Conference Paper

The Impact of HR Practices on Job Performance and Turnover Intention with Psychological Well-Being as a Mediator in Professional Workers at a Subcontractor Telecommunication Company in Indonesia

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Abstract

Turnover is a big issue for an organization, leading to the loss of talent and financial costs based on the organization's investment in human capital and decreased productivity. In this research, we examined the impact of three HR practices on employee well-being, job performance and turnover intentions in professional workers at PT ABC. Employee well-being in this study involved two perspectives: psychological well-being and physical well-being. This study also examined the impact of employee well-being on retention. The study was conducted in a subcontractor company in the telecommunication industry in Indonesia. This study included 283 professional workers who were considered critical people in ensuring quality service. HR practices had a negative effect on turnover intention and a positive effect on job performance. HR practices did not influence either psychological well-being or physical well-being.

Keywords: HR Practise, turnover intention, employee well-being, professional workers.

1. Introduction

Professional often possess a higher level of intelligence and education than nonprofessionals and are likely to be more superordinate and control-oriented (Shell, 2003). Retaining professional workers or best professional talents is essential to an organization because it will eliminate the recruitment, selection, and onboarding costs to get the replacement, keep continuity in their area expertise, and relate a culture (George & George, 2015). The crucial issue when the organization has invested much money to professional workers who are well trained and highly experienced in development activities so that the organization will lose the investment when they leave (Juhdi,
Pa’wan, & Hansaram, 2013). Turnover is one of a big issue for an organization relating with the loss of talent, financial cost based on their investment to human capital (such as recruitment, training, and other activities) and decrease productivity (Guchait & Cho, 2010). Losing potential talent, including professional, can give a negative effect on the organization’s competitive because it would decrease productivity and quality (Juhdi et al., 2013). In addition, the high turnover of professional workers means a danger of a loss of institutional memory in organizations (George & George, 2015). Employees have some reason to leave from an organization voluntarily, and this decision to leave or stay will be very costly for both the individual or organization in relating turnover cost that are separation costs, replacement costs, and training costs (Wright & Bonett, 2007).

Previous studies have explained how human resource management (HRM) can influence turnover intention such as employee development, performance management and compensation (Juhdi et al., 2013). HR practice can be one of the solutions to attract competent worker and build a long-term relationship (Wei, 2015). HR practice can produce outcomes such as attitudes towards the job (job satisfaction and work engagement), attitudes towards the organization (organizational commitment), and behavioural intentions (turnover intention) (Marescaux, Winne, & Sels, 2013). However, “Social Exchange Theory” stated that the adoption of HR practice in training and development help in maximizing employees’ positive work attitudes (Innocenti, Profili, & Alessia, 2013).

At the level of organizational analysis, few evidences found a positive relationship between Human Resources Management (HRM) to happiness and well-being, and there is any evidence that found for a negative relationship between HRM and well-being especially in health aspect (Voorde, Paauwe, & Veldhoven, 2011). Besides, the results of other studies show that trust in employers reinforces a positive effect between perceptions of HRM practice and task performance or well-being (Alfes, Shantz, & Truss, 2012). The study found that general human capital has a positive effect on turnover intention, which means that employees who are more educated can quickly think about switching jobs (Wei, 2015).

Indonesia has a potential opportunity in the digital era. Today, there are four unicorns or startup that has value more than one billion USD. The potential is supported by the number of internet user in Indonesia. In 2016, APJII reported internet users in Indonesia about 132.7 million people. The internet has changed the Indonesian lifestyle. Based APJII survey 2016, Indonesian usually uses the internet to access social media (129.2 million people), entertainment (128.4 million people), news and information (127.9 million people), public service (121.5 million people), commercial (123.5 million people), and
education (124.4 million people). Approximately 82.2 million people visit the online shop, and 46.1 million people make online transaction once a month. Based on APJII, 65% internet users in Indonesia come from Java Island (86.3 million people), 15.5% from Sumatra Island, 5.8% from Kalimantan, 6.3% from Sulawesi, 4.7 from Bali and Nusa, and 2.5% from Maluku and Papua. The condition is caused by infrastructure limitation outside Java Island. Indonesia’s territory, which is an archipelago is a challenge for the Indonesian government in building infrastructure. Equitable development in all regions is the vision of the Indonesian government. The development gap in the island of Java and outside the island of Java is a matter of government concern. Infrastructure is a crucial thing in building competitiveness in connecting IT in multi sectors.

