

**HRM PRACTICES AND TURNOVER INTENTION: THE MEDIATING EFFECT OF WORK ENGAGEMENT IN THE FOOD AND BEVERAGE INDUSTRY IN INDONESIA****Dinar Rurumingratni<sup>1</sup>, Aryana Satrya<sup>2\*</sup>**<sup>1</sup>Universitas Indonesia, dinar.rj@gmail.com<sup>2</sup>Universitas Indonesia, aryana@ui.ac.id

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**ABSTRACT**

*This study examines the impact of human resource management (HRM) practices (i.e., training and pay satisfaction) on turnover intentions mediated by work engagement among employees in the food & beverage industry in Indonesia. Based on National Labor Force Survey in February 2021, the accommodation, the food & beverage industry is the fourth largest contributor to employment in Indonesia, which is 6.99%. This study uses a multidimensional approach for HRM practices, work engagement, and turnover intention. This approach shows how HRM practices affect the formation of work engagement. Data were collected through online questionnaires and analyzed using the partial least squares structural equation modeling (PLS-SEM) technique. Findings revealed that training satisfaction and pay satisfaction have a significant positive impact on work engagement, and pay satisfaction has a negative impact on turnover intention. Unexpectedly, training satisfaction has a positive impact on turnover intention. However, this study did not find sufficient evidence for the direct impact of work engagement on turnover intention and the effect of training and pay satisfaction on turnover intention mediated by work engagement. Therefore, employees who are satisfied with their training and pay schemes will engage with their work and tend not to leave their jobs. Further study may apply more respondents, as well as investigates other variables of HRM practices examined. The results of this study can be used to enrich existing knowledge and assist company management in formulating HRM strategies to create work engagement among employees.*

**Keywords:** *Training satisfaction, Pay satisfaction, Human resource management practices, Work engagement, Turnover intention*

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**1. Introduction**

Researchers have been examining the topic of turnover intention for the past few decades (Santhanam, Kamalanabhan, Dyaram, & Ziegler, 2017; Akgunduz, Adan Gök, & Alkan, 2020; Park & Pierce, 2020). Employee turnover is costly, because companies must think about the hiring, recruiting, and training processes, as well as the time spent on each phase of recruiting new team members (Dennison, 2021). In 2019, the average industry turnover rate in Indonesia reached 10% (Deloitte, 2019). The top three reasons why employees leave their organization are a competitive salary, the interaction between manager and staff, a lack of a clear career path, and job security (Mercer, 2020). Based on the Talent Trends 2022 report by Michael Page Indonesia (2022), the great resignation has already been happening in Indonesia over the past 2 years because of the global pandemic. Almost half of the respondents (43%) had only worked for their current job for no more than two years, and 84% of respondents will seek new career prospects over the next six months. The report also stated that 92% of respondents from the leisure, travel, and tourism industries plan to quit their jobs in the first six months of 2022.

Human resources management (HRM) practices have been shown in prior research to improve work engagement (Albrecht, Bakker, Gruman, Macey, & Saks, 2015; Kloutsiniotis & Mihail, 2017; Memon et al., 2021). Engagement should be integrated with HRM in order to achieve individual and organizational outcomes, such as reducing employee turnover intentions (Albrecht et al., 2015; Kakkar, Dash, Vohra, & Saha, 2020).

Turnover intention expresses the subjective likelihood that an individual will leave the organization (Santhanam et al., 2017). Research by Schaufeli & Bakker (2004) indicated that engagement is negatively related to turnover intention because engaged employees tend to have a greater attachment to their organization and a lower tendency to leave the organization.

The hospitality industry is a human resources-centric industry that is directly related to the services delivered by employees (Garcia-Martinez & Diala, 2014). It consists of two primary categories. Arts, entertainment, and recreation are included in the first category, while accommodation and food services are in the second (Garcia-Martinez & Diala, 2014). According to the Statistics Indonesia, the category of Food and Beverage Provision includes eating and drinking service activities that provide food or drink for immediate consumption, either traditional, self-service, or take-away restaurants, either at a permanent or temporary place with or without a sitting area (Kamus Pembakuan Statistik, 2017). The Food and Beverage Provider group is divided into three derived classifications, namely restaurants and mobile food services, catering services for certain events and other food provisions, and the provision of beverages (Kamus Pembakuan Statistik, 2017). Based on National Labor Force Survey in February 2021, the Accommodation and Food and Beverage Provider industry is the 4th largest contributor to employment in Indonesia, which is 6.99% (Badan Pusat Statistik, 2021).

