The Effect of Job Engagement on Employee Performance With Employee Loyalty and Turnover Intention as a Variable Mediating at One of Manufacturing Company in Semarang City

Muhammad Ricza Irhamni¹, Lukmanul Hakim², Khairunnisak³, Bimo Suryo Wicaksono⁴

¹Master of Management, Faculty of Economics, Wahid Hasyim University, Indonesia
²Master of Management, Faculty of Economics, Medan Area University, Indonesia
³Master of Management, Faculty of Economics, Diponegoro University, Indonesia

Abstract

The purpose of this study is to examine and Analyze the effect of job engagement on employee performance with employee loyalty and turnover intention as a mediating variable at one of manufacturing company (musical instrument furniture, wood working and plastic injection) located in the industrial area of Wijaya Kusuma, Semarang, Central Java. The sample technique used is random sampling by using questionnaires and was distributed to 120 respondents consisting of contract employees with a minimum working period is 3 months, with returned data as many 117 questionnaires, and which later was proceeding as many 113 questionnaires. The data is then processed and analyzed using SEM (Structural Equation Modeling) which is operated by AMOS. The result of this study was found there is a significant effect between job engagement on employee performance; there is also a significant effect between job engagement on employee loyalty; then there is a significant effect between job engagement on turnover intention; then there is a significant effect between employee loyalty on employee performance; and in addition, there is a significant effect between turnover intention on employee performance. The findings are discussed in the light of previous evidence, and the implications can be used for the company.

Key word : Job Engagement; Employee Performance; Employee Loyalty; Turnover Intention and Manufacturing Company

INTRODUCTION

The best asset in a company is the people in it (Jeihan, 2018). Company that uphold these values sees the function of human resource management as a strategic asset that is able to encourage the company in achieving its goals. One aspect of the scope of human resource management that has been investigated for a long time is the consistency of employee engagement in work that can be beneficial to employee performance (W. Kim, Han, & Park, 2019).

This research focuses on the manufacturing sector, where this sector in general has a management system that requires employees to achieve production targets continuously and these targets are used as a measure of performance achievement. The work system in the manufacturing sector is 24 hours which is then divided into shifts, employees who work in this sector have long working hours and are required to complete tasks, in accordance with the firm’s timetable. This, if it happens continuously does not rule out the possibility of disrupting employee performance such as research conducted by Rusu et al., (2016) which states that there are several factors in an organizational context that can affect performance appraisal and its impact on employee performance such as objectives and corporate strategy, organizational culture, company procedures, reward systems, motivation and technology.

Other studies have shown results that at the employee level, performance is influenced by work engagement (Li, Sanders, & Frenkel, 2012). In line with that, Akbar & Mauluddin (2019) also stated that there was a direct relationship between work engagement and employee performance. Kim, Han, & Park (2019) also emphasized in the proposed model that work engagement had a significant effect on employee performance. This indicates that work engagement is an individual's psychological experience that is very important in connecting environmental, personal and performance aspects (W. Kim et al., 2019).

In addition to work engagement, employee loyalty also influence employee performance
LITERATURE REVIEW

Employee performance

Employee performance can be shown based on financial or non-financial results of employees who have a direct relationship with organizational performance and success (Anitha J., 2014). Employee performance can usually be seen based on work results and work behavior of employees (Armstrong, 1996). To achieve high performance, a manager must be responsible and ensure that an organization tries to improve its performance. This can be done by setting targets that must be met by employees, but it can also be done by setting measurable work goals and standards. And company have to ensure that an employee can produce high-quality products or services through the employee management process (Lengel & Daft, 1988).

This management process encourages employees to be involved in the planning, organizing, actuating and controlling processes of the company (Lengel & Daft, 1988). And after that, the employee performance appraisal process can be done. In Kenney (1992) states that employee performance can be measured based on work standards that have been set in an organization. There are a number of steps that can be used to measure employee performance, for example by using (1) work quantity, (2) work quality, (3) timeliness, (4) employee efficiency, (5) employee ability and (6) employee creativity (Hwang & Ahuja, 1992).

Employee Loyalty

Organizational loyalty or commitment has been one of the most interesting topics researched since the 1960s. Many research has been done on the topic of loyalty and its influence on employee work attitudes and behavior (Suliman & A-Junaibi, 2010; A. Suliman & Iles, 2000). According to Meyer, Allen, & Gellatly (1990) states that organizations must foster greater commitment and understand how employee loyalty is developed, this can be done if the organization wants to reduce turnover and improve employee work behavior. Although employee loyalty or commitment has been widely discussed in previous literature, this can still be broadly defined (Aityan & Gupta, 2012).

