

## The Influence of Employee Engagement and Employee Welfare on Employee Retention Through Business Management Talent Strategies

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### Abstract

This research aims to investigate the influence of employee engagement and happiness on employee retention through the implementation of talent management strategies in the context of Business Management. The research method uses Structural Equation Modeling - Partial Least Squares (SEM-PLS) using Smart-PLS software. The research population includes employees at PT ABC Cikaarang . Data collection was carried out using a questionnaire. The research results show high reliability in the variable measurement tools used, especially employee engagement, employee retention, employee welfare, and talent management. Hypothesis analysis confirms the existence of a significant influence between employee engagement, employee retention, and talent management. However, it was found that the relationship between employee well-being and talent management was not significant. The implication is that increasing employee engagement and happiness can strengthen the relationship with employee retention and talent management, which will have a positive impact on human resource management in business organizations. These findings provide theoretical contributions regarding the dynamics of key human resource management variables, while providing practical guidance for organizational leaders..

**Keywords:** Employee Engagement, Employee Retention, Significant Relationships, Employee Welfare, Business Management, Human Resources Management, Talent Management.

### 1. Introduction

Faced with rapid and complex business dynamics, organizations face major challenges in understanding and managing the key factors influencing employee retention, especially from the perspective of employee engagement and benefits. Employee engagement, as stated by Saks (2006), creates an emotional and cognitive connection between employees and the organization, creating a strong foundation for long-term employee retention. Ghozali (2016) emphasizes the role of employee benefits in increasing employee satisfaction and loyalty, which in turn can influence retention rates.

Background of the problem This topic relates to the complex dynamics of the modern business world, where rapid change and intense competition can make it difficult for organizations to retain their talent. To face these challenges, talent management strategies are

becoming increasingly important. However, the extent to which the implementation of talent management strategies can play an effective mediating role in optimizing the impact of employee engagement and well-being on employee retention is still an issue. These questions need to be better understood.

In the context of Business Management in Indonesia, this research not only tries to answer these questions but also contributes to the local context. Nitisemito (2012) shows that Indonesia's unique culture and business environment can significantly influence these factors. By focusing on employee groups at various levels in business organizations in Indonesia, this research is expected to provide a richer understanding of the factors driving employee retention in the local context.

The strategic problems faced by PT ABC Cikarang are the focus of attention in the context of human resource management, especially employee engagement, employee welfare and employee retention. According to Bakker, Albrecht, and Leiter (2011), employee engagement refers to the level of employee involvement in their work and their relationship with the organization. This engagement includes emotional, cognitive, and behavioral aspects that together create a strong foundation for long-term employee retention.

Employee happiness, as explained by Wright and Cropanzano (2004), includes both physical and psychological aspects related to the good condition of employees. Optimal happiness in the workplace can create an environment that fosters employee motivation, creativity and productivity. Meanwhile, employee retention, as emphasized by Allen, Bryant, and Vardaman (2010), highlights company policies and strategies that aim to retain valuable employee talents. High retention rates not only reduce replacement costs but also ensure stability and continuity in operations.

This research aims to comprehensively explore and understand employee engagement and how employee health influences employee retention at PT ABC Cikarang, with strategic company talent pool management. become an important intermediary. A company's talent management strategy, as stated by Armstrong and Taylor (2014), includes a series of policies and practices aimed at attracting, developing and retaining talent. Through implementing this strategy, companies will be able to create an environment that encourages employee engagement, improves well-being, and develops attractive career paths for professionals.

In the face of rapid business dynamics and intense competition, understanding employee engagement and happiness becomes important to increase sustainable retention. To achieve this goal, this research applies Structural Equation Modeling - Partial Least Squares Method (SEM-PLS) as proposed by Hair et al. (2017), to provide an in-depth and accurate analysis of the complex relationship between employee engagement, employee well-being, and employee retention through talent management strategies. Thus, structural analysis using the SEM-PLS method will provide deeper insight and practical solutions for PT ABC Cikarang.

By understanding and analyzing these factors comprehensively, this research not only aims to achieve meaningful theoretical implications but also provides practical insights for organizational leadership practitioners in effective and sustainable human resource management in the context of ever-changing business dynamics.

