

The Effect of Psychological Capital on Employee Engagement, Job Satisfaction, and Employee Performance towards Ceramics Industry in East Java

Najmy A'la, Dr. Andre Dwijanto Witjaksono, Dr. Anang Kistyanto

Abstract— Human capital has become one of the strongest in determining the success of the company. By having a qualified, talented, and high-performing employees, a company can estimate the achievement of goals well. For this reason, it is necessary to have the role of psychological capital to optimize one's competence and direct employees to excel in work. This study aims to know the effect of psychological capital on employee engagement, job satisfaction, employees performance towards ceramics industry in East Java. This study uses a quantitative approach. Samples taken were 93 employees. The research analysis uses the Structural Equation Modeling (SEM) approach using the Partial Least Square (PLS) analysis method. The results showed a significant positive effect of psychological capital on employee engagement, psychological capital significant positive effect on job satisfaction, psychological capital significant positive effect on employee performance, employee engagement had a positive effect on employee performance, job satisfaction had a positive effect on employee performance, and job satisfaction positive effect on employee engagement.

Index Terms— Psychological Capital, Employee Engagement, Job Satisfaction, Employee Performance

I. INTRODUCTION

The rapid development creates a global structure that causes all nations in the world, including Indonesia to be involved in the same global order. To face the global competition, human resources must be fulfilled. Every organization is demanded to follow the changes with having qualified human resources.

Ceramics industry is one of the first superior sector which it's development is be preferred since it's using local natural resources and having continuous structure . Based on the data of Ministry of Industry, ceramics development in Indonesia is biggest 5th to 6th position in the world. In period of 2012-2014, ceramics industry had reached its highest income. Based on ASAKI (Asosiasi Aneka Industri Keramik Indonesia- Association of Various Indonesian Ceramics Industry) ceramics income in 2012 increased by 41% ie 24 trillion. Then in 2013, it increased again by 25% ie 30 trillion, and reach its top in 2014 increased by 20% become 36 trillion

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(Aziz, 2016).

Decreasing happened in 2015 by 30% become 25 trillion compared by last year. This is happen because IDR depreciation that caused increasing cost production by 20% since ceramic raw materials are still purchased using American Dollar. In 2016, Indonesian ceramics industry haven't showing a better condition and it sales also plummeted until 40% at the third quarter (Aziz, 2016).

In 2017, the entry of ceramics from China made the development of ceramics in Indonesia continue to decline. In 2018, the development of the ceramics industry in Indonesia is currently getting worse. Based on data from BPS (Badan Pusat Statistik - Central Bureau of Statistics) in period of January-June 2018, import value of ceramics product increasing by 58,86% from US\$ 181,46 million become US\$ 288,26 million, this is mainly from China (Rini, 2018). In addition, based on data from the Ministry of Industry, the ceramics industry has cut the utilization rate of installed production capacity (utilization) by 30-50%, as sales fall and high stock of finished goods in warehouses. Some ceramics companies also cut selling prices by up to 20% to pump sales while reducing stock in warehouses (Kementrian perindustrian, 2019).

In addition, due to the competition from products from China which makes the ceramic industry players in Indonesia reduce their production. Product competition from China due to import duty rates reduced from 20% to 5%. Other triggers are caused by uneven gas prices. In addition there is a growing trend of granite at this time. Changes in competition in the competitive ceramics industry make the ceramics industry players have to compete to balance the internal and external conditions of the company. Balancing internal conditions requires qualified human resources (Yasmin, 2018).

In its development, psychological capital is one of the important concepts of the emerging fields of "positive psychology" and "Positive Organizational Behavior (POB)". Luthans, Avolio, Avey, Norman, & Norman (2007) state that "positive psychology is a new science focused on improving people's lives, which introduces the concept of POB and finds that all POB concepts such as the state can be effectively and validly" developed, measured and managed to improve employee performance in the workplace. "The four capacities of psychological resources namely hope, self-efficacy, resilience and optimism meet POB criteria and the four criteria above are indicators of psychological capital of an individual. Luthans et al. (2007) defines psychological capital as: "the state of a person's positive psychological development marked by: (1) having the confidence

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(self-efficacy) to take and make the effort needed to succeed in challenging tasks; (2) make a positive attribution (optimism) about success now and in the future, (3) persist in carrying out the objectives and setting direction in m achieve goals (expectations) for success; and (4) when faced with problems with difficulties, can be sustained (resilience) to achieve success ".

