Investigating the Effects of Psychological Capital on Turnover Intention

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Abstract

A high level of employee turnover in the company might cause negativity in this company such as decreasing productivity and might take a toll on financial budget. Companies will strive to minimize the level of voluntary employee turnover where possible. PsyCap was explored in many researches related to turnover intention and was positively proven. This study aims to investigate the effects of Psychological Capital (PsyCap on employee turnover intention through three mediating variables. Quantitative methods were used, and this study extracted 257 samples from State-Owned Enterprises (BUMN) engaged in telecommunications in Indonesia. In order to better represent the company as a whole, stratified sampling was used. SPSS software was used to process the data with Process V 3.0 macro as an addition. The results of this study revealed positive & significant relationship of PsyCap towards mediating variables while significant & negative relationship between mediating variables and turnover intention. In addition, there is evidence of mediating effects of PsyCap towards turnover intention through job satisfaction, work engagement and psychological well-being.

Keywords: Psychological capital, work engagement, job satisfaction, psychological well-being, turnover intention

1. Introduction

Turnover is one issue that is always present in every company. There are two types of turnover, one is voluntary turnover in which the action of quitting was done by employee on their own consciousness. The second one is involuntary turnover. As its own name suggest, involuntary turnover happens based on coercion such as work termination, closing down of a company, merger & acquisition and retirement. Companies emphasized to reduce voluntary turnover because it will cost them financially. The span from recruiting to training employees requires quite the amount of expense and time allocation. The moment an employee quit is the moment the company starts losing productivity and profit. Hence, it is on company’s great interest to retain their employees.
Psychological capital (PsyCap) is one of the key components in psychology and management as to measure individual's overall positive and developmental state (Luthan & Youssef, 2004). This topic was popularized by Luthans & Youssef and has been researched many times. PsyCap is part of positive organizational behavior (POB) under positive psychology where the focus is aimed at one's strength rather than one's weakness (Luthans, The need for and meaning of positive organizational behavior, 2002). According to Luthans, POB is outlined as the study and application of positively oriented human resources strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today's workplace (Luthan & Youssef, 2004). Thus, this paper is intended to research the positive side of human capabilities in terms of PsyCap.

Previous research tried to find the linkage between PsyCap and work engagement. The result showed positive relation and PsyCap was able to predict work engagement (Karatepe & Avci, 2017; Kang & Busser, 2018). While not only having confirmed relation with engagement, PsyCap directly affect job satisfaction in a positive manner (Kim, Kim, Newman, & Ferris, 2018). Moreover, Yim discovered that PsyCap moderately reduces the effect occupational stress and low negative effect on turnover intention (Yim, Seo, Cho, & Kim, 2017). On the other hand, Newman did not find the mediating effect of PsyCap on turnover intention but established a connection between diversity climate and turnover intention which was further amplified by PsyCap (Newman, Nielsen, Smyth, Hirst, & Kennedy, 2018).

The case for this study is focused on how PsyCap as the independent variable influence three mediating variables to reduce turnover intention as the dependent variable. The addition of three mediating variables, work engagement, job satisfaction and psychological well-being, is to further explain direct effect of PsyCap on these variables. Research subject of this study is a state-owned enterprise that has a high percentage of work engagement and job satisfaction, 80% and 73% accordingly. However, these numbers were offset by a 13% turnover rate on 2017 (Annual Report, 2017). The research idea stemmed from these surprising and contradicive numbers.

2. Theoretical Framework

PsyCap holds the position as the independent variable in this research. Fred Luthans was the researcher who popularized the term psychological capital. PsyCap itself is constructed of four dimensions, those are hope, optimism, self-efficacy and resilience. Luthans argued that these four dimensions are better off together as a higher order
construct (Luthans, 2002). Efficacy means a person has the confidence to take on and put in the necessary effort to succeed at challenging tasks, optimism means making a positive attribution about succeeding now and in the future, hope persevering toward goals and when necessary, redirecting paths to goals in order to succeed and resilience means sustaining and bouncing back even beyond when faced with problems and adversity (Luthans, Youssef-Morgan, & Avolio, 2015).

Turnover intention is defined as the number of employees where employees enter and quit in a company in a given period (Mondy, 2012). It is important because a high turnover rate means the company is losing both money and productivity while having to spend more money in recruiting new worker. The term “intention” only refers to the worker’s desire or wish to leave the company but according to Lee and Bruvold it is a strong predictor and considered the final step before a worker actually leaves the company (Lee & Bruvold, 2003).

