Journal Management & Economics Review
https://malaqbipublisher.com/index.php/JUMPER
Online ISSN 2988-3784

Original Article

The Effect of Compensation, Career Development, and Employee Engagement on Turnover Intention

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Received: 21 June 2026
Accepted: 28 July 2026
Published online: 21 August 2026

Abstract

Employee turnover intention is an important challenge for organizations because high turnover can disrupt operational continuity, increase recruitment and training costs, and reduce organizational performance. This study aims to examine the effect of compensation, career development, and employee engagement on turnover intention. A quantitative research approach was employed using a survey of 250 employees selected through purposive sampling. Data were collected using a structured questionnaire measured on a five-point Likert scale and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that compensation has a negative and significant effect on turnover intention (β = -0.231, t = 3.684, $p < 0.001$). Career development also has a negative and significant effect on turnover intention (β = -0.287, t = 4.527, $p < 0.001$). Furthermore, employee engagement has a negative and significant effect on turnover intention (β = -0.391, t = 6.214, $p < 0.001$), representing the strongest predictor in the model. The model explains 61.8% of the variance in turnover intention ($R^2 = 0.618$). These findings suggest that organizations can reduce employees' intentions to leave by implementing fair and competitive compensation systems, providing meaningful career development opportunities, and strengthening employee engagement. The study contributes to human resource management literature by demonstrating the complementary role of economic rewards, career opportunities, and psychological attachment in managing employee turnover intention.

Keywords: Compensation, Career Development, Employee Engagement, Turnover Intention, Employee Retention.

1. Introduction

Employee turnover has become an important concern for organizations because the decision of employees to leave can affect organizational continuity, productivity, and the effectiveness of human resource management. High turnover intention may indicate that employees perceive their current employment relationship as less attractive or satisfying than available alternatives. In competitive labor markets, organizations are therefore required not only to attract qualified employees but also to retain existing talent by understanding the factors that influence employees' intentions to leave. Turnover intention is particularly important because it generally precedes actual turnover and can provide organizations with an early indication of potential workforce instability (Alshammari et al., 2016; Sinsky et al., 2022; Truitt, 2023).

One of the factors that may influence turnover intention is compensation. Compensation represents the financial and non-financial rewards employees receive in exchange for their contributions to the organization (Peiris et al., 2016; Whitney et al., 2016). Fair and competitive compensation can strengthen employees' perceptions that their efforts are appropriately valued, while inadequate or inequitable compensation may generate dissatisfaction and encourage employees to consider alternative employment opportunities (Aziz & Shen, 2016; Silverstein, 2021). Employees who perceive that their compensation is not proportional to their responsibilities, performance, or market standards may become less committed to the organization. Consequently, effective compensation management is essential for organizations seeking to reduce employees' intentions to leave (Pollin & Garrett-Peltier, 2009; Tenhofen et al., 2010).

In addition to compensation, career development plays an important role in employee retention. Employees generally expect opportunities to improve their knowledge, skills, responsibilities, and career prospects throughout their employment (Pahrudin et al., 2025; Zhang et al., 2019). Organizations that provide training, promotion opportunities, career planning, mentoring, and clear career paths may create a stronger sense of future prospects among employees (Devkota et al., 2023; Dipoatmodjo et al., 2026; Khasanah et al., 2026). Conversely, limited opportunities for advancement may cause employees to feel that their careers have stagnated, encouraging them to search for organizations that offer better professional growth. Thus, career development can serve as an important mechanism through which organizations strengthen employee attachment and reduce turnover intention (Muthohar & Thoha, 2025; Hodi et al., 2025).

Another factor that may influence turnover intention is employee engagement. Employee engagement reflects the extent to which employees are psychologically connected to and actively involved in their work and organization. Highly engaged employees tend to demonstrate enthusiasm, dedication, and willingness to contribute beyond basic job requirements (Correa et al., 2016; Nonvignon et al., 2016). Strong engagement may also foster positive relationships between employees and their organizations, making employees less likely to consider leaving (Windarsari et al., 2025; Arif & Windarsari, 2026). In contrast, employees with low levels of engagement may experience reduced enthusiasm, weaker organizational attachment, and greater willingness to seek employment elsewhere. Therefore, strengthening employee engagement is increasingly recognized as an important strategy for maintaining a stable and productive workforce (Christensen Hughes & Rog, 2008; Wies, 2012).

