

Drivers of Employee Engagement and their Impact on Job Satisfaction and Turnover Intentions

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Abstract

This paper investigated the impact of performance related rewards, decision making and communication as three key drivers of employee engagement. It also examined the impact of these drivers on job satisfaction and turnover intentions. As the latter two are potential outcomes of employee engagement, hence, the paper also tested the mediating role of employee engagement in the relationship between the three drivers and the two outcomes. A survey of 135 employees was carried out in five organizations based in Islamabad and Rawalpindi. The data were analyzed through structural equation modeling. Results indicated that all three HR practices were significant predictors of employee engagement. They also indicated that performance related rewards extensively contribute towards job satisfaction and lower turnover intentions. As far as outcomes were concerned, low turnover intention was a significant outcome of employee engagement. Furthermore, it was found that employee engagement was a partial mediator between the drivers and outcomes. Thus, special focus and effort is required by the HR strategists to foster a culture where employees are well-rewarded and empowered to enhance their satisfaction and retention.

Keywords: Employee engagement, rewards, decision making, communication, turnover intentions and job satisfaction.

Introduction

Employee engagement has been a subject of increased interest to organizations as research in positive organizational phenomena has expanded. Contemporary organizations are working constantly towards achieving high levels of employee engagement because it leads to greater financial performance and various positive employee outcomes (Richman, 2006). Many researchers and employers also claim that an

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engaged workforce demonstrates a greater interest in their work which directly impacts productivity, innovation and performance, and results in reduced employee turnover (Rich, Lepine and Crawford, 2010).

Understanding the growing significance of employee engagement, this study focused on employee engagement and its predictors, concentrating on HR practices which have been known to increase employee engagement as well as job satisfaction and turnover intentions. It also examines the mediating role of employee engagement in the relationship between HR practices, job satisfaction and turnover intentions.

In the following sections, we begin with the explanation of employee engagement and its outcomes. We then discuss the three main drivers of employee engagement: performance related rewards, decision making and communication. The research methodology is discussed, and results are explained and analyzed. The paper concludes by discussing the main implications for academic literature and for the practitioner community. It also discusses a few limitations and future research considerations.

Employee Engagement and its Outcomes

The Meaning of Employee Engagement

Kahn (1992) described employee engagement as a person's physical, emotional and cognitive involvement in his/her job. Engaged employees tend to be happy with their job and contribute effectively towards their personal as well as organizational goals. Schaufeli, Wilmar, Salanova, Vicente González-Romá, and Bakker (2002) defined engagement as the "positive, satisfying and work-related state of mind" which is further categorized into "vigor, dedication and absorption". Vigor can be defined as when an individual puts high level of effort and energy into his work i.e. he is ready to invest his mind and body into the tasks given to him even in times of difficulty; dedication refers to a mixture of importance, pride, aspiration and enthusiasm shown at work; absorption is the notion of happiness, willingness and concentration put into work in order to achieve goals.

Similar to Schaufeli et al (2002), other scholars have also examined the meaning of employee engagement through its constructs. Rothbard (2001) identified attention and absorption as the two main components of engagement, both of which are related to the context of motivation.

Outcomes of Employee Engagement

Employee Engagement and Turnover Intentions:

Turnover intentions are defined as the thoughts of an employee about quitting his or her job or finding a new job outside the workplace boundaries (Mobley, Horner and Hollingsworth, 1978). Since decades, one of the key roles of HR has been to make effective HR strategies for their valuable employees so that they lower or entirely dismiss the idea of leaving their current organization. Sufficient empirical evidence exists that HR practitioners who focus on employee engagement are a key factor for employee retention (Andrew and Sofian, 2012; Bakker, Hakanen, Demerouti, and Xanthopoulou, 2007; Schaufeli and Bakker, 2004; Salanova, Agut and Peiro, 2005; Saks, 2006; Xanthopoulou, Bakker, Demerouti, and Schaufeli, 2007). Thus, HR practices which are a source of high levels of employee engagement lead to low turnover rate of employees (Combs, Liu, Hall, and Ketchen, 2006). Thus, unengaged employees are more likely to be interested in working for other organizations.

Therefore, it is postulated that:

H 1: There is a negative relationship between employee engagement and turnover intentions.