II. LITERATURE REVIEW

Psychological capital, according to Luthans et al. (2007) is started with the needs of practitioners in organizations where negative approaches are felt to stimulate employees to focus on meeting their personal needs so that they can only solve short-term problems. Negative approaches consists of employes emotional condition, stress, burn out, conflict, and disengagement (Luthans et al., 2007). There is a lack of effectiveness of a negative approach, then a positive approach is raised which is initiated by research conducted by Seligman which focuses on helping healthy employees become happier, more productive, and can actualize their potential (Luthans et al., 2007). The study about positive psychology raising Positive Organizational Behavior (POB) in individual level and Positive Organizational Scholarship (POS) in organizational level (Luthans, Youssef, & Avolio, 2007).

Psychological capital defined as positive situation to self-develop with self-efficacy, optimist, hope, and endurance. Psychological capital has positive impact in continuous competitiveness. It is hoped that the positive influence of psychological capital will reduce costs and reduce the negative influence in an organization (Fedai & Kapsuz, 2015).

Employee engagement is a measurement of emotional bond in positive or negative way towards their job, friend, and organization which affect to their intention to study and their performance Harter, Schmidt, & Hayes (2002) argued that employee engagement is important for business result and significant performance in many organization.

Employee engagement is an individual bond intellectually and emotionally towards organization commitment which can be measured by 3 main behavior. The first main behavior is talking positive about an organization to work partners and customers. The second is having enthusiasm to become one of the organization member. The last is having a bigger effort and contribution to organizational success (Lockwood, 2007).

Another opinion argued by Macey & Schneider (2015), define that an employee that engaged have intention to bound and raising enthusiasm to work, bound with the jobs, and tend to work more and dedicating their time for the jobs and become more proactive in achieving work goals or organization goals.

Research produced by Schaufeli, Salanova, Bakker, & Alez-rom (2002) defines employee engagement as a positive thing full of meaning, and motivation that can be characterized by vigor, dedication, and absorption.

Job satisfaction – based on the opinion of Mangkunegara (2015) is a feeling that pushes the employee and relates to his job or condition. According to Suparyadi (2015), job satisfaction is a reflection of the performance of creativity, taste, and intention owned by individuals. Job satisfaction can

be interpreted as positive behavior based on the results of evaluations of expectations and reality through work and salary received. Satisfaction is created when the needs of employees are met, relationships with other employees are well established and salaries are given in accordance with the work performed (Robbins, 2006).

Employee performance according to Mangkunegara (2015) is the result of work both in quality and quantity obtained by employees in carrying out their work in accordance with the responsibilities given. Performance according to Fahmi (2018) is the result obtained by an organization, whether the organization is profit or non profit oriented, which is produced in a certain period. Performance is what employees do. According to Mathis & Jackson, (2006) there are 5 factors which consist of the quality of work is the ideal work resulted in accordance with organizational demands. The quantity of work is an organization can be seen from the fulfillment of targets that have been set. Meeting the target shows the company's ability to manage its resources. Work time is observable from the organization's ability to determine effective and efficient work time at all levels of management. Work time is the basis of the employee in completing work which is his responsibility. Collaboration is a work carried out by colleagues in order to achieve organizational goals or targets that had previously been planned and also agreed upon together. The presence of employees shows the desire of employees at works, this shows employees have high spirit.

According to the study that conducted by Sihag & Sarikwal (2014) and Costantini, Paola, Ceschi, & Sartori (2017) result shows that there are a positive connection between psychological capital and employee engagement. But according to Kurniadewi (2016) it is explained that its not significant.