In Turkyilmaz et al., (2011) defines loyalty as a psychological state that describes the
relationship between employees and their organizations, this relationship has implications for their decision to survive or not survive with their organization. Loyalty is considered as the desire of a strong employee to remain in the organization (Turkyilmaz et al., 2011). In Mohsan et al., (2011) has mentioned several definitions of organizational commitment, for example in O'Reilly & Chatman (1986) regards organizational commitment as a psychological attachment felt by employees to their organization; Appel & Holden (1998) defines it as an effort made by an employee to achieve organizational goals.

In Runtu (2013) states that there are a number of indicators that can be used to measure employee loyalty. The loyalty indicators are; (1) staying in the organization, (2) willing to work overtime to adjust work, (3) keeping company business confidential, (4) promoting its organization to customers / society, (5) obeying regulations without the need for close supervision, (6) willing to sacrifice personal interests for the benefit of the organization, (7) not gossiping, lying or stealing, (8) making maximum effort at work, (9) contributing to social activities of the organization, (10) offering suggestions for improvement, (11) willing to participate in the organization's accidental activities, (12) caring for company property, (13) not circumventing company rules, (14) cooperating and helping colleagues, (15) following the leader's direction, and (16) working safely.

**Turnover Intention**

Turnover intention is defined as a (subjective) manifestation of the probability that an individual will change his job within a certain time period (Sousa-Poza & Henneberger, 2002), while turnover is an event that is defined as the behavior or behavior of individuals who cross the boundary (out) of membership of an organization (Price, 2000). According to Karatepe & Ngeche (2012) employees who have high intention to leave or turnover intention tend to provide poor service and damage the effectiveness of the organization. Research has shown that the intention to leave the organization is one indicator of turnover (Bothma & Roodt, 2013). From an organizational perspective, employee turnover can lead to additional costs in the recruitment, selection, training programs for contract workers (Morrell, Loan-Clarke & Wilkinson, 2004).

Schreuder & Coetzee (2010) suggested that external factors, such as competition for talent and the availability of alternative jobs in the local or global economy, contribute to the problem of high employment turnover. However, engagement has become a popular concept that promotes employee retention (Halbesleben & Wheeler, 2008). As an employee retention theory, embedded work is a combination of strengths that keep a person out of work (Mitchell et al., 2009) while work engagement is a psychological state that focuses on work that keeps employees working (Schaufeli et al., 2002). There are a number of steps that can be used to measure turnover intention (Hom et al., 1991), namely (1) thinking of leaving the organization, (2) finding a new job, (3) wanting to quickly leave the organization, (4) delaying the intention to leave and wait for a new job, and (5) consider finding a new job.

**Work Engagement**

Work engagement is a concept that has emerged in the psychological field (Bakker et al., 2008). According to Schaufeli et al., (2002) work engagement is a constant and affective cognitive state that does not focus on objects, events or behavior in individuals. In Saks (2006) stated that work engagement is associated with individual attitudes, intentions and behavior. Therefore, employees who are bound to tend to be more engaged or engage themselves in the organization and will have a lower tendency to leave the organization (Schaufeli & Bakker, 2004). This view is supported by several researchers who found that work engagement was negatively related to turnover intention (Du Plooy & Roodt, 2010; Harter, Schmidt & Hayes, 2002) Work engagement was found to have positive results related to job satisfaction, motivated workforce, employee welfare and the possibility of leaving smaller organizations (Schaufeli & Bakker, 2004).

Work engagement can also be understood as using members of the organization for their work roles by using and expressing themselves physically, cognitively and emotionally during efforts to perform (Kahn, 1990). This is a positive affective cognitive condition that is persistent in employees characterized by passion, dedication and absorption (Schaufeli et al., 2002). Work engagement can also be understood as a desire to work (Truss & Gill, 2009), the enthusiasm of someone about his work (Guy, Newman, & Emel Ganapati, 2013), and a willingness to work harder (GM Bakker, 2013), and invest not only the hands and head, but also related to affective problems (Ashforth & Humphrey, 1995). Work engagement is defined as a positive, satisfying and work-related mind condition that can be measured based on strength (enthusiasm), dedication and absorption (Schaufeli et al., 2002) in which 32 statements are used in the questionnaire based on these three indicators.

**METHODS**

33
According to previous literature review, variables in this study can be linked and presented in Figure 1. In this model, employee performance is the dependent variable, and uses work engagement as an independent variable (Anitha J., 2014; Karavardar, 2014; Halbesleben & Wheeler, 2008; Kolb & Kim, 2013). In this model also propose employee loyalty and turnover intention as mediating variables (Tomic et al., 2018; Alfiyah, 2018; Tamba et al., 2018; Saputra et al, 2009; Asmara, 2018; Saeed et al., 2016; Schwab, 1991).

