justice in their organization, they are more likely to feel obliged to also be fair in how they perform their roles by giving more of themselves through greater levels of engagement [3]. On the other hand, low perceptions of fairness are likely to cause employees to withdraw and disengage themselves from their work roles. Fairness and justice is also one of the work conditions in the Maslach *et al.* [5] engagement model. A lack of fairness can exacerbate burnout and while positive perceptions of fairness can improve engagement [5].

Hypothesis-6: Organizational justice will be positively related to (a) job engagement and (b) organization engagement.

f. Self-consciousness

Security in one's work role is influenced by self-consciousness in Kahn's [1] framework. Individuals may experience heightened self-consciousness about how others perceive and judge them [12]. How other perceive and judge the individual are likely to distract one's work role. This occurred because employee focus on external rather than internal indication [4].

Hypothesis-7: Self-consciousness will be positively related to (a) job engagement and (b) organization engagement.

2) Consequence of Employee Engagement

Engagement is an individual-level construct. However, Kahn [8] proposed that engagement leads to both individual outcomes (i.e. quality of people's work and their own experiences of doing that work), as well as organizational-level outcomes (i.e. the growth and productivity of organizations) [3]. The only consequence variable put as the outcome in this model is intention to quit. This was based on the actual issue occurred in the object of research.

a. Intention to Quit

Engagement has been found to be positively related to organizational commitment and negatively related to intention to quit and is believed to also be related to job performance and extra-role behavior. Schaufeli and Bakker [13] found that engagement was negatively related to turnover intention and mediated the relationship between job resources and turnover intention.

Hypothesis-8: Job engagement will be negatively related to intention to quit

Hypothesis-9: Organization engagement will be negatively related to intention to quit

B. Research Design and Participants

The research design was a field study using survey methodology. The study conducted at a central office of regional government bank company under the pseudonym ABC. The questionnaire was designed based on referenced literature about all variables discussed in this paper.

Population in the survey were staff-level permanent employees distributed in 23 divisions with total 582 employees. Sample size determined using Slovin's equation:

$$n = \frac{N}{1+Ne^2} \quad (1)$$

with:

n : Sample size minimum required

N : Population size

e : Error tolerance

By implementing 5% error tolerance, then minimum sample size required was 237 participants. There were no specific participant classifications (e.g., sex, age, educational background, experience etc.) conducted in this survey, except the division they were working in, since no further analysis regarding such classifications.

1) Procedure

The survey included a cover letter that informed participants about the purpose of the study. Participants were asked to complete the survey based on their own experience, perception, knowledge, understanding and feeling. The hardcopy form questionnaire distributed in each division and collected them back in the same day. The total of 266 questionnaires were returned representing a response rate of 96 percent.

2) Variable Measures

The questionnaire totally consists of 10 variables and 58 item indicators. All indicator scales used a 5-point agreement-disagreement Likert format with 1=Strongly Disagree and 5=Strongly Agree. For simplicity, two letter abbreviations are written stand for specific construct. Table 3 describes the variables involved in modeling.

TABLE 3.
VARIABLES IN ENGAGEMENT STRUCTURAL MODELING

Code	Variable	Indicator
Antecedents of engagement		
JC	Job characteristic	5 items
OS	Perceived organization support	7 items
SS	Perceived supervisor support	4 items
CR	Coworker relations	7 items
RR	Rewards and recognition	10 items
OJ	Organizational justice	8 items
SC	Self-consciousness	3 items
Employee engagement		
JE	Job engagement	5 items
OE	Organization engagement	5 items
Consequence of engagement		
IQ	Intention to quit	4 items

a. Employee Engagement

Consists of two variables: job engagement (JE) and organization engagement (OE). Each variable consists of five indicators and developed by Saks [3].

b. Antecedents of Engagement

Job characteristics (JC) were measured by five item indicators from Hackman and Oldham [9]. Perceived organizational support (OS) was measured by seven item indicators from Rhoades *et al.* [10]. Perceived supervisor support (SS) was measured by four item indicators from Rhoades *et al.* [10]. Coworker relations (CR) was measured by seven item indicators from May *et al.* [4]. Rewards and recognition (RR) were measured by ten item indicators from Saks [3]. Organizational justice (OJ) was measured by eight item indicators from Colquitt [11]. And self-consciousness (SC) was measured by three item indicators from Fenigstein *et al.* [12].

c. Consequence of Engagement

There was only one variable, intention to quit (IQ), which measured by two item indicators from Colarelli [14], and two item indicators from Boroff and Lewin [15].