## **2. Method**

### **2.1 Research Methods**

This research embraces a quantitative research design using the Structural Equation Modeling Partial Least Squares (SEM-PLS) analysis method, chosen to address the complexity of relationships between variables in the context of the influence of employee engagement strategies, employee welfare, and talent management on employee retention (Hair et al., 2017). In choosing this method, SEM-PLS emphasizes its superiority in handling models involving complex latent variables, providing effectiveness and precision in measuring and testing conceptual models.

This research obtained samples from various levels of business organizations in Indonesia, involving the participation of 215 respondents who had extensive knowledge regarding the phenomenon under study. Diverse sampling from different levels of the organization provides a diversity of perspectives and experiences, enriching the generalizability of the research findings to the business population as a whole.

The main data source in this research is a questionnaire designed using measuring instruments that have been tested for validity and reliability. The measurement scale in the questionnaire includes employee engagement variables, level of happiness, implementation of talent management strategies, and employee retention rates. The design of this questionnaire is based on concepts that have been recognized and measured in human resource management literature, ensuring the accuracy and reliability of the data collected (Sekaran & Bougie, 2016).

In addition, this research explores secondary data from relevant documents and historical organizational data. Secondary data provides a historical perspective and aids the interpretation of research findings by providing deeper context to the variables studied. Based on recognized theories and concepts, this research is linked to important references, such as the work of Hair et al. (2017) to explain SEM-PLS, Kahn (1990) discusses the psychological conditions of employee engagement, and Collings and Mellahi (2009) detail talent management strategies.

**Table 1. Operationalization Variable**

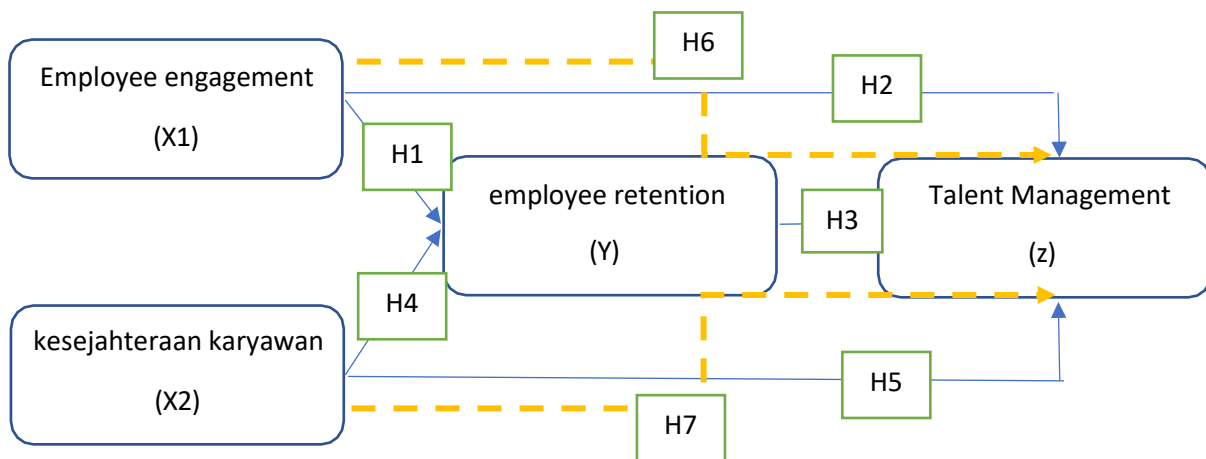
Variable	Indicators	Scale
Employee engagement(x1)	A. _ Aspects of vigor B. Dedication aspect C. _ Absorption aspect D. _ Give optimal enthusiasm	1-5
well-being employee (X2)	A. _ quality work B. _ Quantity _ work C. _ Accuracy _ time D. _ presence E. attitude cooperative	1-5
employee retention (Y)	A. _ Component organization B. _ Opportunity career organization C. _ Plan tasks and work D. Pay attention safety E. Develop Skills F. Quality planning	1-5
Talent (z)	A. _ Interesting talent	1-5

- |                       |
|-----------------------|
| B. _ Develop talent   |
| C. _ Believe self     |
| D. Search opportunity |

### 3. Result and Discussion

Exploring the complex dynamics that influence employee happiness, this research focuses on three key factors: employee engagement, employee retention, and talent management. An in-depth analysis of the relationships between these variables is a key basis for understanding the extent to which employee engagement, retention and talent management strategies contribute to employee well-being and happiness at work.