The direct interaction between frontline employees and customers determines the competitive advantage of a service industry's business, which is why they are called the face of the service industry (Santhanam et al., 2017). Therefore, HR systems should be developed to ensure that employees acquire high levels of skill, motivation, ownership and participation, information sharing, performance-based rewards, and prospects for a decent work/life balance (Murphy & Olsen, 2009). Unfortunately, the reluctance of employers to increase compensation for their employees, poor working conditions with long working hours, and the lack of company recognition of good performance further exacerbate employee turnover in this industry (Murphy & Olsen, 2009). Not surprisingly, the restaurant industry has historically had a very high turnover rate (Murphy & Olsen, 2009).

## 2. Literature Review

According to Harel & Tzafrir (1999), training activities have an impact on performance in two different ways, namely increasing skills and abilities relevant to tasks and employee development, and increasing employee satisfaction with work and the workplace. The purpose of training is to achieve organizational goals through teaching and employee development (Garcia-Martinez & Diala, 2014). If employees have adequate training to handle stress at work or at home, they will be more productive and engaged in their work (Azeem, Rubina, & Paracha, 2013).

Training satisfaction is defined as “the degree to which people like or dislike a planned set of activities organized to develop the knowledge, skills, and attitudes necessary to perform a given task or job effectively” (Schmidt, 2007). Employee satisfaction with training is very important to form a positive attitude towards work and the organization, so that it will lead to higher job satisfaction and lower turnover intention (Huang & Su, 2016). Previous research has shown that training is a predictor of work engagement and turnover intention (Lee & Bruvold, 2003; Memon, Salleh, & Baharom, 2016). Therefore, employee satisfaction with training should be a strong predictor of work engagement. Based on the literature, it could be hypothesized that:

*H1. Training satisfaction has a positive significant impact on work engagement.*

Compensation has an influence on organizational performance, namely the turnover rate of non-managerial employees (Cho, Woods, (Shawn) Jang, & Erdem, 2006). Conventionally, the form of payments can be direct payments, such as cash payments (e.g. salaries); and indirect payments, such as non-cash payments (for example, benefits); and the number of salary increases and the compensation system management process (Williams, McDaniel, & Nguyen, 2006). Cao, Chen, & Song (2013) found that the impact of total rewards in the form of remuneration, work-life balance, performance or appreciation, and career development or opportunities perceived by employees can reduce turnover intention. Based on these arguments, it could be hypothesized that:

*H2. Pay satisfaction has a positive significant impact on work engagement.*

Schaufeli & Bakker (2004) define work engagement as “a positive, satisfying, work-related state of mind characterized by vigour, dedication, and absorption”. Vigour refers to a high level of energy and mental resilience at work, a willingness to put in the effort at work, and persistence in the face of adversity. Dedication is characterized by feelings of importance, enthusiasm, inspiration, pride, and challenge. Absorption refers to the condition of workers who are very concentrated and happy to work, so that workers feel that time passes quickly

and it is difficult to get away from work. Engaged employees have high energy levels and are enthusiastic about their work (Bakker & Demerouti, 2008).

Research by Kloutsiniotis & Mihail (2017) showed that engaged and satisfied employees are more committed to their company, and have less desire to leave the company. Aydogdu & Asikgil (2011) define turnover intention as “a person's behavioral attitude to leave the organization”, while turnover is considered as a real act to separate oneself from the organization. Employee turnover can be good or bad for the organization depending on the type of employees. The loss of high-performing employees with many leadership talents can cost the organization future revenue and leadership talent, but the loss of low-performing and low-potential employees create job openings for higher-performing replacement employees (Phillips & Gully, 2015). Therefore, the following hypotheses can be proposed:

*H3. Work engagement has a negative significant impact on turnover intention.*

According to Karadas & Karatepe (2019), work engagement acts as a mediator in the relationship between high-performance work systems and turnover intention. Another research by Memon et al. (2021) demonstrated that employee turnover intention was influenced by work engagement and how satisfied employees were with HRM activities (training, performance appraisal, and pay satisfaction). The revision of the employee engagement model (in the form of work engagement and organization attachment) proposed by Saks (2019) also states that turnover intention is one of the consequences of employee engagement. Based on the extant literature, this study proposed the following hypothesis:

*H4. Work engagement would fully mediate the relationship between training satisfaction and turnover intention.*

*H5. Work engagement would fully mediate the relationship between pay satisfaction and turnover intention.*

### 3. Research Method

A quantitative research approach was applied in this study. Data were collected with a purposive sampling technique using Google Form. The population in this study is full-time employees who work in the food and beverage sector in Indonesia. The positions of the respondents range from entry-level to middle-level management (up to senior managers). A total of 130 people took the survey, which was conducted using a cross-sectional study design. However, 30 respondents were excluded because they did not meet the criteria, leaving just 100 respondents in the study.

Respondents were asked to complete 24-item questionnaires that were adapted from previous studies. All variables will be measured by a five-point Likert scale (1 = “strongly disagree”; 5 = “strongly agree”). To measure the training satisfaction variable, an adaptation of the 4-item job satisfaction training scale which was previously adapted from Schmidt (2006; 2007), will be used. Payment satisfaction was measured using a 6-item subscale adapted from the Pay Satisfaction Questionnaire (PSQ) (Heneman III & Schwab, 1985). These six items measure the level of employee satisfaction with their salary (i.e. direct current compensation). To measure the work engagement variable, the researchers used an adaptation of the 9-item Utrecht Work Engagement Scale (UWES-9) developed by Schaufeli, Bakker, & Salanova (2006). In this study, the measurement of the turnover intention variable will use a 5-item turnover intention scale instrument adapted from Jung & Yoon (2013).

### 4. Results and Discussion

Most respondents (63%) were males, lived in Jakarta (36%), and had a high school degree (85%). Most of the respondents' age was 21-30 years old (68%). A majority of respondents (65%) have been working for 3-5 years at the current company, 62% of respondents have a monthly income between IDR 3,000,001 to IDR 5,000,000, and most respondents (69%) have employment status based on contract. A majority of respondents (75%) worked as Staff in their organization. Before working at current companies, most respondents (46%) have changed companies 1-2 times. Most respondents (88%) worked in the front-of-house section at their companies.

Data collected were analyzed using partial least squares structural equation modeling (PLS-SEM). SmartPLS 3.0 software was used to examine the inner and outer models. There were two stages of data analysis. The first stage was a measurement model assessment that was carried out to assure that only the constructs with good reliability and validity are used in the structural path model. There are four aspects to be assessed from each construct model, namely the size and significance of the loadings indicator, construct reliability, convergent validity (CV), and discriminant validity (DV) (Hair Jr., Black, Babin, & Anderson, 2019).

The evaluation process begins with checking the loading indicator. An indicator loading value above 0.708 indicates that the construct explains more than 50 percent of the indicator variance and confirms that the indicator shows acceptable item reliability (Hair Jr. et al., 2019). To determine the reliability of internal consistency, the

researchers used composite reliability (CR) which provides a more appropriate measure of internal consistency reliability (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014). Table 1 showed that CR values for each construct are greater than 0.7, ranging from 0.905 to 0.953, indicating a “satisfactory to good” reliability level.