3) Employee Engagement Level Measurement

Participant's response in each indicator inside job engagement (JE) and organization engagement (OE) variables were summed up and the total scoring will represent the engagement level in each participant. There will be two possible results: engaged and disengaged employee. The same technique will be applied for intention to quit (IQ) variable as well, to determine whether the employee have an intention to quit or choose to stay in company.

4) Path Analysis

Structural model proposed in this study analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) method using Smart PLS 3.0 software. This technique was chosen due to the complexity of the model and uncertainty of data normality. By using the path analysis, the model will be evaluated, the hypotheses will

be tested, and the most influencing engagement antecedent factor will be determined.

III. RESULTS AND DISCUSSION

A. Engagement and Intention to Quit Level

Calculation of 266 participant responses in survey had summarized that 62.78% or 167 participants were job engaged and 61.28% or 163 participants were organization engaged. Accumulation of both engagement level resulted 62.78% employee were engaged, and 37.22% employee were disengaged. The number of engaged and disengaged participants expressed using pie chart in Figure 2.

From engaged employee, 14.37% of them had intention to quit, and from disengaged employee, there were 72.73% had intention to quit. The illustration of participant's turnover intention composition in each level of engagement can be seen in Figure 3.

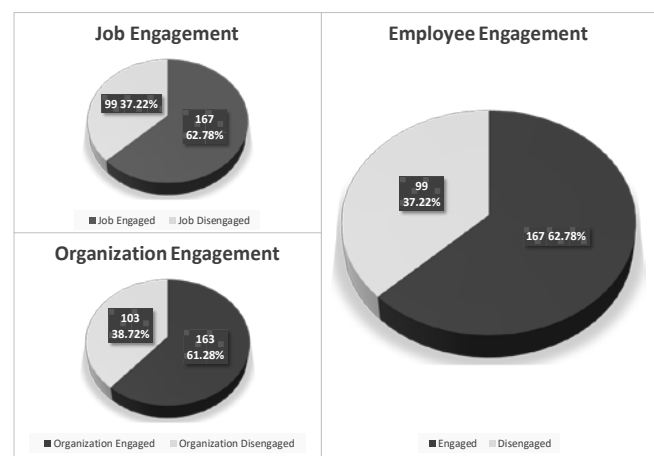


Figure 2. Employee Engagement Level

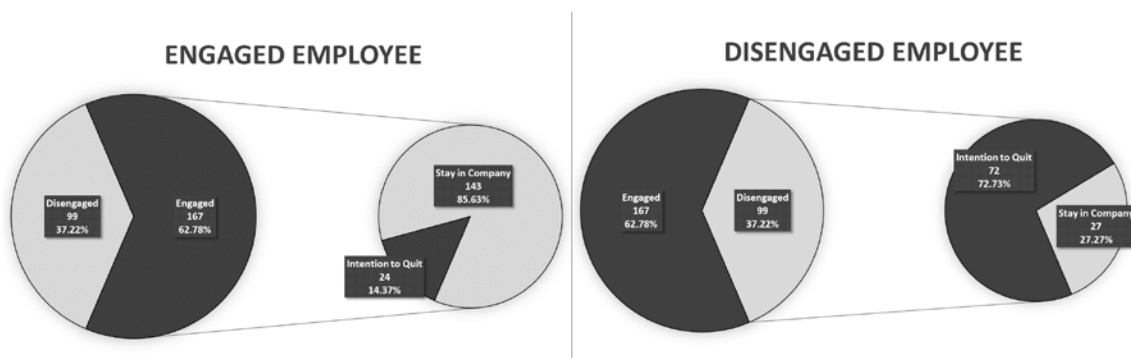


Figure 3. Intention to quit level of engaged and disengaged employee

TABLE 4.
 CONSTRUCT RELIABILITY AND VALIDITY REPORT

Construct Reliability and Validity	JC	OS	SS	CR	RR	OJ	SC	JE	OE	IQ
Average Variance Extracted (AVE)	0.698	0.749	0.801	0.695	0.717	0.755	0.751	0.772	0.825	0.920
Cronbach's α	0.891	0.944	0.917	0.926	0.934	0.946	0.832	0.925	0.947	0.971
Composite Reliability	0.920	0.954	0.942	0.941	0.947	0.956	0.900	0.944	0.959	0.979

C. Outer Model Evaluation

Measurement or outer model evaluation consists of: convergent and discriminant validity tests, also reliability test. For convergent validity test, indicator will be valid for calculation if it has factor loading more than 0.6. Found one indicator in OJ variable and three indicators in RR variables were having factor loading less than 0.6. Then the PLS algorithm recalculation had to be run after removing those indicators. After recalculating, found no more indicators having factor loading less than 0.6. Complete report of construct reliability and validity shown in Table 4.