PT ABC is one of the largest telecommunication subcontractors in Indonesia. PT ABC supports telecommunication companies such as Telkom, Indosat, XL Axiata in building infrastructure. PT ABC today has more than two thousand employees (contract and permanent) in all operational area in Indonesia. PT ABC also serves more than 100 projects in Indonesia. Today, PT ABC has 990 professional tech workers in telecommunication and 1600 temporary workers. They placed in all operational areas in Indonesia. The role of expertise workers is vital in ensuring the service quality to customers. Turnover intention becomes a challenging problem in PT ABC. Based on data from the HR Department, 119 professional technology workers decided to quit from PT ABC in 2018. Turnover tends to become a crucial issue because to get expertise/professional workers who are well trained and highly experienced are complicated, especially in Indonesia. Among Southeast Asian countries, Indonesia has the lowest ratio of highly skilled workers who account for only 10% of the 250 million populations, according to the World Economic Forum (ASIAN Correspondent). According to Monroe Consulting Group in Indonesia Job Market, Indonesia faced a challenge in candidate availability for mid-level and senior-level, especially in a technical expert. The tech talent needed is scarce because of the education system and a lack of experience. The condition encourages each company to retain expertise workers in high market competition. This problem also faced in PT ABC in maintaining professional workers.

In this research, we examine the impact of HR practice on employee well-being, job performance turnover intentions in professional workers in PT ABC. Employee well-being in this study uses two perspectives: psychological well-being and physical well-being. This study also examines the impact of employee well-being to retain them. The professional worker in PT ABC are workers with skills above average and have much work experience. PT ABC pays high salaries to their abilities. With their abilities, they quickly find work elsewhere and move to other companies.
2. Literature Review

**HR Practise.** HRM can be defined as “all activities associated with the management of people in firms” (Boxall and Purcell, 2008, p. 1) (Marescaux et al., 2013). Human resource management practice can be a source of sustainable competitive advantage. Wei (2015) used general human capital as the predictor of turnover intention and find that HR practice can enable outstanding employees to increase psychological identification quickly, and thus increase the psychological costs associated with leaving. Human resource practice consists of six practices (Noe, Hollenbeck, Gerhart, and Wright, 2015): (1) job analysis and job design, (2) recruitment and selection (3) training and development, (4) performance management, (5) performance appraisal (6) payroll, incentives, and benefits structure, and (5) Industrial relations. This theory is the basis for numerous research studies examining the positive correlation between human capital and job performance (Saks and Waldman, 1998; Wei, 2015). HR practice means whether various HR practice taken by employees are felt by employees as something unique (understandable to employees), consistent (applied similarly) and carried out by consensus (supported by the manager) (Wei, 2015).

**Employee Well-Being.** Employee well-being is a broad concept that explains the overall quality of employee experiences and functions at work (Guest, 2017 in Khoreva, Wechtler, & Khoreva, 2018; Johari et al., 2019). Effective functions of employees occur when they experience satisfaction and positive situations in their workplace. Employee welfare reflects the positive attitudes manifested in favourable behavioural outcomes related to performance (Wright & Hobfoll, 2004; Johari et al. 2019).

![Figure 1: Research Model](https://example.com/figure1)

Based on literature review, the researchers has developed th hypothesis for this study as below:

**H1.** HR Practise has a significant effect to turnover intention in PT ABC
H2. HR Practise has a significant effect to job performance in PT ABC
H3. HR Practise has a significant effect to psychological well-being in PT ABC
H4. HR Practise has a significant effect to physical well-being in PT ABC
H5. Psychological well-being has a significant effect to turnover intention in PT ABC
H6. Physical well-being has a significant effect to job performance in PT ABC
H7. Psychological well-being has a significant effect to job performance in PT ABC
H8. Physical well-being has a significant effect to job performance in PT ABC
H9. Job performance has a significant effect to turnover intention in PT ABC

3. Research Method

This object research is expertise worker in PT ABC which are subcontractor company in the telecommunication industry in Indonesia. The expertise workers tend to be considered as a key person in ensuring quality service. PT ABC has also paid higher to a consultant than other staff in PT ABC. Consultants in PT ABC consist of experts in the telecommunication field. Population in this study is 990 expertise workers in PT ABC. Based on Sloven Formula, the minimum requirement sample in this study is 91 people \( \frac{990}{(990)(0.1)^2+1} = 90.8 \) or 91. The researchers successfully collected about 282 questionnaires from expertise workers in PT ABC. Researchers used an online questionnaire distributed in all operational area such as Java, Kalimantan, Sumatra, Bali, Papua, and others. Analysis data uses structural equation model, which is processed by LISREL 8.8.