Psychological capital also affect to job satisfaction. This showed by the study from Zaman & Tjahjaningsih (2017) and Nafei (2015), their result shows that there are positive significant relation between psychological capital and job satisfaction. But, the study by Kaplan & Mehmet (2013) shows that there are no significant connection found between self-efficacy

and expectations of psychological capital subdimension and job satisfaction.

Psychological capital also influences employee performance, as in research conducted by Nafei (2015) and Abbas, Raja, Darr, & Bouckenooghe (2012) state that psychological capital directly affects employee performance positively and significantly. However, according to Ikhtiangung & Pratiwi, (2014) that psychological capital does not contribute to employee performance.

In assessing success in a company, optimal performance is needed. According to Nengah, Kertiriasih, Sujana, & Suardika (2018) performance can be seen from the achievement of target employees in the organization. Employee performance is the result of quality and quantity in carrying out his work duties in accordance with the responsibilities given (Pratama & Aima, 2018). According to Njoroge & Kwasira (2015) many organizations cannot maximize the function of human resource management because the performance of their employees does not reach

the target.

Pratama & Aima (2018) research results show that one that affects employee performance is employee engagement in a company. According to Anitha (2014) research states there is a strong significant relationship between employee engagement and employee performance. But in another study conducted by Heriyati & Ramadhan (2012) said that employee engagement had no significant effect on employee performance.

Job satisfaction has a close influence on employee performance. The results of research from Heriyati & Ramadhan (2012) and Platis, Reklitis, & Zimeras (2015) explain that employee satisfaction has a positive effect on employee performance. This study is different from Amilin (2016) and Supiyanto (2015) explaining that job satisfaction does not significantly influence employee performance. Another study conducted by Nengah et al. (2018) which shows that job satisfaction has a positive effect on employee performance.

The higher job satisfaction of an employee, it will raise more employee engagement. Tepayakul & Rinthaisong (2018) explain that there are direct positive effect between job satisfaction and employee engagement. Other studies conduct by Deshwal (2015) shows that there are positive relation between job satisfaction and employee engagement. The study that conduct by Maholtra (2015) shows that there are no significant effect from job satisfaction to employees involvement.

The Conceptual Framework

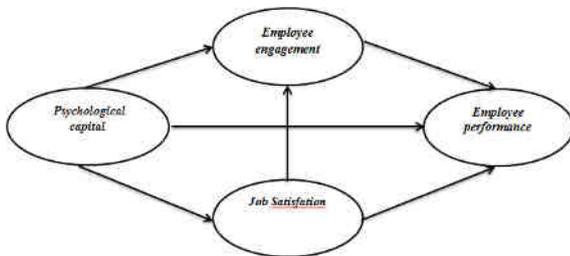


Figure 1: Research Framework

In Figure 1 in the first analysis explains that there is a positive and significant relationship between psychological capital to employee engagement, this is explained by the research conducted (Costantini, Paola, Ceschi, & Sartori, 2017; Herlina, Mujib, & Jakarta, 2017; Jung, Kang, & Busser, 2018; Sihag & Sarikwal, 2014; Suharianto & Effendy, 2015; Thompson, Lemmon, & Walter, 2015). But different result shows by Kurniadewi (2016), that there are no significant relation from psychological capital to employee engagement.

Second analysis is that psychological capital to job satisfaction which explain that psychological capital affect positively significant to job satisfaction (Bergheim, Birkeland, Mearns, & Eid, 2015; Luthans et al., 2007; Mello & Hartford, 1962; Nafei, 2015; Parthi & Gupta, 2016; Salam, 2017; Zaman & Tjahjaningsih, 2017). Meanswhile, other study by Abbas et al. (2012) and Kaplan & Mehmet (2013) psychological capital have no effect to job satisfaction.