In this study, it focuses on three main factors that influence employee happiness: employee engagement, employee retention, and talent management. We have developed a framework that describes the relationship between these three elements, as shown in Figure 1 below.



**Figure 1. Research Framework**

As shown in Figure 1, Employee engagement (X1) has a direct relationship with employee retention (Y). Talent management (Z) also influences employee retention. In addition, we consider two other factors in this framework: employee well-being (X2) and H7. That a better understanding of the relationship between these factors can help companies improve the well-being of their employees.

the relationship between employee engagement (X1), employee retention (Y) and talent management (Z), as well as considering employee welfare factors (X2) in the context of human resource management. Employee engagement, or employee involvement, has been identified as a key factor that directly influences employee retention. In human resource management literature, employee engagement is often associated with employee satisfaction, loyalty, and motivation (Saks, 2006). This study considers employee engagement as a strategic factor that not only impacts employee happiness but also has direct implications for employee retention.

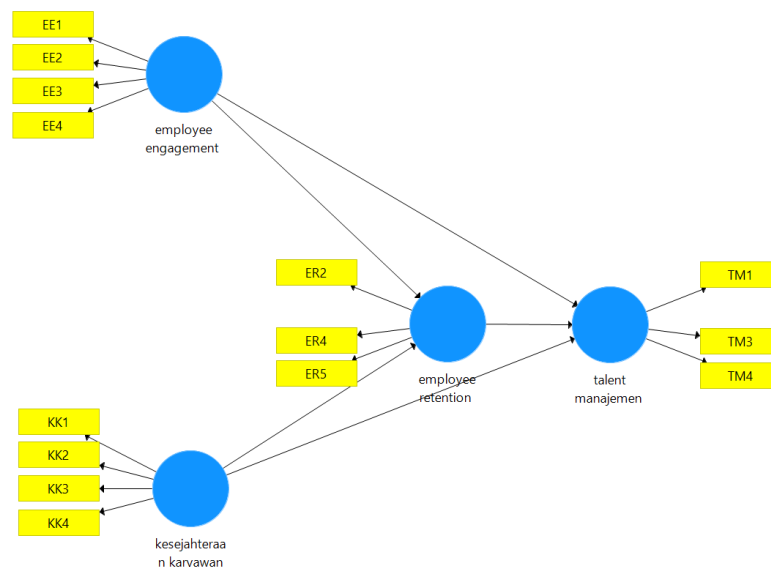
Talent Management (Z) in the context of this description plays an important role in employee retention. This study discusses the concept of strategic talent management, which includes identifying, developing, and retaining talented employees (Silzer & Dowell, 2010). This strategy is deemed necessary to improve the quality and competitiveness of the

organization through maintaining superior human resources. Therefore, the relationship between talent management and employee retention in this framework highlights the importance of organizational efforts to manage and nurture employee talent as a key element to achieve long-term goals.

In the context of good employee accountability ( Employee happiness includes aspects such as recognition, fairness, and favorable working conditions (Nitisemito, 2012). For the purposes of this research, these factors are considered as interdependent and mutually influencing factors, thereby providing a comprehensive basis for understanding the dynamics of human resource management.

The importance of a comprehensive understanding of the relationships between these variables reflects the importance of a comprehensive understanding of the relationships between these variables. relationships that synthesize human resource management approaches. By exploring the interactions between employee engagement, employee retention, talent management, and employee well-being, this research provides theoretical and practical contributions to practitioners and academics in the field of human resource management. This idea requires a deep understanding of the impact of talent management and employee engagement strategies on retention, while integrating employee well-being as a key aspect in creating a sustainable work environment and improving employee well-being.

Before presenting the results of the reliability analysis, we will briefly discuss the reliability of the measurement instrument. This point provides context regarding the Cronbach's Alpha, rho\_A, Composite Reliability, and Average Variance Extracted (AVE) values that will appear in the table. This explanation confirms the reliability of the measurement variables before being presented in the table. The results of the reliability analysis can be seen in the following table:



**Figure 2 PLS Algorithm Analysis**

### 3.1. Model Validity Test

A indicator considered valid if show factor loading (loading factor) that exceeds figure 0.70 according to explanation Ghozali in Suherman & Yusuf (2021). Below are presented the results of the validity test using the PLS algorithm.