Employee Engagement and Job Satisfaction:

Job satisfaction is the attitude which relates directly to the reaction of the employees towards the overall work assigned to them in the organization (Judge and Kammeyer-Mueller, 2012). HR researchers constantly emphasize how important it is to understand whether the employees of an organization are satisfied with their job or not, as this indicates how well they are performing (Mone and London, 2010). Employee engagement has been one of the predictors of job satisfaction in HR research. For example, the research of Saks (2006) tested the relationship between employee engagement and job satisfaction. He concluded that jobs should be designed in such a way that engages employees in their work and also increases their satisfaction and performance. Correspondingly, Mone and London (2010) also researched that engagement not only enhanced employee performance but was also a factor behind job satisfaction. Furthermore, Lockwood (2007) determined that organizational cultures designed to foster engagement are most likely to contribute towards the satisfaction of employees. Therefore, it is postulated that:

H 2: There is a positive relationship between employee engagement and job satisfaction.

Antecedents of Employee Engagement, Job Satisfaction and Turnover Intentions

Performance Related Rewards:

The HR literature has emphasized the significance of rewards as well as recognition. Performance related rewards are a way to ensure that employees are involved and perform up to the mark (Sundaray, 2011). Various kinds of intrinsic and extrinsic rewards (Crawford, Rich, Buckman, and Bergeron 2014) enhance the recognition level of employees and increase their motivation, leading to employee engagement (Maslach, Schaufeli, and Leiter, 2001). Moreover, an effective reward system is required in an organization to assure that employees are being rewarded fairly according to their performance (Rana, 2015). Valued employees must receive adequate compensation, recognition and rewards (Saks, 2006). Hence, it is postulated that:

H3: There is a positive relationship between performance related rewards and employee engagement.

Just like performance related rewards tend to enhance employee engagement, such rewards also tend to influence the turnover intentions of employee. According to a study by Karatepe and Vatankhah (2013) about flight attendants, it was observed that employees in the airline industry, who believe that the rewards they receive are justified according to their performance, are less likely to leave their workplace. Similarly, Allen, Shore, and Griffeth (2003) concluded that in some workplaces, performance related rewards are perceived as organizational support to reduce the turnover intentions of employees. Therefore, it is postulated that:

H4: There is a negative relationship between performance related rewards and turnover intentions.

To achieve competitive advantage and make employees productive, reducing turnover intentions alone may not be very useful. Today, organizations need to ensure that their employees are satisfied with their job, so that they would be willing to exert more effort into their work. When employees feel accomplished and their efforts are recognized by their managers, their motivation to work and job satisfaction is enhanced (Saks, 2006; Crawford et al., 2014). Therefore, it is postulated that:

H5: There is a positive relationship between performance related rewards and job satisfaction.

Decision Making:

Participation in decision making is defined as employees' involvement and empowerment in the problem solving schemes and making decisions regarding their job (Locke, 1979). Increased benefits are associated with decentralized decision making, particularly that high levels of engagement can be achieved through empowering employees (Karatepe, 2013; Rees, Alfesand Gatenby, 2013; Truss, Soane, Edwards, Wisdom, Croll, and Burnett, 2006; Zhang, Zhang, Dallas, Xu and Hu, 2018).

When organizations adopt decentralized decision making, their employees feel more valued and in return perform tasks effectively (Macky and Boxall, 2007). Furthermore, when employees are allowed to contribute in the decision making process and raise their suggestions and opinions, this fosters engagement (Crawford et al. 2014; Morrison, 2011). Also, the leaders of high engagement workplaces always try to create such an atmosphere where employees feel that their contribution in the organizations is being valued and emphasized upon (Albrecht and Marty, 2017; Sundaray, 2011; Rees et al. 2013). Under a system of decentralized decision making, employees work in groups, share their experiences and make extra efforts. Such efforts enable organizations to accomplish their goals as well as enhance the satisfaction of employees (Guest, 2004).

Research also claims that empowered employees are more likely to be content with their current organizations. A positive affective response in terms of low turnover intentions is generated by the employees when they are encouraged to participate in decision making processes (García-Chas, Neira-Fontela and Castro-Casal, 2014). Therefore, it is postulated that:

H6: There is a positive relationship between participation in decision making and employee engagement.

H7: There is a positive relationship between participation in decision making and job satisfaction.

H8: There is a negative relationship between participation in decision making and turnover intentions.