![Figure 1. Research Model](image)

Sample in this research are 113 respondents from the production employees of a manufacturing enterprise, sampling using simple random sampling. Data were collected using 120 questionnaires distributed to production employees division, but there only 113 questionnaires returned and could be processed. The statistical test tool used in this study was AMOS 22 with SEM analysis. The number of questionnaires in this research are as follows:
1. Work engagement was measured using 32 indicator items from Schaufeli & Bakker (2004).
2. Employee loyalty is measured using 16 indicator items from Runtu (2013).
4. Employee performance is measured using 6 indicator items from Ahuja (2006).

Scale 7 (1: strongly disagree; 2: disagree; 3: somewhat disagree; 4: neutral; 5: somewhat agree; 6: agree; 7: strongly agree) is used to measure all items in this study. Data collection was conducted on 14th - 28th January 2019.

RESULTS AND DISCUSSION

Descriptive data describe the conditions and conditions of respondents in this study as additional information to understand the results of the study. Descriptive data can be seen through the respondent characteristics in Table 1 below:

<table>
<thead>
<tr>
<th>Table 1. Characteristics of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics of Respondents</td>
</tr>
<tr>
<td>------------------------------------</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Girl</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>18-20 years</td>
</tr>
<tr>
<td>21-23 years</td>
</tr>
<tr>
<td>24-26 years</td>
</tr>
<tr>
<td>Last education</td>
</tr>
<tr>
<td>High school</td>
</tr>
<tr>
<td>MA</td>
</tr>
<tr>
<td>Vocational School</td>
</tr>
<tr>
<td>Years of service</td>
</tr>
<tr>
<td>&lt; 1 month</td>
</tr>
<tr>
<td>&gt; 1 month</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>
Based on Table 1 note that the number of respondents women over many of the respondents men. 60% of female respondents while 40% of male respondents. While the respondents by age shows the most substantial of respondents aged 18-20 years as many as 74 people (65%), aged 21-23 years as many as 38 people (34%), aged 24-26 years as many as 1 (1%). Respondents based on their latest education showed that the majority of respondents were vocational graduates as many as 74%. And the last respondent based on tenure that dominates is more than one month work period is 88%.

**Relationship between Variables**

In Table 2 explains the relationship between variables to determine the extent to which the relationships between these variables are interconnected and to find out whether the proposed hypothesis is accepted or not.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimate</th>
<th>CR</th>
<th>P</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Engagement influence Performance</td>
<td>.164</td>
<td>2.2</td>
<td>0.02</td>
<td>23</td>
<td>0.6</td>
</tr>
<tr>
<td>Work Engagement influence Employee Loyalty</td>
<td>.69</td>
<td>8.8</td>
<td>0.00</td>
<td>91</td>
<td>0.00</td>
</tr>
<tr>
<td>Work Engagement influence turnover intention</td>
<td>0.66</td>
<td>8.6</td>
<td>0.00</td>
<td>3</td>
<td>0.21</td>
</tr>
<tr>
<td>Employee Loyalty influence Employee Performance</td>
<td>0.5</td>
<td>5.9</td>
<td>0.00</td>
<td>17</td>
<td>0.25</td>
</tr>
<tr>
<td>Turnover intention influence Employee Performance</td>
<td>0.37</td>
<td>3.9</td>
<td>0.00</td>
<td>2</td>
<td>0.28</td>
</tr>
</tbody>
</table>

From Table 2 it can be concluded that all hypotheses are accepted and show a significant relationship. This can be seen from the p value which states that the p value <0.05. This study concludes that the relationship between work engagement and employee performance showed a positive and significant relationship. This means that the higher the influence of work engagement, the higher employee performance will result. This can be seen from the p value of 0.026 <0.05 which means that it is significant, so that (H1) is accepted. These results are in line with the results of research conducted by Anitha (2014) which says that work engagement and employee performance has a significant effect, one of which is the commitment, health and low intention to leave the company. According to Fred (2009) states the engagement of employees will be embodied in the attitude of positive (eg, satisfaction of work, commitment to the organization and identification with the organization) and the behavior of employees (turnover intention and absent employees are low and levels of loyalty are high).

While the relationship between work engagement and employee loyalty shows a positive and significant relationship. This can be seen from the p value of 0.000 <0.05 which means that it is significant, so that (H2) is accepted. These results are also in line with the results of research conducted by Ibrahim & Fambat (2014) that work engagement has a significant effect on employee loyalty. Then according to Aityan & Gupta (2011) identified a number of strategies that must be adopted by organizations to increase employee loyalty by means of education, appreciation, recognition, creating a culture of personal development and growth and conducive workplace
conditions. Employee loyalty is not only based on this, but can be through work engagement. In the agreement or contract, there are rules that must be obeyed, working hours, years of service, the amount of wages to be received and so forth. This is what drives employees to loyalty to the company.