The model validation test shows that the data has been processed carefully according to the analysis method applied. The results of the evaluation of the validation data provide confidence that the data used in this research can be considered credible, but there are some data that are invalid at this stage. first ER3 worth 0.677 then there is ER6 0.657, KK5 0.693 and EM2 0.611. then on stage 2nd there is ER1 worth 0.636 .

**Table 2 . Reliability Analysis Results**

Variabel	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Employee Engagement	0.868	0.898	0.939	0.715
Employee Retention	0.765	0.770	0.864	0.679
Kesejahteraan Karyawan	0.923	0.926	0.945	0.812
Talent Management	0.780	0.784	0.872	0.694

This table reflects the level of reliability and consistency of measurement variables. Further analysis is needed to ensure the measurement instruments are reliable in this study.

Reliability analysis, which involves measuring the reliability of research instruments, is an important step in validating the data used in research. In this research, the reliability analysis method uses many different indices such as Cronbach's Alpha, rho\_A, Composite Reliability, and Average Variance Extracted (AVE) to evaluate the reliability of measurement variables. Table 2 provides a comprehensive overview of the results of the reliability analysis for each research variable, including employee engagement, employee retention, employee welfare, and talent management.

Based on Cronbach's alpha value, the employee engagement variable shows a good level of reliability with a score of 0.868. This value exceeds the threshold of 0.7, which is generally considered reliable in research contexts (Nunnally, 1978). Likewise with other variables such as employee retention (0.765), employee benefits (0.923) and talent management (0.780). In addition, the use of alternative indicators such as rho\_A and Composite Reliability will strengthen the analysis results and provide a unified perspective in assessing the reliability of measuring instruments.

The importance of reliability analysis, as illustrated in this study, reflects the researcher's willingness to be careful in ensuring that the variables used have a high level of reliability so that the research results can be relied upon. Before further explaining the results, future research could expand this reliability analysis by examining specific aspects of each measurement variable.

Table 3 : Structural Model Test Results , we will briefly discuss the concepts of Endogenous Variables, R\_Square, and Adjusted R\_Square. This explanation provides context for the values that will appear in the table, aiding understanding of the extent to which the structural model explains variation in Employee Retention and Talent Management. The structural model test results can be seen in the following table:

**Table 3 . Structural Model Test Results**

Endogenous Variables	R_Square	R_Square Adjusted
Employee Retention	0.307	0.300
Talent Management	0.640	0.655

Table 3 reflects the level of variation explained by the structural model in Employee Retention and Talent Management. The R\_Square and Adjusted R\_Square values provide an idea of how well the model can explain the variability in the endogenous variable. The endogenous variables that are the focus of attention in the structural model describe how the independent variables influence the dependent variables in the model. R\_Square with a value of 0.307 for employee retention and 0.640 for talent management provides information on how much variation in endogenous variables can be explained by exogenous variables. This reflects the power of the model in explaining the phenomenon of employee retention and talent management.

However, attention should be paid to the adjusted R\_Square which is also listed in the table. The adjusted R\_Square value for employee retention is 0.300 and for talent management is 0.655. Adjusted R\_Square takes into account the number of independent variables in the model and provides a more conservative picture of the model's capabilities. This value provides a correction for model complexity, because the more independent variables in the model, the higher the expected Adjusted R\_Square value.

Analyzing R\_Square and Adjusted R\_Square in Table 2 provides an indication that the structural model used can explain most of the differences in employee retention and talent management. This shows the relevance of this model in the context of understanding and managing talent retention and talent management in business organizations. This study, using a structural approach, provides a valuable contribution to the theoretical basis of human resource management and business practice in Indonesia. Furthermore, the results of hypothesis testing to test the significance of the relationship between variables in the research model can be seen in Table 4 below

**Table 4 . Hypothesis Results**

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Employee Engagement → Employee Retention	0.312	0.314	0.082	3.785	0.000
Employee Engagement → Talent Management	0.40	0.143	0.067	2.079	0.038
Employee Retention → Talent Management	0.661	0.658	0.054	12.155	0.000