The third analysis psychological capital to employee

performance shows that it is related (Abbas et al., 2012; Luthans, Norman, Avolio, & Avey, 2008; Nafei, 2015; Zaman & Tjahjaningsih, 2017). The other result according to Iktiagung & Pratiwi (2014) found that psychological capital does not affect to employee performance.

The fourth analysis is employee engagement to employee performance. According to Anitha, 2014; Mariska, 2018; Nengah et al., 2018; Pratama & Aima, 2018 found that employee engagement affect to employee performance. Meanwhile, according to Agung et al., 2018; Heriyati & Ramadhan, 2012 shows that employee engagement does not affect to employee performance.

The fifth analysis is job satisfaction to employee performance. According to Gu & Siu, 2009; Heriyati & Ramadhan, 2012; Mariska, 2018; Nengah et al., 2018; Platis et al., 2015 found that job satisfaction affected to employee performance. But according to Amilin, 2016; Supiyanto, 2015 found different result, that job satisfaction does not affect employee performance.

The sixth analysis is job satisfaction towards employee engagement. The study conduct by Ang & Rabo, 2018; Deshwal, 2015; Mariska, 2018; Nengah et al., 2018; Tepayakul & Rinthaisong, 2018 found that job satisfaction affected to employee engagement. Another different result showed by Maholtra (2015) that says job satisfaction does not affect employee engagement.

III. RESEARCH METHODOLOGY

The study was conducted in two stages, namely the initial stage in the form of a validity test and the reliability of the questionnaire then continued with the implementation stage in the form of questionnaires. The research analysis uses the Structural Equation Modeling (SEM) approach using the Partial Least Square (PLS) analysis method. The study population consisted of 3 companies in the ceramics industry in East Java, totaling 93 employees. Sampling using a purposive sampling technique. In terms of gender there are 93 male employees (100%). In terms of age, study respondents aged 40-49 years, namely 44 employees (47.3%), there were 34 employees (36.6%) aged 30-39 years and 15 employees (16.1%) aged 20-29 years. In terms of the most recent high school education, there were 91 employees (97.8%), and 2 employees (2.2%) who had their last education S1.

Psychological Capital Indicators used in research on ceramic industry employees in East Java Luthans et al. (2007): Self-efficacy, Optimism, Hope and Resiliency.

Employee engagement indicator used in ceramic industry employees in East Java according to (Schaufeli, Salanova, Bakker, & Alez-rom, 2002) with indicators vigor, dedication, and absorption.

Job satisfaction is measured using indicators from (Robbins, 2006) consisting of Job Satisfaction, Satisfaction towards Rewards, Satisfaction with Supervisor Superiors, Satisfaction with Colleagues, Promotion Opportunities.

Employee performance in this study was measured using 5 indicators according to (Mathis & Jackson, 2006) Quality of work, Quantity of work, Working time, Cooperation and Attendance of employees.

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IV. RESULT

Measurement Model- Measurement model validation is required at the beginning of the study for validity, reliability, and unidimensionality

Table 1: Items Description, Internal Reliability, Composite Reliability and Convergent Validity

Variable	Indicator	Factor Loading	AVE	Cronbach's Alpha	Composite Reliability
Psychological Capital	X.1	0,881	0,743	0,889	0,920
	X.2	0,885			
	X.3	0,794			
	X.4	0,883			
Employee Engagement	Y1.1	0,879	0,770	0,877	0,910
	Y1.2	0,869			
	Y1.3	0,884			
Job Satisfaction	Y2.1	0,828	0,693	0,835	0,918
	Y2.2	0,891			
	Y2.3	0,733			
	Y2.4	0,832			
	Y2.5	0,870			
Employee Performance	Y3.1	0,852	0,762	0,892	0,941
	Y3.2	0,818			
	Y3.3	0,922			
	Y3.4	0,874			
	Y3.5	0,895			

At Table 1, it can be seen that all indicators in variable of psychological capital, employee engagement, job satisfaction, and employee performance have factor loading value >0,7 so that can be concluded as the indicators used to measure the variables has fulfilled convergent validity. It also shows that psychological capital, employee engagement, job satisfaction, and employee performance variable have AVE value >0,5, so that can be concluded as the variable used in the study has fulfilled convergent validity. Psychological capital, employee engagement, job satisfaction, and employee performance variable has composite reliability value >0,7 so that can be concluded as the study variable has fulfilled reliability construct.