Communication:

Pugh and Dietz (2008) researched that communication plays a crucial role in ensuring employee engagement. Clearly communicating supervisor's vision and internal communication that provides a road map of organizational values to the employees encourages employees to be more engaged (Bakker et al. 2011; Bindle and Parker, 2010; Papalexandris and Galanaki, 2009; and Welch, 2011).

Two-way communication between supervisor and employees is important to form a productive as well as working relationships with subordinates so that ideas are easily exchanged between them (Berggren and Lozaga, 2007). Supervisors must be at the front position in order to encourage communication within organizations and distinguish the signs of disengagement while finding out what would make the employees more engaged (Wollard, 2011). Moreover, for ensuring that the employees are valued and addressing their daily work issues, supervisors must not hesitate to have formal and informal discussions in daily routines; such meetings are more likely to engage employees in their work (Jin and McDonald, 2016). Therefore, it is postulated that:

H9: There is a positive relationship between communication and employee engagement.

Employees who are encouraged to communicate with their seniors are highly satisfied with their job (Saks, 2006). Similarly, in an arena of open communication systems where employees can comfortably express their views and are assured that their views are valuable for the organization, the employees are more likely to be satisfied with their jobs (Andreassi and Lawter, 2014 and Zhang, Di Fan and Zhu, 2014). Correspondingly, research has also pointed out that information sharing, which is the key ingredient of open communication systems, is a determinant of low turnover intentions in successful organizations (Pare and Tremblay, 2007). Therefore, it is postulated that:

H10: There is a positive relationship between communication and job satisfaction.

H11: There is a negative relationship between communication and turnover intentions.

The Mediating Role of Engagement:

The above subsections have discussed the main variables of the research, namely: performance related rewards, decision making, communication, employee engagement, turnover intentions and job satisfaction; and developed eleven hypotheses. Previous researchers (Saks, 2006; Saks and Gruman, 2014 and Truss et al. 2006) have studied various and diverse outcomes and drivers of employee engagement. It has also been noted that various HR practices influence engagement, and engagement further influences the outcomes; therefore, scholars have suggested that employee engagement may act as a mediator between the antecedents and outcomes (Maslach et al. 2001; Saks, 2006; Schaufeli and Bakker, 2004). Thus, this study also assesses employee engagement as a mediator

between the three antecedents and turnover intentions and job satisfaction. It is postulated that:

H12: Employee engagement mediates the relationships between the three main drivers (performance related rewards, decision making and communication) and two outcomes (job satisfaction and turnover intentions).

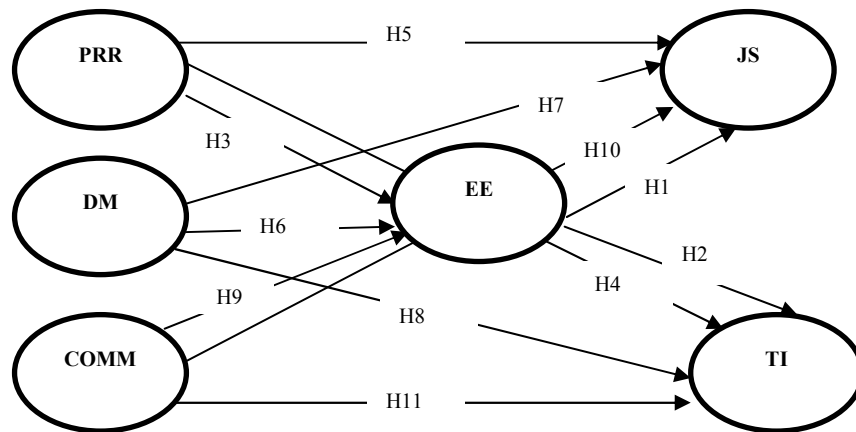


Figure 1 "Theoretical Model"

- COMM: Communication
- EE: Employee engagement
- JS: Job satisfaction
- TI: Turnover intentions
- PRR: Performance related rewards
- DM: Decision making

Figure 1 is the main theoretical model of the study showing all the postulated relationships.

Methodology

Data Collection

In order to achieve the objectives of the research, a survey was carried out in five organizations based in Islamabad/Rawalpindi. Convenience sampling technique was used and the participating organizations were asked to fill the employee-questionnaire survey. The survey included questions that determined performance related rewards, communication and level of decision making in the organizations. The employees were

also asked about how much they were engaged in their work, their turnover intentions and job satisfaction.