Validity was measured by noting a construct’s convergent validity and discriminant validity (Hair et al., 2014). Convergent validity was assessed by evaluating the average variance extracted (AVE) on all indicators associated with a particular construct. An acceptable AVE value is 0.50 or higher (Hair Jr. et al., 2019). Table 1 shows the AVE value for each construct is greater than 0.5, ranging from 0.721 to 0.839, confirming the CV of the measurement model. DV was assessed using the heterotrait-monotrait correlation ratio (HTMT). A high HTMT value indicates a problem with discriminant validity, where the guideline is 0.90 for conceptually similar constructs, and 0.85 for conceptually distinct constructs (Hair Jr. et al., 2019). In addition to examining the size of the HTMT value, the researchers used a bootstrap procedure to determine whether the HTMT value was statistically lower than one (1.0) (Hair Jr. et al., 2019). As shown in Table 2, although the HTMT values of WEV → WEA (0.858) is above 0.85, but it is lower than 0.90. The HTMT value of WEV → WED (0.907) is above 0.90, but it is still below HTMT<sub>inference</sub> value 0.95 proposed by Henseler, Ringle, & Sarstedt (2015). Although the HTMT values of the three constructs, WEA → WE (1.009), WED → WE (1.006), WEV → WE (1.019) indicate a lack of discriminant validity, but HTMT value as a measure of discriminant validity only applies to latent variables (Henseler, 2021).

Table 1. Measurement Model Assessment

Construct	Dimension	Items	Loadings	Cronbach's Alpha	AVE	CR
Training satisfaction (TS)		TS1	0.892	0.903	0.776	0.933
		TS2	0.911			
		TS3	0.858			
		TS4	0.861			
Pay satisfaction (PS)		PS1	0.901	0.940	0.771	0.953
		PS2	0.870			
		PS3	0.826			
		PS4	0.924			
		PS5	0.887			
		PS6	0.858			
Work engagement (WE)	Vigour	WEV1	0.738	0.842	0.808	0.926
		WEV2	0.872			
		WEV3	0.889			
	Dedication	WED1	0.885	0.904	0.839	0.940
		WED2	0.861			
		WED3	0.814			
	Absorption	WEA1	0.770	0.880	0.760	0.905
		WEA2	0.776			
		WEA3	0.789			
Turnover intention (TOI)		TOI1	0.723	0.907	0.721	0.927
		TOI2	0.896			
		TOI3	0.943			
		TOI4	0.919			
		TOI5	0.741			

**Note(s):** WEV, work engagement (vigour); WED, work engagement (dedication); WEA, work engagement (absorption)

Source: Primary data, 2022

Table 2. Assessment of discriminant validity

Reflective construct	PS	TOI	TS	WE	WEA	WED	WEV
Pay satisfaction (PS)							
Turnover intention (TOI)	0.085						
Training satisfaction (TS)	0.673	0.172					
Work engagement (WE)	0.730	0.154	0.796				
Work engagement - Absorption (WEA)	0.648	0.142	0.785	1.009			
Work engagement - Dedication (WED)	0.755	0.134	0.776	1.006	0.845		
Work engagement - Vigour (WEV)	0.674	0.162	0.710	1.019	0.858	0.907	

**Note(s):** DV is established at HTMT 0.85

Source: Primary data, 2022

The second stage of data analysis was structural model assessment. First, the researchers examined the inner variance inflation factor (VIF). A VIF value is suggested below 5 (Hair Jr., Hult, Ringle, & Sarstedt, 2017). As shown in Table 3, the VIF values for all variables were below 5, indicating no potential collinearity between the predictor constructs.

Table 3. Inner VIF Values

Construct	TOI	WE	WEA	WED	WEV
PS	2.019	1.635			
TS	2.296	1.635			
WE	2.674		1.000	1.000	1.000

**Note(s):** TS, training satisfaction; PS, pay satisfaction; WE, work engagement; WEV, work engagement (vigour); WED, work engagement (dedication); WEA, work engagement (absorption); TOI, turnover intention

Source: Primary data, 2022

In the next step, the researchers assessed the coefficient of determination ( $R^2$ ) to evaluate the structural model. The  $R^2$  is a measure of the model's predictive accuracy, ranging from 0 to 1, with 1 representing complete predictive accuracy (Hair et al., 2014). There were rough rules of thumb for acceptable values of  $R^2$ , with 0.75, 0.50, and 0.25 for substantial, moderate, or weak levels of predictive accuracy (Hair, Ringle, & Sarstedt, 2011). The  $R^2$  value of dedication (0.869) was greater than other constructs, indicating it had a substantial level of predictive accuracy to the structural model. Furthermore, the  $R^2$  value of turnover intention (0.055) was the smallest compared to other constructs, indicating that turnover intention had a moderate level of predictive accuracy.