Table 2: Discriminant Validity Index Summary

Construct	Akar AVE	PC	EE	JS	EP
Psychological Capital	0,862	1,000			
Employee Engagement	0,878	0,690	1,000		
Job Satisfaction	0,832	0,493	0,536	1,000	
Employee Performance	0,873	0,668	0,782	0,683	1,000

At the table 2, the smallest root value AVE is 0.832, while the largest value is 0.782. The biggest correlation value is under the smallest AVE root value, this means that all correlation values are smaller than AVE root value. These

results indicate that each variable in this study has fulfilled discriminant validity.

Table 3: Squared Multiple Correlations (R2)

Variable	R-Square
Psychological Capital	-
Employee Engagement	0,527
Job Satisfaction	0,243
Employee Performance	0,723

At the table 3, R-Square value for employee engagement of 0.527 means that the variability of employee engagement in the ceramics industry in East Java can be explained by psychological capital variability and job satisfaction by 52.7%, the remaining 47.3% is explained by other variables outside the model.

R-Square value for job satisfaction of 0.243 means that the variability of job satisfaction in the ceramic industry in East Java can be explained by psychological capital variability of 24.3%, the remaining 75.7% is explained by other variables outside the model.

R-Square value for employee performance of 0.723 means that the variability of employee performance in the ceramics industry in East Java can be explained by psychological capital variability, employee engagement and job satisfaction by 72.3%, the remaining 27.7% is explained by other variables outside model.

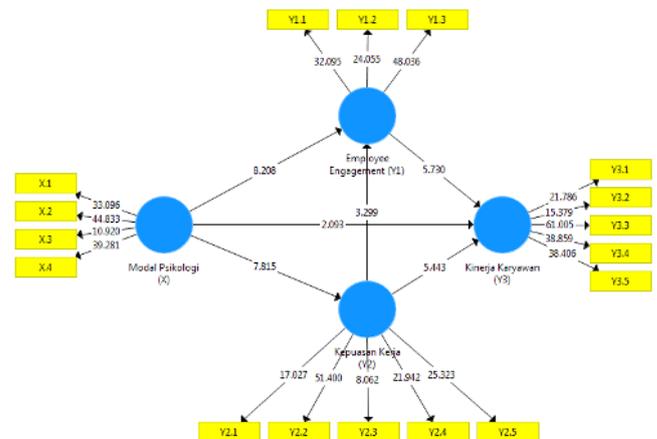


Figure 2: Measurement Model

Table 4: Path coefficient

H	Variable Connection	Path Coefficient	t-statistic	p-value	ps
H ₁	PC (X) → EE (Y1)	0,563	8,208	0,000	Significant
H ₂	PC (X) → JS (Y2)	0,493	7,815	0,000	Significant
H ₃	PC (X) → EP (Y3)	0,165	2,093	0,037	Significant
H ₄	EE (Y1) → EP (Y3)	0,485	5,730	0,000	Significant
H ₅	JS (Y2) → EP (Y3)	0,341	5,443	0,000	Significant
H ₆	JS (Y2) → EE (Y1)	0,258	3,299	0,001	Significant

The path coefficient of the influence of psychological capital variables on employee engagement has a positive

value of 0.563, with a t-statistics value of 8.208 greater than 1.96 and a p-value of 0.000 smaller than 0.05. These results conclude that there is a significant positive effect of psychological capital on employee engagement in the ceramics industry in East Java. This result means that the higher psychological capital will significantly increase employee engagement in the ceramics industry in East Java. Based on these results the first hypothesis that suggests psychological capital has a significant positive effect on employee engagement in the ceramics industry in East Java, is acceptable (H1 accepted).