Then the relationship between work engagement and turnover intention shows that it is negative and significant. It is known that the value of cr is -8.621. This means that the higher the influence of work engagement, the lower the turnover intention is generated. Then the p value is 0.000 <0.05, which means a significant, so that (H3) the suspect engagement to work influence on turnover intention is accepted and can be stated that there is influence between work engagement and turnover intention. These results are also in line with research conducted by Takawira, Coetzee, Schreuder, Management, & Africa (2014) which showed significant results. From the results of the questionnaire distributed to respondents regarding the statement of turnover intention, it can be concluded that employees through work engagement have lower turnover intention even though in reality turnover in the company can be said to be quite high. This may be several factors that cause it, for example, according to Abelson (1987) mentions factors that cause turnover intention, among others: 1. Individual factors (age, education, skills, family, workload, length of work, self typology, copying stress). 2. Organizational Factors (organizational policy, recruitment, rewards, career development, job design, job affiliation, supervision, leadership). 3. Environmental factors (competitors, geographical or distance and transportation). Researchers suggest that from these factors companies can study and find out why employees leave the company that create high turnover intentions and caused targets that are not achieved and need time to find new employees. The company should find the problem and looks for a solution other than the work engagement that has been set. For example pay attention to rewards, security, work environment, comfort, reduce work stress, and so on.

After that, the relationship between employee loyalty and employee performance showed positive and significant results. It can be seen from the p-value was 0.000 <0.05, which means a significant, so that (H4) alleging employee loyalty effect on the employee's performance is received and can be stated that the influence of employee loyalty with employee performance. These results are in line with research conducted by Work et al., 2016 which says that employee loyalty with employee performance has a positive relationship. One of the reality in the company is to encourage employees to be loyal to the company, one of the ways is to provide various motivation so that employees feel valued, create results on the work that employees have completed well according to the targets set by the company and so on. Every employee is required to make a positive contribution through good performance, considering the performance of the organization depends on the performance of its employees. According to Garry (2006) employee performance is a work achievement, that is a comparison between work results that are seen in real terms with work standards set by the organization. So, performance is the result of work both in quality and quantity that has been achieved by employees, in carrying out their duties in accordance with the responsibilities given by the organization, the work results are adjusted to the expectations of the organization, through criteria or standards that apply in the organization. The success or failure of the organization's achievement is influenced by the performance of employees individually or in groups. Assuming the better the performance of employees the better the performance of the organization.

Finally, the relationship between turnover intention and employee performance shows negative and significant results. These results also in line with research conducted by Schwab (1991) who said the same thing. Then it can also be seen that the value of cr is -3.928. That is the higher influence on turnover intention the lower performance of the employee. The value of p is 0.000 <0.05, which means a significant, so that (H5) which suspect turnover intention effect on the performance of the employees accepted and can be stated that the influence between turnover intention with the performance of employees. As a result of high turnover will have an impact on not achieving the targets set by the company. At the company the turnover rate reached 30% so the company spent quite a lot of money to recruit, selection and training new employees. Not to mention, at the employee training stage, there are some employees resigning so that some targets that the company has still cannot achieve.

8. Conclusions

Based on analysis of data obtained through a questionnaire distributed to employees of the production division it can be concluded that work engagement influence employee performance, work engagement influence employee loyalty, work engagement influence turnover intention, employee loyalty influence the employee performance and turnover intention influence employee performance.

In this study the researchers suggest several things for the company including (1) In the work engagement that has been determined by the company, it needs serious implementation and
comprehensively explained to prospective employees. This aims so that prospective employees can understand correctly and clearly and will do the work according to the SOP (Standard Operating Procedure) applicable in the company, with the work engagement is expected to improve employee performance that can be seen from productivity, targets achieved, quality products and safe for customers and reduce products that are not good. (2) The company continues to try to make employees loyal to the company by emphasizing work engagement for contract employees and always responding quickly to problems that occur in the field, both facilities, work safety, the environment and so on. (3) Adding points to the work contract on commitments or sanctions that will be received if it violates the commitment or work contract that has been signed, for example, making a fine if the company exits before the end of the contract and if you do not want to pay a fine then it can be done by posting the relevant person on the web company or in other words on the blacklist and do everything in a persuasive way.

Then for future research, researchers suggest for further research the objects are used not only in the manufacturing industry but also in the service industry, projects and so on as well as the samples used not only from one company but in several companies.

Although this study gave a new result in the same context, but this study also has some limitations, as follow: First, the variables studied to find out & measure employee performance only focus on work engagement, loyalty and turnover intention. Second, research is done only in one company which is run in manufacturing sector, so that the research cannot be applied on the other sector such as service, because the result will be different. Third the number of sample used in this study is small, so the it cannot be generalized and for making a conclusion.

REFERENCES


Kim, W., Han, SJ, & Park, J. (2019). Is the role of work engagement essential to employee performance or "nice to have"?Sustainability (Switzerland), 11 (4), 1–16.