The measurement for HR practice adopts 12 items from Bowen and Ostroff (2004) and used in Guan and Frenkel (2018). The items use a 6-Likert scale from 1 = “Strongly Disagree” and 6 = “Strongly Agree”. The sample of HR practises item is “HR policies here are clearly communicated to employees”. Variable employee well-being consists of two dimensions: psychological well-being and physical well-being. Psychological well-being variable measured with five items from Bacharach, Bamberger, and Conley (1991) and used on Jenssen and Yperen, (2004) and Khoreva, Wechtler, and Khoreva (2018). Respondents will be interested in responding to the question “how satisfied and dissatisfied with...” with 6- Likert scales from very dissatisfied (1) and very satisfied (6). The sample item of psychological well-being item is “Your present job in light of your career expectations”. While physical well-being used 2 items from Li, Burch, and Lee (2016) and have already used on Khoreva, Wechtler, & Khoreva (2018). The sample item of physical well-being item is “I fear that the amount of stress in my job will make me
4. Result and Discussion

4.1. Result

Researchers successfully collected about 283 questionnaires from all questionnaires, which has distributed to eleven operation area in Indonesia. All respondent are professional workers in project/operational. Based on collected data, respondent consist of 89.7% male and 10.3% female. In marital status, 66% respondent has married, 33.7% of respondents are single, and 0.4% are widow/widower. In education level respondent, 96.5% of respondents have a bachelor degree, 2.5 % of respondents have diploma degree, 0.7% of respondents are a senior high school, and 0.4% respondents have master degree. Majority respondents are 25-35 years old (51.8%) and 36-45 years old (44%). Almost 28.7% come from Jakarta operation area, 26.2% from Kalimantan, 15.2% from Center Java, 9.6% from East Java, 3.9% from West Java, 4.6% from Maluku and Papua, 3.2% from North Sumatra, and 5.3% from Bali and Nusa Tenggara.

Descriptive Statistics Analysis. All items has mean with “high” category (mean from 4.34 to 6.00) and “middle” (mean from 2.67 to 4.33). The items in high category are HR4, HR6, HR8, HR9, HR11, JC3, JC8, EW1, and JP2. The items in middle category are EW2, EW6, and EW7.

Confirmatory Factor Analysis (CFA). To analyze the study data, the researchers apply a two-step procedure consisting of confirmatory factor analysis (CFA) and structural equation modelling (SEM). Considering that all variables were collected from employees, we used LISREL 8.80 to conduct confirmatory factor analyses (CFA) to confirm the structure of these measures. The result of testing CFA can be seen in the items in Table 1. The loading factor (λ) is considered significant if the factor loading ≥ 0.50, but with the increase in the number of respondents, the factor loading ≥ 0.35 is considered to be sufficiently significant with sample 250 and can be declared valid (Hair, Black, Babin, and Anderson, 2010).

Goodness of Fit Test. This study uses structural equation modelling (SEM) analyses using LISREL 8.80 to test the model fit. SEM gives more goodness-of-fit indices for the
TABLE 1: Measurement model quality criteria

<table>
<thead>
<tr>
<th>Variable</th>
<th>Item</th>
<th>Mean</th>
<th>Factor Loading</th>
<th>Error</th>
<th>CR</th>
<th>VE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR practise</td>
<td>HR4</td>
<td>4.82</td>
<td>0.41</td>
<td>0.83</td>
<td>0.72</td>
<td>0.35</td>
</tr>
<tr>
<td></td>
<td>HR6</td>
<td>5.13</td>
<td>0.68</td>
<td>0.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR8</td>
<td>5.18</td>
<td>0.69</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR9</td>
<td>5.09</td>
<td>0.62</td>
<td>0.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR11</td>
<td>5.09</td>
<td>0.50</td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychological well-being</td>
<td>EW1</td>
<td>4.51</td>
<td>0.47</td>
<td>0.78</td>
<td>0.72</td>
<td>0.59</td>
</tr>
<tr>
<td></td>
<td>EW2</td>
<td>4.26</td>
<td>0.98</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical well-being</td>
<td>EW6</td>
<td>2.96</td>
<td>0.84</td>
<td>0.30</td>
<td>0.81</td>
<td>0.68</td>
</tr>
<tr>
<td></td>
<td>EW7</td>
<td>3.35</td>
<td>0.82</td>
<td>0.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job performance</td>
<td>JP2</td>
<td>4.89</td>
<td>0.35</td>
<td>0.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>ITQ1</td>
<td>3.47</td>
<td>0.72</td>
<td>0.49</td>
<td>0.85</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td>ITQ2</td>
<td>3.43</td>
<td>0.98</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Hackman & Oldham (1975), Idazak & Drasgow (1987), Johari et al. (2019); Shahzad et al. (2018)