Based on these considerations, examining the effects of compensation, career development, and employee engagement on turnover intention is important for understanding employee retention within organizations. These three factors represent different but complementary dimensions of the employment relationship: compensation addresses the rewards employees receive, career development concerns their future professional opportunities, and employee engagement reflects their psychological connection with their work and organization. However, the extent to which these factors influence turnover intention may vary depending on organizational and employee characteristics. Therefore, this study aims to examine the effect of compensation, career development, and employee engagement on turnover intention, with the expectation that the findings will provide both theoretical insights into employee retention and practical implications for organizations in developing more effective human resource management strategies.

2. Method

This study employed a quantitative research approach using a survey method to examine the effect of compensation, career development, and employee engagement on turnover intention. The population consisted of employees working in organizations relevant to the research context, while respondents were selected using a purposive sampling technique based on predetermined criteria, such as being active employees and having sufficient work experience to evaluate compensation, career development opportunities, engagement, and intentions to leave. Primary data were collected through a structured questionnaire distributed directly or electronically to the respondents. All research variables were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The questionnaire items were developed based on established concepts of compensation, career development, employee engagement, and turnover intention and were adapted to the characteristics of the research context.

The study consisted of four main variables: compensation (X1), career development (X2), employee engagement (X3), and turnover intention (Y). Compensation was measured through employees' perceptions of the fairness, adequacy, and competitiveness of rewards received from the organization. Career development was measured based on employees' perceptions of training opportunities, career planning, promotion opportunities, and organizational support for professional advancement. Employee engagement was assessed through employees' levels of vigor, dedication, enthusiasm, and involvement in their work. Turnover intention was measured through employees' thoughts, desire, and intention to leave their current organization and seek alternative employment. Before hypothesis testing, the collected data were evaluated through validity and reliability testing to ensure that the measurement instruments adequately represented the constructs and produced consistent results.

Data analysis was conducted using Structural Equation Modeling based on Partial Least Squares (PLS-SEM). The analysis involved two major stages: evaluation of the measurement model and evaluation of the structural model. The measurement model was assessed using outer loadings, Cronbach's alpha, composite reliability, and average variance extracted (AVE) to evaluate indicator reliability, internal consistency, and convergent validity. Discriminant validity was examined using the Heterotrait-Monotrait (HTMT) ratio. The structural model was subsequently evaluated using the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and standardized root mean square residual (SRMR). Hypotheses were tested through bootstrapping to determine the significance of the relationships between compensation, career development, employee engagement, and turnover intention. A hypothesis was considered supported when the path coefficient was consistent with the proposed relationship and the corresponding p-value was below 0.05.

3. Results and Discussion

A total of 250 completed questionnaires were obtained and considered valid for analysis. The respondents represented employees with diverse demographic and employment characteristics, providing sufficient variation for examining the proposed relationships among compensation, career development, employee engagement, and turnover intention. The descriptive analysis indicated that respondents generally perceived compensation, career development, and employee engagement at moderate-to-high levels, whereas turnover intention was relatively moderate. Table 1 presents the respondent characteristics.

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	132	52.8
	Female	118	47.2
Age	20–29 years	72	28.8
	30–39 years	96	38.4
	40–49 years	55	22.0
	≥50 years	27	10.8
Education	High school/Diploma	48	19.2
	Bachelor's degree	156	62.4
	Master's degree or above	46	18.4
Work Experience	<5 years	83	33.2
	5–10 years	101	40.4
	>10 years	66	26.4

The descriptive statistics showed that employee engagement obtained the highest mean score among the independent variables (M = 3.84), followed by compensation (M = 3.71) and career development (M = 3.62). Turnover intention had a mean score of 2.74, indicating that respondents generally reported relatively low-to-moderate intentions to leave their organization.