The effect size ( $f^2$ ) for each path model was calculated by noting the change in  $R^2$  when a specific construct is eliminated from the model (Hair et al., 2014). As shown in Table 4, training satisfaction ( $f^2 = 0.017$ ) and work engagement ( $f^2 = 0.010$ ) had a small effect on turnover intention, while pay satisfaction ( $f^2 = 0.028$ ) had a strong effect on turnover intentions. Moreover, pay satisfaction ( $f^2 = 0.235$ ) had a strong effect on work engagement, while training satisfaction ( $f^2 = 0.405$ ) had a small effect on work engagement.

Table 4. The  $f^2$  values of exogenous construct

Construct	TOI	WE	WEA	WED	WEV
Pay satisfaction (PS)	0.028	0.235			
Training satisfaction (TS)	0.017	0.405			
Work engagement (WE)	0.010		3.925	6.608	6.428

**Note(s):** WEV, work engagement (vigour); WED, work engagement (dedication); WEA, work engagement (absorption); TOI, turnover intention

Source: Primary data, 2022

The cross-validated redundancy ( $Q^2$ ) is used to assess the inner model's predictive power (Hair et al., 2014). A  $Q^2$  value larger than zero indicates an acceptable model path prediction accuracy for the construct (Hair Jr. et al., 2019). The result of  $Q^2$  values of TOI (0.026) and WE (0.398) were larger than 0, indicating acceptable predictive relevance. These results supported previous research by Memon et al. (2021). The researchers then employed the bootstrapping techniques (5000 subsamples, one-tailed significance) to estimate the statistical significance of the parameter. A hypothesis was supported if its  $t$  value  $> 1.96$  or  $< -1.96$  (Hair Jr. et al., 2017). As shown in Table 5, the findings showed that training satisfaction ( $p = 0.044$ ) and pay satisfaction ( $p = 0.000$ ) were both significantly positive correlates of work engagement. In contrast, the results indicated an insignificant relationship between work engagement ( $p = 0.183$ ) and turnover intention (H3). Therefore, H1 and H2 were supported, while H3 was not supported. The result of H1 supported previous research conducted by Memon et al. (2021). Training makes employees learn new skills, ensures the job remains interesting for them, and motivates employees to be more engaged (Memon et al., 2021). The finding of H2 supported previous research conducted by Kulikowski (2018) which found that pay satisfaction had a positive significant relationship with work engagement. Unexpectedly the result of H3 did not support previous research conducted by Memon et al. (2021). According to research conducted by Memon et al. (2021), highly engaged employees are less likely to leave their jobs. Furthermore, the finding of a study conducted by Jaharuddin & Zainol (2019) also found that job engagement was correlated with turnover intention, and the relationship between the two variables was significant. When employees experienced greater job engagement, their intention to quit the job was lower.

Table 5. Results of hypothesis testing

Construct	STDEV	$t$ value	$p$ value	Decision
H1. TS $\rightarrow$ WE	0.088	5.650	0.000	Supported
H2. PS $\rightarrow$ WE	0.072	5.294	0.000	Supported
H3. WE $\rightarrow$ TOI	0.183	0.886	0.188	Not supported

**Note(s):** TS, training satisfaction; PS, pay satisfaction; WE, work engagement; TOI, turnover intention; STDEV, standard deviations.