TABLE 2: Goodness of Fit Indeks

<table>
<thead>
<tr>
<th>Goodness of fit Index</th>
<th>Cut-off value</th>
<th>Result</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X^2$-Chi square (df=49, p=0.05)</td>
<td>&lt; 62.83</td>
<td>52.26</td>
<td>Good fit</td>
</tr>
<tr>
<td>Sig Prob.</td>
<td>≥ 0.05</td>
<td>0.21</td>
<td>Good fit</td>
</tr>
<tr>
<td>df</td>
<td>≥ 0</td>
<td>45</td>
<td>Good fit</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.97</td>
<td>Good fit</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.95</td>
<td>Good fit</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>0.99</td>
<td>Good fit</td>
</tr>
<tr>
<td>TLI/NNFI</td>
<td>≥ 0.90</td>
<td>0.99</td>
<td>Good fit</td>
</tr>
<tr>
<td>NFI</td>
<td>≥ 0.90</td>
<td>0.94</td>
<td>Good fit</td>
</tr>
<tr>
<td>IFI</td>
<td>≥ 0.90</td>
<td>0.99</td>
<td>Good fit</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.024</td>
<td>Good fit</td>
</tr>
</tbody>
</table>

Source: Output LISREL 8.8

full structural model, giving more superior empirical results (Watto, Zhao, & Xi, 2018). The $X^2$ of the hypothesized model was not significant, $X^2$ (45)= 52.26, p=0.21 (chi-square<chi-table), indicating that the model fit the data well. The remaining fit statistics were also excellent (RMSEA=0.024; NFI=0.94; TLI=0.99; CFI=0.99; IFI= 0.99; GFI=0.97; AGFI= 0.95), thus further confirming a good fitting model.

Structural model and tests of hypotheses. Table 3 shows the result in hypothesis testing. Based on that result, HR practice was negatively associated with turnover intention ($\beta$=-0.30, t-value=-4.48). Increasing HR Practice can decrease turnover intention so that
H1 was accepted. The better HR practice proved that it could retain employee to quit from the organization. HR Practice was positively associated with job performance ($\beta=0.12$, $t$-value=2.23), thus confirming H2. In testing the effect of HR practice to employee well-being, HR Practice did not affect either psychological well-being ($\beta=-0.06$, $t$-value=-0.97) or physical well-being ($\beta=0.06$, $t$-value=0.90) partially so that H3 and H4 were rejected. Psychological well-being has a positive effect on job performance ($\beta=0.11$, $t$-value=2.06) so that H5 accepted. In the other side, physical well-being did not significantly affect job performance ($\beta=-0.02$, $t$-value=-0.49) so that H6 rejected. Either psychological well-being or physical well-being could not show the effect on turnover; thus, H7 and H8 rejected. In the last, job performance can not show the relationship to turnover ($\beta=-0.06$, $t$-value=-0.73) so that H9 accepted.
Based on Table 4 from processing data, employee well-being (psychological well-being or physical well-being) can not be a mediator variable in mediating the relationship between HR practices and job performance. It can show the value of the indirect effect about -0.01 and t-value -0.97. Job performance can not mediate the relationship between psychological well-being and turnover intention based on the value of indirect effect about 0.01 and t-value 0.69. Job performance also can not become a mediator variable in mediating the relationship between physical well-being and turnover intention based on the value of indirect effect about 0.00 and t-value 0.40.

![Figure 2: The Result of Hypothesis Test](image)

### 4.2. Discussion

In this study, HR Practices significantly influenced to turnover intention in professional workers PT ABC. The relationship between HR practices and turnover intention is negative. This finding is in line with previous research. HR Practices also has a positive effect to job performance in professional workers PT ABC According to social exchange theory; individuals will generally try to repay those who have helped them or treated them well (Wei, 2015). Based on “Social Exchange Theory”, adoption of human resource practices can help to maximize employees’ positive work attitude (Innocenti, Profili, & Alessia, 2013). Besides, Paul and Anantharaman (2003) (in Voorde, Paauwe, & Veldhoven, 2011) stated that HRM has a positive effect on performance. Employee perceptions of HR practices encourage work engagement and facilitate their work to contribute to high individual performance (Alfes, Shantz, & Truss, 2012). According to Bowen and Ostroff (2004), HR practices refers to whether various HR practices taken by employees are felt by employees as something unique (understandable to employees), consistent (applied similarly) and carried out by consensus (supported by the manager). If HR practices considered to have them, the secure environment will be created and will encourage the employee to adopt attitude and behaviour, which is aligned with
organization goals. The trust of an employer will reinforce the relationship between HR practise and performance or well-being (Alfes, Shantz, & Truss, 2012).