Schaufelli, a renowned professor, stated that work engagement is a state where worker have a sense of energetic and effective connection with their work activities and they see themselves as able to deal well with the demands of the job (Schaufeli & Bakker, 2004). Another definition by Kuok of engagement is the intentional involvement with or attachment to tasks, objectives, or organizational activities cognitively, emotionally and physically (Kuok & Taormina, 2017). These definitions of work engagement mean a worker is content and enthusiastic with their occupation and feel they can do it proficiently. Maslach expressed that engagement is the opposite of burnout and measured on the positive end of the same dimension as burnout (Maslach & Leiter, 2016).

Additional variables in this study are psychological well-being (PWB) and job satisfaction. These two variables have strong connections with both PsyCap and WE. According to professor Ivan Robertson (2018) PWB is defined as positive state of mind, like being happy or satisfied. Simply put, PWB is the psychological health of individuals that are characterized by feeling positive & happy emotions and able to put a meaning & purpose unto what they are doing (Robertson, 2018). PsyCap which is a positive state of mind in work environments and PWB is satisfaction in life in general, the underlying assumption here is that high PsyCap would result in positive view of life as work is a major part and contributes to stress.

Job satisfaction is a positive feeling towards one’s job as the result of one’s evaluation (Robbins & Judge, 2016). This variable is about how individuals perceives their job. As Cranny stated, job satisfaction is a reaction to one’s job as the outcome of actual result and one’s expectations comparison (Cranny, Smith, & Stone, 1992). Ability to believe...
in oneself to overcome challenging tasks, finding alternative ways to solve problems, bounce right back when faced with difficulty and attributing positively to results or events are theorized to intensify the effect of job satisfaction.

3. Research Model & Hypotheses

3.1. Research Model

See Figure 1.

![Figure 1: Research Model]

3.2. Hypotheses

The Chang-Yue (2017) study found that PsyCap had a positive relationship with intrinsic and extrinsic job satisfaction. Not only that, PsyCap also mediates occupational stress on job satisfaction significantly (Chang-Yue, Li, & Hong-Lin, 2017). Research in Pakistan found that PsyCap had a positive effect on job satisfaction which made job burnout lower (Ali & Ali, 2014). High PsyCap scores are more likely for employees to feel more satisfied with their current work (Chaudhary, Bidlan, & Darolia, 2015; Badran & Youssef-Morgan, 2015. Kaplan (2013) found that there was a positive and significant relationship between resiliency and optimism with job satisfaction. Therefore, the first hypothesis is:
H1: Psychological capital has a positive effect on job satisfaction

Previous research found that PsyCap had a positive relationship with work engagement, a study conducted by Xu stated that a high PsyCap of a leader can influence the work engagement of his employees (Xu, Liu, & Chung, 2017). Research in an Italian public body and found that PsyCap has a positive relationship with work engagement, and individuals with high PsyCap are more likely to be bound in their work (Costantini, De Paola, Ceschi, Sartori, & Meneghini, 2017). High PsyCap is also associated with work engagement and organizational commitment (Simons & Buitendach, 2013; Sihag & Sarikwal, 2014; Bekker, 2016). Based on previous research, the second hypothesis is:

H2: Psychological capital has a positive effect on work engagement

Polatci conducted a study involving psychological well-being as a mediator between PsyCap and performance. The results of the study confirm that PsyCap has an important role in improving psychological well-being (Polatci & Akdogan, 2014). Singh (2015) stated that PsyCap is a good predictor of psychological well-being with hope, optimism and resilience dimensions that are significantly related. Some researchers also found a positive relationship between PsyCap and PWB (Wahyuningsih & Wulansari, 2016) PsyCap reflects the productivity potential and a healthy psychological work environment so that it can be a predictor of psychological health (Singh P., 2015). The third hypothesis is:

H3: Psychological capital has a positive effect on psychological well-being

When individuals feel satisfied with the work they do, it can be assumed that the individual will not leave his job voluntarily. This statement is supported by several previous studies on related variables and found a negative relationship between job satisfaction and turnover intention (Shah & Jumani, 2015; Saeed, Waseem, & Sikander, 2014; Shaw, 1999). Research by Ghayas & Siddiqui (2012) found that job satisfaction assessed per aspect (facet) also has a negative impact on turnover intention. With the assumption PsyCap can affect job satisfaction and job satisfaction itself influences turnover intention, and so the fourth hypothesis is:

H4: Job satisfaction mediates the influence of psychological capital on turnover intention

Work engagement according to Schaufeli is a satisfying positive state of mind related to work characterized by vigor (enthusiasm), dedication (dedication) and absorption (absorption) (Schaufeli, Salanova, González-Roma, & Bakker, 2002). Bound individuals are more likely to have a positive relationship with the company which then impacts positive attitudes, intentions and behaviors (Saks, 2006). Memon’s research supports this statement by proving that work engagement can predict turnover intention, so that
work engagement can be stated to reduce voluntary turnover (Memon, 2016). Research in India related to work engagement provides results that work engagement has a negative and significant impact on turnover intention, moreover PsyCap amplifies its impact (Gupta & Shaheen, 2017).