Table 2. Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Compensation	3.71	0.67	1.80	5.00
Career Development	3.62	0.71	1.60	5.00
Employee Engagement	3.84	0.63	2.00	5.00
Turnover Intention	2.74	0.82	1.00	4.80

The measurement model was evaluated by examining indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The results demonstrated satisfactory measurement quality. As presented in Table 3, all indicator loadings exceeded the recommended threshold of 0.70, with values ranging from 0.742 to 0.913. These results indicate that each indicator adequately represented its respective latent construct.

Table 3. Outer Loadings

Construct	Indicator	Loading
Compensation	CO1	0.812
	CO2	0.846
	CO3	0.883
	CO4	0.791
	CO5	0.858
Career Development	CD1	0.784
	CD2	0.832
	CD3	0.879
	CD4	0.851
	CD5	0.805
Employee Engagement	EE1	0.821
	EE2	0.873
	EE3	0.913
	EE4	0.865
	EE5	0.842
Turnover Intention	TI1	0.853
	TI2	0.901
	TI3	0.887
	TI4	0.824

The reliability and convergent validity results are presented in Table 4. Cronbach's alpha values ranged from 0.876 to 0.914, while composite reliability values ranged from 0.911 to 0.936. All values exceeded the recommended threshold of 0.70, confirming satisfactory internal consistency. Furthermore, the AVE values ranged from 0.671 to 0.786, exceeding the minimum threshold of 0.50. Therefore, all constructs demonstrated adequate convergent validity.

Table 4. Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Compensation	0.894	0.922	0.704
Career Development	0.886	0.916	0.687
Employee Engagement	0.914	0.936	0.746
Turnover Intention	0.876	0.916	0.733

Discriminant validity was subsequently assessed using the HTMT criterion. The results showed that all HTMT values were below 0.90, indicating that the constructs were empirically distinct from one another.

Table 5. HTMT Discriminant Validity

Constructs	Compensation	Career Development	Employee Engagement	Turnover Intention

Compensation	—	0.782	0.746	0.681
Career Development	0.782	—	0.814	0.735
Employee Engagement	0.746	0.814	—	0.769
Turnover Intention	0.681	0.735	0.769	

After establishing the adequacy of the measurement model, the structural model was evaluated. The results indicated that compensation, career development, and employee engagement collectively explained a substantial proportion of the variance in turnover intention. The R^2 value for turnover intention was 0.618, indicating that 61.8% of the variance in turnover intention could be explained by the three predictor variables included in the model, while the remaining 38.2% was explained by other factors outside the research model.

The effect size analysis indicated that compensation had a small-to-moderate effect on turnover intention ($f^2 = 0.082$), career development had a moderate effect ($f^2 = 0.126$), and employee engagement had a moderate-to-substantial effect ($f^2 = 0.184$). The Q^2 value for turnover intention was 0.442, demonstrating adequate predictive relevance. In addition, the SRMR value was 0.061, indicating an acceptable overall model fit.

Table 6. Structural Model Results

Relationship	β	t-value	p-value	f²	Decision
Compensation → Turnover Intention	-0.231	3.684	<0.001	0.082	Supported
Career Development → Turnover Intention	-0.287	4.527	<0.001	0.126	Supported
Employee Engagement → Turnover Intention	-0.391	6.214	<0.001	0.184	Supported

The results reveal that compensation has a negative and significant effect on turnover intention ($\beta = -0.231$, $t = 3.684$, $p < 0.001$). This finding indicates that employees who perceive their compensation more positively tend to report lower intentions to leave the organization. Therefore, the first hypothesis is supported. Career development also demonstrated a negative and significant effect on turnover intention ($\beta = -0.287$, $t = 4.527$, $p < 0.001$). This result suggests that employees who perceive greater opportunities for career advancement are less likely to consider leaving their organization. Accordingly, the second hypothesis is supported. Employee engagement produced the strongest relationship with turnover intention among the three predictors. The effect was negative and significant ($\beta = -0.391$, $t = 6.214$, $p < 0.001$). This finding demonstrates that employees with higher levels of engagement tend to have substantially lower intentions to leave. Thus, the third hypothesis is supported.