HR practices can not show the effect on employee well-being, either psychological well-being or physical well-being. HR practices in PT ABC still be in progress improvement. The workers have not felt the results of the HR practices that is carried out. The distance between the branch and the headquarter is quite a challenge. The HR department will need effort in reconciling with the situation and conditions in the field. Of course, each operational area has its characteristics. It is like an HR manager said that PT ABC begins to improve HR practices since 2018; many tasks that should do for it. It is not easy to implement all HR programs in all operational area in Indonesia.

Either psychological well-being or physical well-being can not show an influence on turnover intention. The finding relates the type of job as an engineer in a telecommunication who are always ready to work under pressure and high mobility. This job also need good physical because they have to go to the field often. Therefore, they will not leave the organization because of their psychological and physical well-being. In the previous study found a significant interaction between psychological well-being and job satisfaction as predictive of employee turnover (Wright & Bonett, 2007). In this study, psychological well-being positively associated with job performance.

In contrast, physical well-being did not associate with job performance. In the previous study on The Dissatisfied Worker, Fisher and Hanna noted that employee well-being was “responsible to a much greater extent for labour turnover than is commonly realized” (Wright & Bonett, 2007). In some literature review, there reported the relationship between work-related well-being predictors and outcomes, such as job satisfaction, work engagement, burnout and several others (Bakker, 2015; Hakanen & Schaufeli, 2012), while life-related well-being (i.e., life satisfaction) tend to be ignored in the field of management (Erdogan et al., 2012; Wu, Rafiq, & Chin, 2017).

In the last, job performance can not prove significantly influence to turnover intention. The condition caused that majority of expert workers to have much experience so that they can work the best in all conditions as a professional attitude. Based on HR manager information, although they have a plan to quit their organization, it will not influence their performance because they showed a professional attitude in their job.

**Retention Professional Workers.** The organization will face a problem when they loss professional workers. The organization has invested much money on professional workers who are well-trained and highly experienced in development activities so that the organization will lose the investment when they leave (Juhdi et al., 2013).
In maintaining professional workers, the company can take special attention to some aspect to retain them.

*Appropriate style of leadership.* Many researchers discussed professional retention, especially in a participatory style of management. The decision of professional workers to leave or stay in an organization depends on how organization appreciate and value them. Professional workers need to feel that their professional knowledge and skills are valued and that they can make decisions about significant issues as professional (George & George, 2015). Besides, the organization can give a reward and recognition as motivational tools to maximize their psychological well-being and minimize the turnover intention (Langove & Isha, 2017).

*Managing environment and conflict.* The potential for conflict will occur in a professional work environment. Professional workers usually have high education, so they are very concerned about ego and status needs, recognition for good work, and a relatively free environment where they can achieve recognition. In a confined environment (no freedom), many professionals are frustrated, and they run out their energy because they used to frustration. The condition can reduce organizational effectiveness. Managers from professionals should be aware of how to build relationships with them related to the satisfaction of their need for greater effectiveness (Shell, 2002).

### 5. Conclusion

In this study, HR practice has a negative effect on turnover intention in professional workers PT ABC so that HR practises proven to retain them. HR practice shows a positive effect on job performance. Better HR practises can increase an employee's performance. In another side, HR practice can not show the influence on employee well being either psychological well-being or physical well-being. Different from HR practise, either psychological well-being or physical well-being, can not show influence on turnover intention in professional workers PT ABC. However, psychological well-being has a positive effect on performance, and physical well-being can not show the effect on performance.

### 6. Limitations of Research

The study only focused on expertise workers in project/operational and not include all employee in PT ABC. The result possible was different if the study used the employee from another department or another area. Besides, this research used the measurement
of HR practice in general. The results may be different when testing each HR dimension. In future research, the researchers can examine with specific HR function and another predictor in explaining turnover intention such as work overload, work-family conflict and others.

References