Source: Primary data, 2022

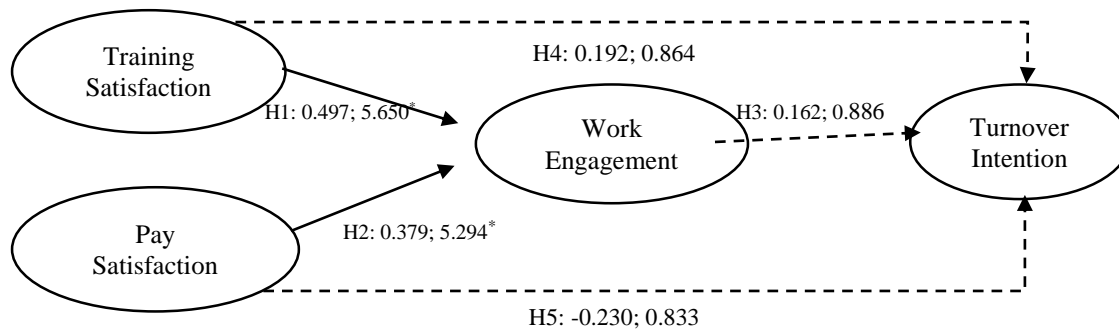
In the next step, the researchers tested the mediating effect of work engagement in the relationship between training satisfaction, pay satisfaction, and turnover intention. The results of the indirect effects indicate that training satisfaction and pay satisfaction have an insignificant indirect effect on turnover intention via work engagement, thus H4 and H5 were not supported (Table 6). The absence of a relationship between WE and TOI may have an impact on the results of H4 and H5. The result of H4 was also contrary to the previous research conducted by Memon et al. (2021), where employees' positive feelings about training and development activities result in positive attitudes and behaviors such as higher levels of work engagement. It was in line with a study conducted by Azeem et al. (2013) which found that training had a positive significant impact on employee engagement. Furthermore, the negative relationship between training satisfaction and turnover intention in this study (H4) was also seen in previous research conducted by Huang & Su (2016), which found that turnover intention was influenced by trainees' satisfaction with what they learned in the training program and their feelings towards the training program. The result of H5 supported the previous research conducted by Memon et al. (2021). Contrary to the result of H5, previous research conducted by Jung & Yoon (2015) found that job engagement was significantly and favorably impacted by employees' pay satisfaction. It was possible that the reason behind the result of H5 is the turnover intention of the majority of respondents, who have a high school education (85%), were not influenced by the satisfaction of financial and material rewards, such as the finding of de Gieter & Hofmans (2015) research. However, this still requires further research to collect evidence.

Table 6. Results of mediating effect analysis

Hypothesis	STDEV	$t$ value	$p$ value	Decision
H4. TS $\rightarrow$ WE $\rightarrow$ TOI	0.093	0.864	0.194	Not supported
H5. PS $\rightarrow$ WE $\rightarrow$ TOI	0.074	0.833	0.202	Not supported

**Note(s):** TS, training satisfaction; PS, pay satisfaction; WE, work engagement; TOI, turnover intention

Source: Primary data, 2022



Note(s): \*Significant at 5% significance level

Figure 1. Summary of hypothesis testing  
(Source: Primary data, 2022)

## 5. Conclusion and Implications

This study examines the impact of human resource management (HRM) practices (i.e., training and pay satisfaction) on work engagement and the effect of work engagement on employee turnover intentions. Furthermore, this study investigated the mediating role of work engagement between employee satisfaction with HRM practices and turnover intentions. The findings of this study revealed that employees' satisfaction with HRM practices, especially training satisfaction and pay satisfaction, has a direct impact on work engagement. Unexpectedly, this study did not find sufficient evidence for the direct impact of work engagement on turnover intention, or the effect of training and pay satisfaction on turnover intention mediated by work engagement. According to the findings, work engagement is more influenced by training satisfaction than pay satisfaction in the F & B industry in Indonesia. Organizations should develop various training programs that are applicable to the staff so they can do their jobs. The excellent service provided by front-of-house employees is a real differentiator in the service industry, so continuous training needs to be provided by the organization.

Research related to human resource science, especially on HRM practices, work engagement, and turnover intention in the food and beverage industry (especially restaurants), is very difficult to find in Indonesia. Therefore, this research contributes to enriching the existing knowledge. From the company side, management can include engagement variables when formulating its HRM strategy, which will enhance employee satisfaction with the company and reduce their intention to leave the organization.

This study also has limitations. First, the number of samples obtained is small and dominated by male respondents. Second, the HRM practices examined in this research were only using two variables, even though there were other variables. It is recommended that future researchers investigate the impact of alternative variables to enrich the findings concerning work engagement and turnover intentions.

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**\*Corresponding author**

Aryana Satrya can be contacted at [aryana@ui.ac.id](mailto:aryana@ui.ac.id)