The path coefficient of the influence of psychological capital variables on job satisfaction is positive at 0.493, with a t-statistics value of 7.815 greater than 1.96 and a p-value of 0.000 less than 0.05. These results conclude that there is a significant positive effect of psychological capital on job satisfaction in the ceramics industry in East Java. This result means that the higher psychological capital will significantly increase job satisfaction in the ceramics industry in East Java. Based on these results, the second hypothesis which suspects psychological capital has a significant positive effect on job satisfaction in the ceramic industry in East Java, is acceptable (H2 is accepted).

The path coefficient of the influence of psychological capital variables on employee performance is positive at 0.165, with a t-statistics value of 2.093 greater than 1.96 and a p-value of 0.037 smaller than 0.05. These results conclude that there is a significant positive effect of psychological capital on employee performance in the ceramics industry in East Java. This result means that the higher psychological capital will significantly improve employee performance in the ceramics industry in East Java. Based on these results the third hypothesis which suspects psychological capital has a significant positive effect on employee performance in the ceramics industry in East Java, is acceptable (H3 is accepted).

The path coefficient of the influence of employee engagement variables on employee performance is positive at 0.485, with a t-statistics value of 5.730 greater than 1.96 and a p-value of 0.000 less than 0.05. These results conclude that there is a significant positive effect of employee engagement on employee performance in the ceramic industry in East Java. This result means that the higher employee engagement will significantly improve employee performance in the ceramics industry in East Java. Based on these results the fourth hypothesis that suspects employee engagement has a significant positive effect on employee performance in the ceramic industry in East Java, is acceptable (H4 is accepted).

The path coefficient of the influence of job satisfaction variables on employee performance is positive at 0.341, with a t-statistics value of 5.443 greater than 1.96 and a p-value of 0.000 less than 0.05. These results conclude that there is a significant positive effect on job satisfaction on employee performance in the ceramics industry in East Java. This result means that higher job satisfaction will significantly improve employee performance in the ceramics industry in East Java. Based on these results, the fifth hypothesis that suspects job satisfaction has a significant positive effect on employee performance in the ceramic industry in East Java, can be accepted (H5 accepted).

The path coefficient of the influence of job satisfaction

variables to employee engagement has a positive value of 0.258, with a t-statistics value of 3.299 greater than 1.96 and a p-value of 0.001 smaller than 0.05. These results conclude that there is a significant positive effect on job satisfaction on employee engagement in the ceramic industry in East Java. This result means that higher job satisfaction will significantly increase employee engagement in the ceramic industry in East Java. Based on these results the sixth hypothesis which suspects job satisfaction has a significant positive effect on employee engagement in the ceramic industry in East Java, can be accepted (H6 accepted).

V. CONCLUSION

Based on the hypothesis test result, it can be concluded as follows:

Psychological capital affect positively significant to employee engagement in ceramics industry in East Java so that H1 is accepted. The higher psychological capital, will increasing employee engagement significantly towards employees of ceramics industry in East Java.

Psychological capital affect positively significant to job satisfaction in ceramics industry in East Java so that H2 is accepted. The higher psychological capital, will increasing job satisfaction significantly towards employees of ceramics industry in East Java.

Psychological capital affect positively significant to employee performance in ceramics industry in East Java so that H3 is accepted. The higher psychological capital, will increasing employee performance significantly towards employees of ceramics industry in East Java.

Employee engagement affect positively significant to employee performance in ceramics industry in East Java so that H4 is accepted. The higher employee engagement, will increasing employee performance significantly towards employees of ceramics industry in East Java.

Job satisfaction affect positively significant to employee performance in ceramics industry in East Java so that H5 is accepted. The higher job satisfaction, will increasing employee performance significantly towards employees of ceramics industry in East Java.

Job satisfaction affect positively significant to employee engagement in ceramics industry in East Java so that H6 is accepted. The higher job satisfaction, will increasing employee engagement significantly towards employees of ceramics industry in East Java.

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