H5: Work engagement mediates the influence of psychological capital on turnover intention

Psychological well-being variable contains six factors that contribute to one's psychological health (Ryff & Keyes, 1995). Satisfaction in life can be seen from psychological health. The results showed that psychological health has a negative correlation to turnover intention (Amin & Akbar, 2013). The discovery by Wu also provides similar results where PWB has a negative and significant impact on turnover intention (Wu, Rafiq, & Chin, 2017).

H6: Psychological well-being mediates the influence of psychological capital on turnover intention

4. Research Method

4.1. Participants, procedure, and instrumentation

This research used quantitative methods to prove all the hypotheses stated below. To better reflect PT INTI, stratified random sampling was used. Positions at PT INTI were first segmented into three categories which is low-level management, middle-level management and top-level management. Then, each position was assigned into one of the categories. Low-level consisted of staff, middle Data were collected using paper questionnaire dan distributed by every division secretary. Within one-week sample gathered counted to 257 samples ranging from staff position to division head, the demographic of the subjects is presented on table 1.

This research utilized questionnaires developed by many renowned professors. Psychological capital questionnaires consisted of 12 questions created by Luthans, Avolio, & Avey (2007), job satisfaction referenced from Kim, Tavityaman, & Kim (2009), psychological well-being by Riff & Keyes (1995), work engagement cited from Schaufeli (2006) dan lastly, turnover intention from Olusegun (2013). Then, all the data will be processed with SPSS addition of macro Process V 3.0 by Andrew F Hayes to check mediation between variables. In pretest phase, all the instrument passed both validity & reliability tests, but several indicators showed low factor loading. After all the samples
TABLE 1: Respondent Profile

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>163</td>
<td>63%</td>
</tr>
<tr>
<td>Female</td>
<td>94</td>
<td>37%</td>
</tr>
<tr>
<td>Total</td>
<td>257</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td>80</td>
<td>31%</td>
</tr>
<tr>
<td>31-40</td>
<td>57</td>
<td>22%</td>
</tr>
<tr>
<td>41-50</td>
<td>33</td>
<td>13%</td>
</tr>
<tr>
<td>51-55</td>
<td>87</td>
<td>34%</td>
</tr>
<tr>
<td>Position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>119</td>
<td>46%</td>
</tr>
<tr>
<td>Supervisor/Project Manager/Functional Level 5&amp;6</td>
<td>79</td>
<td>31%</td>
</tr>
<tr>
<td>Head of affairs/Senior Project Manager/Functional Level 3&amp;4</td>
<td>47</td>
<td>18%</td>
</tr>
<tr>
<td>Head of division/Head of Subsidiaries/ Functional Level 1&amp;2</td>
<td>12</td>
<td>5%</td>
</tr>
</tbody>
</table>

Variables were collected, validity & reliability test were run again, and the result showed good numbers.

5. Empirical Result

TABLE 2: Regression Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Coeff</th>
<th>Se</th>
<th>t</th>
<th>p</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>X-M1</td>
<td>0.414</td>
<td>0.014</td>
<td>29.775</td>
<td>0.000</td>
<td>Significant &amp; Positive</td>
</tr>
<tr>
<td>X-M2</td>
<td>0.583</td>
<td>0.023</td>
<td>25.788</td>
<td>0.000</td>
<td>Significant &amp; Positive</td>
</tr>
<tr>
<td>X-M3</td>
<td>1.274</td>
<td>0.037</td>
<td>34.176</td>
<td>0.000</td>
<td>Significant &amp; Positive</td>
</tr>
<tr>
<td>M1-Y</td>
<td>-0.229</td>
<td>0.091</td>
<td>-2.508</td>
<td>0.013</td>
<td>Significant &amp; Negative</td>
</tr>
<tr>
<td>M2-Y</td>
<td>-0.143</td>
<td>0.053</td>
<td>-2.704</td>
<td>0.007</td>
<td>Significant &amp; Negative</td>
</tr>
<tr>
<td>M3-Y</td>
<td>-0.130</td>
<td>0.032</td>
<td>-4.086</td>
<td>0.000</td>
<td>Significant &amp; Negative</td>
</tr>
</tbody>
</table>

Variables are coded as follows: Psychological Capital (X), Job Satisfaction (M1), Work Engagement (M2), Psychological Well-Being (M3) and Turnover Intention (Y). Based on the results of the regression method, the direct effect between variables can be seen. PsyCap positively affects all three mediating variables seen from \( P < 0.05 \) and coefficient numbers. Psychological well-being was the one affected the most by PsyCap and can be seen from the coefficient number. On the contrary, job satisfaction, work engagement
and psychological well-being negatively impact turnover intention with job satisfaction as the biggest contributor.