Measures

The following scales were used in the questionnaires

Employee Engagement: The scale of Schaufeli and Bakker (2003) was used for employee engagement, selecting two items each from main dimensions of employee engagement; vigor, dedication and absorption. Sample items include “At my work, I feel bursting with energy”. The response categories ranged from 1 "never" to 7 "always".

Performance Related Rewards: Performance related rewards were measured on the four items scale by Colquitt (2001). Sample items include “To what extent do rewards reflect the effort I put into my work?”. The response categories ranged from 1, “not at all” to 4, “to a great extent”.

Decision Making: Decision making was measured on a five items scale adopted from Siegel and Ruh (1973). The items used in this scale generally ask individuals to indicate the degree of participation they have in their organization for example "In this organization, I have high degree of influence in company decisions". The response categories ranged from 1 "strongly disagree" to 5 "strongly agree".

Communication: Communication was measured on a four items scale adapted by Lowry, Romano, Jenkins, and Guthrie (2009). Sample items include “My supervisor effectively gathers employees’ feedback”. The response categories ranged from 1 "strongly disagree" to 5 "strongly agree".

Turnover Intentions: Turnover intention was measured on a four items scale by Kelloway, Gottlieb, and Barham (1999). Sample items include “I am thinking about leaving this organization”. The response categories ranged from 1 "strongly disagree" to 5 "strongly agree".

Job Satisfaction: Job satisfaction was measured on a five items scale adopted from Bacharach, Bamberger and Conley (1991). Sample items include “How satisfied are you with the progress you are making toward the goals you set for yourself in your present position”. The response categories ranged from 1 "highly dissatisfied" to 5 "highly satisfied".

Analytical Techniques

In order to test the hypotheses of our study, confirmatory factor analysis and structural equation modeling were used. According to Becker and Gerhart’s (1996) point of view, structural equation modeling (SEM) is more suitable for testing causal relationships among variables and

examining both direct and indirect effects in a hypothesized model. AMOS 20 was used to test the factor structures and the hypothesized model which also included mediating effects of employee engagement. The results of Confirmatory Factor Analysis (CFA) of individual variables are summarized in Table 1, which are of satisfactory level.

Table 1. Confirmatory factor analysis of the variables

Variables	X ² /df	CFI	TLI	GFI	NFI	RMSEA
Rewards	7.95	0.957	0.871	0.941	0.952	0.228
Decision making	3.39	0.963	0.926	0.955	0.949	0.134
Communication	2.07	0.975	0.926	0.984	0.956	0.089
EE_E	5.04	0.923	0.871	0.899	0.907	0.174
TOI	2.25	0.997	0.981	0.992	0.994	0.09
Job satisfaction	4.32	0.952	0.904	0.936	0.939	0.158

Results

The Sample

A total of 135 questionnaires were filled by the employees belonging to the private organizations based in Islamabad. Majority of the respondents were male (73%). There were 34.1% permanent employees and 65.9% regular employees. 77.8% of employees belonged to the private sector while 22.8% belonged to NGOs.

Table 2 presents an overview of all the main variables of the study. It shows the reliability coefficient alpha of each construct, where all the reliabilities lie in the acceptable range from 0.7 to 0.9. Furthermore, this table contains the mean values and standard deviations of all constructs, as well as the correlations between all the variables.

Pearson correlations support H1 to H11. Employee engagement was negatively correlated with turnover intentions ($r = -0.184$, $p < 0.05$) and positively correlated with job satisfaction ($r = 0.398$, $p < 0.001$) and performance related rewards ($r = 0.324$, $p < 0.001$). A negative relation was found between performance related rewards and turnover intentions ($r = -0.560$, $p < 0.001$) and a positive relation was found between performance related rewards and job satisfaction ($r = 0.568$, $p < 0.001$). Results also show a positive relationship between decision making and employee engagement ($r = 0.395$, $p < 0.001$) and between decision making and job satisfaction ($r = 0.398$, $p < 0.001$). A negative relationship was found between decision making and turnover intentions ($r = -0.254$, $p < 0.01$). Communication was positively correlated with employee engagement ($r = 0.180$, $p < 0.05$) and with job satisfaction ($r = 0.264$, $p < 0.01$); it was negatively correlated with turnover intentions ($r = -0.254$, $p < 0.01$).

Table 2. Alpha, mean, standard deviations and correlations between the variables.