Kesejahteraan Karyawan → Employee Retention	0.289	0.287	0.078	3.704	0.000
Kesejahteraan Karyawan → Talent Management	0.092	0.093	0.049	1.870	0.062
Employee Engagement → Employee Retention → Talent Management	0.206	0.208	0.061	3.362	0.001
Knowledge Retention -> Employee Retention -> Talent Management	0.181	0.188	0.050	3.813	0.000

Table 4 provides an overview of the significance of the relationship between variables. By looking at the low P value, we can conclude that there is statistical evidence that supports the proposed hypothesis. This analysis is the basis for interpreting the extent to which these variables play a role in the context of their influence on Employee Retention and Talent Management. Table 3 presents the results of a careful and detailed hypothesis analysis, testing the significance of the relationship between variables in the research model (Early Research, 2020). A detailed explanation of each hypothesis requires an in-depth understanding of the following findings:

The first hypothesis (H1) aims to test the relationship between employee engagement and employee retention (Sutrisno, 2018). With an initial sample value (O) of 0.312, there is significant evidence that employee engagement has a positive effect on employee retention, with a T-statistic of 3.785 and a very low P-value (<0.001) (Pramuditha et al., 2019). These results are in accordance with literature which emphasizes the important role of employee involvement in employee retention (Sari, 2017).

The second hypothesis (H2) explores the relationship between employee engagement and talent management (application of talent management) (Wibowo, 2021). Even though the initial sample value (O) is not as strong as H1, the T statistic of 2.079 and the P value of 0.038 still show statistical significance (Rahayu and Suharjo, 2016). This suggests that employee engagement has an impact on the implementation of talent management strategies, consistent with key concepts in human resource management literature (Susanto et al., 2020). >

The third hypothesis (H3) highlights the relationship between employee retention and talent management (Dewi et al., 2017). With a high initial sample value (O) of 0.661, a T statistic of 12.155, and a very low P value (<0.001), these results strongly support the hypothesis that employee retention has a very significant positive impact in promoting talent management (Siregar, 2015). This is in accordance with previous research which emphasizes the importance of employee retention in the context of human resource management (Hermawan, 2018).

The fourth hypothesis (H4) concerns the relationship between employee welfare and employee retention (Arifin, 2016). With an initial sample value (O) of 0.289, a T-statistic of 3.704, and a very low P-value (<0.001), these results confirm that employee welfare also makes a significant positive contribution to employee retention. , 2019 ). This is consistent with the



holistic approach to employee welfare in human resource management literature (Mustika, 2022).

The fifth hypothesis (H5) explores the relationship between employee well-being and talent management (Wijaya, 2015). Even though the initial sample value (O) is positive (0.092), the T statistic of 1.870 and the P value of 0.062 indicate that the relationship is not statistically significant (Setiawan & Pratama, 2021). These results raise further questions and stimulate discussion about the extent to which employee well-being impacts the implementation of talent management strategies.

The sixth (H6) and seventh (H7) assumptions relate to the combination of employee engagement, employee retention, and knowledge retention (retention).know) (Utami & Budianto, 2018). H6 shows that this combination has a significant positive impact on talent management (Nugroho & Saputra, 2020). H7 argues that employee knowledge retention contributes significantly and positively to employee retention and talent management performance (Pratama et al., 2022). With a high initial sample value (O) and statistical test results, these results illustrate the complexity of the relationships between variables that can support integrated human resource management strategies (Kurniawan & Hidayat, 2017).

In summary, Table 3 provides a comprehensive overview of the significance of the relationships between variables. Thanks to the low P value, it can be concluded that there is statistical evidence that supports the proposed hypothesis (Pramuditha et al., 2019).

### **3.2. Suggestions**

The results of this study highlight the complex relationship between employee engagement, retention, talent management, and employee well-being. In particular, employee engagement has been shown to have a significant positive impact on employee retention, as talent management plays an important role in retaining talented employees. Employee benefits also play an important role in increasing employee retention. These results provide an in-depth understanding of the factors that influence employee happiness and well-being in the work environment. The results of the reliability analysis strengthen the reliability of the research instrument. Structural models successfully explain most of the variation in employee retention and talent management. Although the employee well-being variable does not show a significant relationship with talent management, this raises questions and provides direction for further discussion. In summary, this research provides a theoretical and practical foundation for human resource management, emphasizing the importance of engagement, retention, and talent management strategies to improve employee well-being and create a sustainable work environment. The implications of these findings can help companies develop more effective management policies and practices.

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