To check the mediating effects of M1, M2 and M3, process V 3.0 by Hayes was used. Looking at the research model, the most fitting model is number 4 cited from Hayes’ book. The result is shown as follows:

<table>
<thead>
<tr>
<th>Mediating Var.</th>
<th>Effect</th>
<th>BootSE</th>
<th>BootLLCI</th>
<th>BootULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction (M1)</td>
<td>-0.0948</td>
<td>0.0451</td>
<td>-0.1907</td>
<td>-0.0122</td>
</tr>
<tr>
<td>Work Engagement (M2)</td>
<td>-0.0833</td>
<td>0.0364</td>
<td>-0.1472</td>
<td>-0.0054</td>
</tr>
<tr>
<td>Psychological Well-Being (M3)</td>
<td>-0.1655</td>
<td>0.0544</td>
<td>-0.2635</td>
<td>-0.0453</td>
</tr>
</tbody>
</table>

The result indicated that there are mediating effects present. To check whether mediating effects exist or not, both lower and upper confidence interval must not contain 0. In this case every mediating variables doesn’t present 0 in lower and upper confidence interval.

![Path Analysis Diagram](image)

**Figure 2: Path Analysis**

### 6. Discussion

The study discovered that job satisfaction, work engagement and psychological well-being mediated the effect of PsyCap on turnover intention. These findings are in line
with previous research that stated job satisfaction negatively impact turnover intention. It is more likely that a person that is satisfied with his/her job would stay at their current company. It is also probable an engaged employee would spend more time looking into their own work than looking for another company. Engaged means that an employee fully invests mentally, emotionally and intellectually themselves into his/her work. Last but not least, an employee's mental health showed it was affected the most by PsyCap. Very reasonable to draw a conclusion that an employee having high efficacy, optimism, hope and resilience faces live easier as he/she possesses the means to go through life.

6.1. Practical Implication

Seeing the PsyCap score that matches the medium category, PT INTI can actually raise that level to a higher category. Luthans (2015) said that leadership roles and continuing practices within the company can help improve PsyCap. Determining and stretching goals can be one way to improve PsyCap which also supports a reward system to support expected safety. Good relations between superiors also contribute by providing feedback, direction also has a backup plan in each activity.

The average value of job satisfaction, work involvement and psychological well-being are also in the medium category. The results of the study indicate that this mediating variable can be used to increase employee desires. It means increasing the score of all three can be the focus of the company to reduce the level of participation every year for the younger generation. Achieving this can be through a positive work environment while seniors provide support and direction. A system of reward and recognition for employees with good performance can encourage employees to provide better performance.

Engaging and giving employees space to provide ideas and suggestions is a way to increase employee engagement. Employees will be engaged if given a chance to be involved in decision making. Another way is to develop skills and potential of employees. When employees get training, the employee will ask for new skills at work. After that, give a challenging assignment that can stimulate employees to use their abilities and provide performance targets.

6.2. Limitations

There are several limitations in this study. First, researchers cannot access some of the data needed in this study, namely the HR department practices that are applied at PT...
INTI. This is because PT INTI is in the process of changing and the mentor is currently planning those changes so was no time for in-depth interviews. Other data that cannot be accessed is employee turnover from 2018 to 2019, the number of training carried out in 2018 & the participants and employee data coming out each year.

The second limitation is the distribution of questionnaires conducted by the division secretary and this secretary distributed the questionnaires to each member of the division. The questionnaire question disseminated by the division secretary was that the research did not have access to direct questionnaire questions.

6.3. Suggestion for future research

This research was conducted directly to measure the level of PsyCap at PT INTI and did not discriminate the number of employee training & coaching that might influence the level of PsyCap. Suggestions for further research are to see whether there are differences in the PsyCap level before and after the stimulus is given. This can be achieved by conducting longitudinal research.

The next suggestion is to add external variables in this study. In the research model it does not involve external factors such as organizational climate and corporate culture. In addition, the variable job satisfaction used in this study is measured as a whole and not per aspect (facet), so it can be suggested to measure more detailed job satisfaction. For work attachments, researchers used Schaufeli for his statement. The suggestion for further research is to use the Maslach Burnout Inventory which is the opposite of the work engagement continuum.

This research was conducted in a State-Owned Enterprise (BUMN) where there was a possibility that state-owned companies would feel comfort & security because there was no word bankrupt in their dictionaries. Self-critical attitudes may be absent from several SOE companies, so researchers suggest conducting further research in private companies. The reason is that private companies will be more competitive than state-owned enterprises and the government is not responsible for the loss of private companies. Examples of competitive industries are e-commerce, fast-moving consumer goods (FMCG), retail and financial services. Choosing companies that already understand the importance of investing in employees can be the basis for selecting interesting research subjects, especially those that have been embedded in their culture to focus on human processes.
References