	α	Mean	Std	1	2	3	4	5
1.Decision making	0.876	3.0163	0.948	1				
2.Communication	0.700	4.0111	0.775	.114	1			
3.Rewards	0.892	3.2204	0.74941	.399***	.111	1		
4.EE	0.941	4.6993	0.92877	.395***	.180*	.324***	1	
5.Job satisfaction	0.880	3.7763	0.72977	.398***	.264**	.568***	.398***	1
6.Turnover intentions	0.902	2.2519	1.05868	-.453***	-.254**	-.560***	-.184*	-.255**

NOTE: *P<0.05, **P<0.01

EE denotes Employee Engagement

Testing Hypotheses through SEM:

Hypothesis 11 predicted employee engagement as a mediator between performance related rewards, decision making and communication, and the outcome variables of job satisfaction and turnover intentions. SEM is used to test this mediator and the other hypotheses. According to SEM scholars, multiple model fit indices are to be used to test the model fit such as: X^2/df (the Chi square goodness of fit to degree of freedom ratio which should be greater than 1 but less than 5), RMSEA (the root mean square error of approximation, <0.08), TLI (the Tucker-Lewis coefficient, ≥ 0.90), CFI (the comparative fit index, ≥ 0.90), GFI (goodness of fit index, ≥ 0.90) and NFI (normed fit index, ≥ 0.90) (Bryne, 2001, Bollen 1989, Hu and Bentler 1998).

To test the hypotheses of the study, regression weights through structural equation modeling were used. As indicated in Model 1, Figure 2, almost all hypotheses of our study were significantly supported: H2 “There is a negative relationship between employee engagement and turnover intentions” ($\beta = -0.213$, $p < 0.05$); H3 “There is a positive relationship between performance related rewards and employee engagement” ($\beta = 0.216$, $p < 0.05$); H4 “There is a negative relationship between performance related rewards and turnover intentions” ($\beta = -0.616$, $p < 0.001$); H5 “There is a positive relationship between performance related rewards and job satisfaction” ($\beta = 0.470$, $p < 0.001$); H6 “There is a positive relationship between participation in decision making and employee engagement” ($\beta = 0.276$, $p < 0.05$); H8 “There is a negative relationship between participation in decision making and turnover intentions” ($\beta = -0.262$, $p < 0.05$); H9 “There is a positive relationship between communication and employee engagement” ($\beta = 0.455$, $p < 0.01$); H10 “There is a positive relationship between communication and job satisfaction” ($\beta = 0.524$, $p < 0.05$); and H11 “There is a negative relationship between communication and turnover intentions” ($\beta = 0.587$, $p < 0.05$). Two hypotheses were not supported, which were H1 “There is a positive relationship between employee engagement and job satisfaction” ($\beta = 0.116$, $p > 0.05$) and H7 “There is a positive relationship between participation in decision making and job satisfaction” ($\beta = 0.115$, $p > 0.05$).

Mediation through SEM

H11 hypothesized the mediating role of employee engagement in the relationship between the three drivers (performance related rewards, decision making and communication) and the two outcomes (job satisfaction and turnover intentions). We applied structural equation

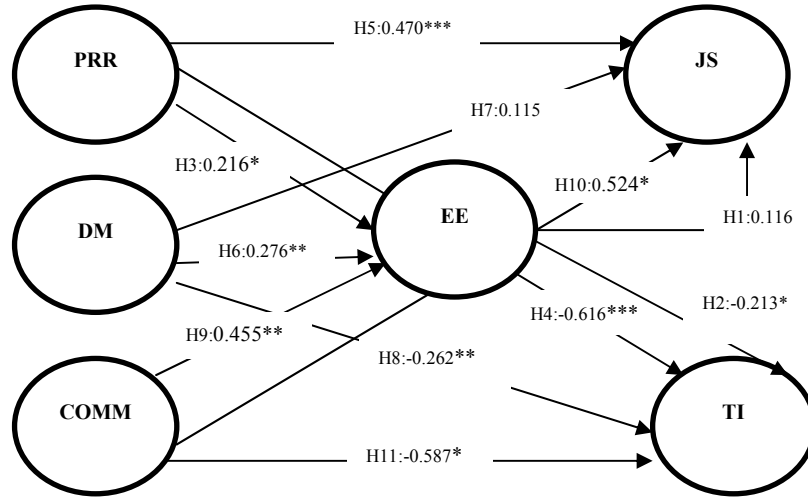
modeling procedures with maximum likelihood estimate algorithms. For our study, we considered James et al (2006)'s approach, testing partial and full mediation models. All the three drivers were made to covariate. The results of the partial mediation model (hypothesized Model 1) are satisfactory: $X^2/df=1.55$, $GFI=0.843$, $CFI=0.934$, $TLI=0.920$, $RMSEA=0.064$ and $NFI=0.836$. As indicated by Model 1, there is a non-significant relationship between decision making and job satisfaction and another non-significant relationship between employee engagement and job satisfaction. Before generating the full mediated model, we compared Model 1 with Model 2, which tests employee engagement as a dependent variable. The results of Model 2 shows a drop in the value of most fit indices, indicating that Model 1 is a better fit than Model 2: $X^2/df=1.67$, $GFI=0.832$, $CFI=0.918$, $TLI=0.902$, $RMSEA=0.071$ and $NFI=0.821$.