For discriminant validity test, based on cross loading report generated by software found each indicator had maximum cross loading number for corresponding construct. This means the indicators explained the corresponding construct. Validity of constructs can also be determined from Average Variance Extracted (AVE) values. Construct will be valid if AVE value more than 0.5.

Reliability test was done by observing the Cronbach's α and composite reliability values in each individual construct. They will be in acceptable level if the value is more than 0.7.

From Table 4, AVE value for each construct is more than 0.5, it means all constructs were valid. Cronbach's α and composite reliability values for each construct were more than 0.7, it means all constructs were reliable.

D. Inner Model Evaluation

Structural or inner model evaluation was required to test the robustness or goodness-fit of the model by observing the R-squares values of endogenous latent variables. In this model the R-squares value of JE, OE and IQ respectively were 0.953, 0.950 and 0.872. If the R-squares value is more than 0.75, it means the endogenous variables could be very well explained by the exogenous variables or, in other words, the model was robust.

E. Hypotheses Test

PLS-SEM requires resampling procedure prior to significance test. Bootstrapping is the resampling technique available in SmartPLS 3.0. By running bootstrapping limited to 500 samples and set 5% for significance level, coefficient and p-value for all paths were reported by the software as listed in Table 5.

From Table 5 found some hypotheses were rejected because the P-value more than 0.05, therefore the revised engagement model will only include the accepted hypotheses. The final engagement modeling illustrated in Figure 4. Based on the path coefficient value, it implies that improvement in supervisor support will effectively increase job engagement and consequently will reduce the intention to quit. This most significant path is marked with bold line in Figure 4.

F. Discussion

A meeting had been conducted with human resource representative discussing about the research result. Current employee engagement level found to have high turnover potential. Hence, engagement have to be increased by improving specifically in perceived supervisor support.

Referred to Albrecht *et al.* [16] whose found that a strategic focus on engagement can lead to competitive advantage, then suggested human resource to improve supervisor roles and responsibilities which including coaching and mentoring employee, and giving advocacy for organization and employee. Those aspects are considered needed to improve employee engagement.

Human resource department accepted this research result and utilized this information as feedback for upcoming human capital conceptual framework which aligned with corporate culture development.

TABLE 5.
PATH COEFFICIENT AND P-VALUE

Code	Path	Coefficient	P-value	Result	Code	Path	Coefficient	P-value	Result
H-1(a)	JC→JE	0.142	0.020	Accepted	H-1(b)	JC→OE	0.163	0.010	Accepted
H-2(a)	OS→JE	0.181	0.135	Rejected	H-2(b)	OS→OE	0.362	0.004	Accepted
H-3(a)	SS→JE	0.147	0.049	Accepted	H-3(b)	SS→OE	0.085	0.177	Rejected
H-4(a)	CR→JE	0.081	0.347	Rejected	H-4(b)	CR→OE	0.001	0.991	Rejected
H-5(a)	RR→JE	0.134	0.047	Accepted	H-5(b)	RR→OE	0.043	0.579	Rejected
H-6(a)	OJ→JE	0.163	0.156	Rejected	H-6(b)	OJ→OE	0.121	0.159	Rejected
H-7(a)	SC→JE	0.153	0.051	Rejected	H-7(b)	SC→OE	0.223	0.000	Accepted
H-8	JE→IQ	-0.798	0.000	Accepted	H-9	OE→IQ	-0.142	0.048	Accepted

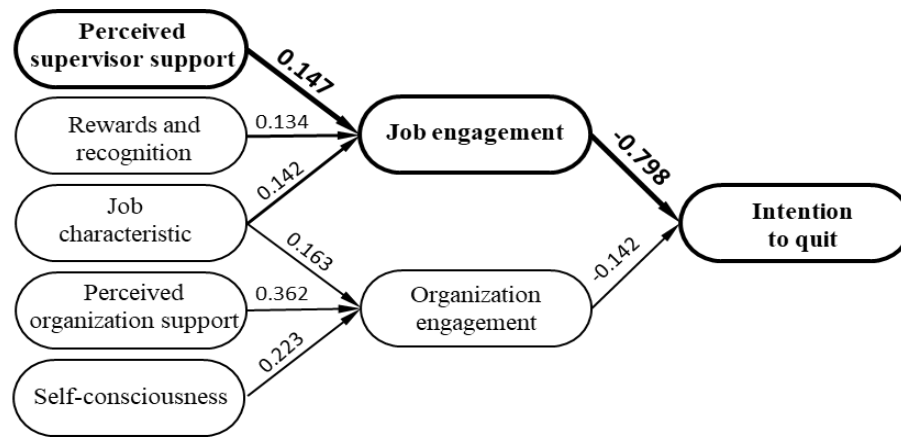


Figure 4. Structural employee engagement modeling.

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