Table 3. Model fit summary

	X^2/df	GFI	CFI	TLI	RMSEA	NFI
Model 1	1.58	0.843	0.934	0.920	0.064	0.836
Model 2	1.67	0.832	0.918	0.902	0.071	0.821
Model 3	2.02	0.795	0.873	0.853	0.087	0.780

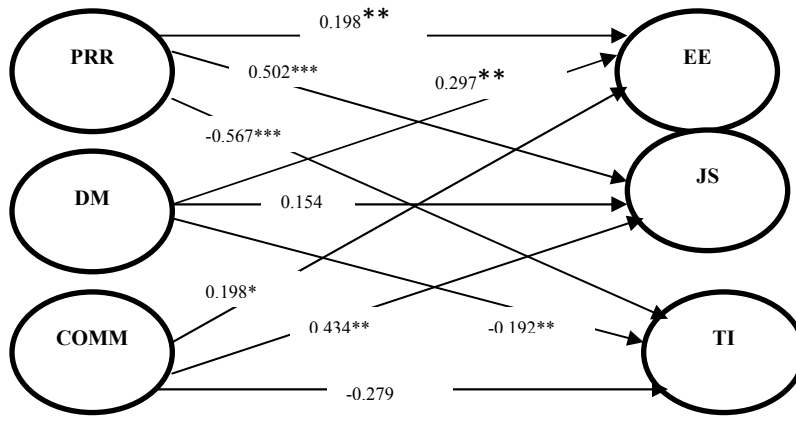
Finally, Model 1 was then compared with Model 3, which was the full mediated model without direct paths from drivers of employee engagement to its outcomes. The results of full mediation (Model 3) are worse than Model 1 and Model 2: $X^2/df=2.02$, $GFI=0.795$, $CFI=0.873$, $TLI=0.853$, $RMSEA=0.087$ and $NFI=0.780$. The results of Model 1, Model 2 and Model 3 are presented in Figure 2, Figure 3 and Figure 4, respectively, and fit indices are summarized in Table 3. Model 1 which is the partial mediated model is the best among all the models, indicating the partial mediating role of employee engagement, thus supporting H11.

Figure 2. Model 1 “Partial mediation”

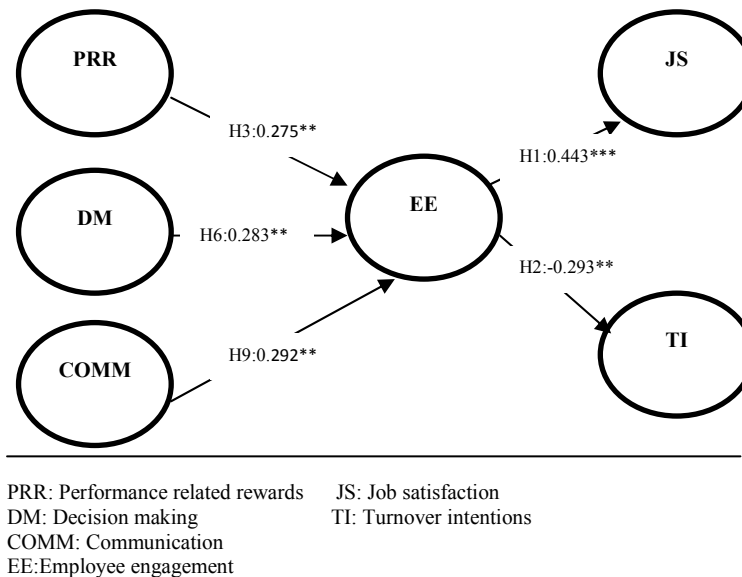


PRR: Performance related rewards
 DM: Decision making
 COMM: Communication
 EE: Employee engagement
 JS: Job satisfaction
 TI: Turnover intention

Figure 3. Model 2 “Employee engagement as a dependent variable”



PRR: Performance related rewards JS: Job satisfaction
 DM: Decision making TI: Turnover intentions
 COMM: Communication EE: Employee engagement

Figure 4. Model 3 “Full mediation”**Discussion and Lessons for Practitioners' Community**

During the recent years, HR practitioners have increased their focus on the antecedents and positive outcomes of employee engagement. However, most of them are still uncertain about the prominent drivers that lead to employee engagement and its outcomes. This research has measured relationships between three of the most studied drivers and two outcomes of employee engagement. The findings of the study have significant implications for HRM academics and professionals. Firstly, it is important for HR managers to give attention to performance related rewards as it is not only a significant predictor of employee engagement (Maslach et al. 2001; Rana, 2015; Saks, 2006) but it also greatly influences job satisfaction (Andreassi and Lawter; 2014) and turnover intentions (Allen et al. 2013; Karatepe and Vatankhah, 2013) of employees.

In a related vein, HR professionals also need to concentrate on decision making strategies which will make employees feel valued. The current study supports past findings that empowered employees propagate higher engagement levels (Albrecht and Marty, 2017; Karatepe, 2013; Rees et al. 2013; Truss et al. 2006; Zhang et al. 2018) and lower turnover intentions (Garcia-Chass et al. 2014). Our findings suggest that if employees are encouraged to participate in decision

making and their contributions are appreciated, they get more engaged in their work and they do not think about leaving their organization (Sundaray, 2011; Rees et al. 2013). However, the study did not indicate a substantial relationship between decision making and job satisfaction.

The study's findings also provide insights about effective communication and its relationship with employee engagement, turnover intentions and job satisfaction. HR managers should implement open communication systems in their organizations as they are a source of enhanced engagement in employees (Bakker et al. 2011; Bindle and Parker, 2010; Papalexandris and Galanaki, 2009; Welch, 2011). In such systems, employees can easily express their viewpoints regarding their work, which leads to higher job satisfaction (Andreassi and Lawter, 2014; Zhang et al. 2014). Moreover, employee retention could also be increased if organizations start investing in open communication systems (Pare and Tremblay, 2007).

Apart from the three drivers of employee engagement, the study also sheds light on the relationship between employee engagement and the two positive outcomes, which are job satisfaction and turnover intentions. According to our results, only turnover intention is a significant outcome of employee engagement. Contrary to the past studies (Judge and Kammeyer-Mueller, 2012; Lockwood 2007; Saks, 2006) there has been no prominent relationship found between employee engagement and job satisfaction.

Lastly, our study concludes that employee engagement is a partial mediator between three predictors (performance related rewards, decision making and communication) and two outcomes (job satisfaction and turnover intentions).

Limitations and future research

We have conducted this research with the following parameters in place. The sample consisted of organizations specifically based in Islamabad and Rawalpindi, and the sample size was small. Also, we did not conduct this research with specific industries in mind due to convenience sampling. Our prime focus was on three and two outcomes of employee engagement. Also, the data were collected at one point in time i.e. it is cross-sectional.

These limitations provide further avenues for research on employee engagement in Pakistan. A larger sample size with specific industries can enhance understanding of prominent drivers and outcomes. In addition to this, comparison of the views of employees within departments could be highly beneficial, because every department has its own demands and challenges. Apart from the mentioned drivers in

our research, further research can also study the impact of other elements such as “teamwork and flexible working time arrangements” which have been mentioned in past research (Anitha, 2014; Richman et al, 2008).

Conclusion

In a nutshell, HR strategists need to focus on performance related rewards, involving employees in decision making and effective communication. Along with enhancing employee engagement, these three drivers also play significant roles in increasing job satisfaction and lowering turnover intentions of employees. Each one these three drivers, acts independently, and hence even if one of the three drivers is given attention by an organization, it would result in increasing the satisfaction, engagement and loyalty of employees. Lastly, the findings of the study suggest that employee engagement is a partial mediator between three predictors (performance related rewards, decision making and communication) and two outcomes (job satisfaction and turnover intentions). Thus steps taken for improving employee engagement are likely to have an indirect impact on satisfaction and turnover intentions.

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