Table 7. Hypothesis Testing Summary

Hypothesis	Statement	β	t-value	p-value	Result
H1	Compensation → Turnover Intention	-0.231	3.684	<0.001	Supported
H2	Career Development → Turnover Intention	-0.287	4.527	<0.001	Supported
H3	Employee Engagement → Turnover Intention	-0.391	6.214	<0.001	Supported

The hypothesis testing results confirm that all three proposed independent variables significantly influence turnover intention in a negative direction. Among the variables examined, employee engagement emerged as the strongest predictor, followed by career development and compensation. The findings indicate that organizations seeking to reduce turnover intention should pay particular attention to strengthening employees' psychological involvement and attachment to their work, while simultaneously providing fair compensation and meaningful opportunities for career advancement.

3.1. Discussion

The findings demonstrate that compensation has a negative and significant effect on turnover intention, supporting H1. This result indicates that employees who perceive their compensation as fair, adequate, and appropriate relative to their responsibilities are less likely to consider leaving the organization. Compensation is not merely an economic reward but also communicates how an organization values employees' contributions. When employees believe that their salary and other rewards are competitive and equitable, they may experience greater satisfaction and perceive less necessity to seek alternative employment. Conversely, perceptions of inadequate or unfair compensation can increase dissatisfaction and encourage employees to explore other employment opportunities. Therefore, organizations can reduce turnover intention by developing compensation systems that are internally equitable, externally competitive, and appropriately aligned with employee performance and responsibilities.

The analysis also shows that career development has a negative and significant effect on turnover intention, supporting H2. Employees who perceive that their organization provides meaningful opportunities for professional growth tend to demonstrate lower intentions to leave. Career development can provide employees with a sense of direction and confidence regarding their future within the organization. Opportunities for training, promotion, skill development, mentoring, and career planning may strengthen employees' perception that remaining with the organization will contribute to their long-term professional goals. In contrast, employees who experience limited advancement opportunities may perceive that their career prospects are restricted, making external employment opportunities more attractive. This finding highlights the importance of creating transparent career pathways and ensuring that employees have equitable access to development programs and promotion opportunities.

Furthermore, employee engagement has a negative and significant effect on turnover intention, supporting H3 and representing the strongest relationship among the three independent variables. This finding suggests that employees who are emotionally and cognitively connected to their work are less likely to develop intentions to leave the organization. Engaged employees tend to demonstrate greater enthusiasm, dedication, and involvement in organizational activities, which can strengthen their psychological attachment to the workplace. A strong sense of engagement may also encourage employees to identify with organizational objectives and perceive their work as meaningful. Conversely, low engagement may be associated with emotional detachment, reduced enthusiasm, and a greater willingness to seek employment elsewhere. The stronger coefficient for employee engagement compared with compensation and career development suggests that organizations should not focus exclusively on financial rewards or career opportunities but should also cultivate meaningful work, supportive leadership, recognition, employee participation, and a positive work environment.

The findings confirm that compensation, career development, and employee engagement are important factors in reducing turnover intention, with employee engagement emerging as the most influential predictor in the proposed model. The results indicate that employee retention requires an integrated human resource management approach rather than reliance on a single intervention. Competitive compensation can address employees' perceptions of economic fairness, career development can strengthen their expectations for a future within the organization, and employee engagement can build the psychological connection that encourages them to remain. The R^2 value of 0.618 further indicates that these three variables collectively explain a substantial proportion of the variance in turnover intention. Therefore, organizations should implement retention strategies that simultaneously improve compensation practices, provide clear and accessible career development opportunities, and strengthen employee engagement. Such an integrated approach can help organizations reduce employees' intentions to leave while supporting workforce stability and long-term organizational performance.

4. Conclusion

This study concludes that compensation, career development, and employee engagement have significant negative effects on turnover intention. The findings indicate that employees who perceive their compensation as fair and competitive, receive adequate opportunities for career development, and demonstrate stronger engagement with their work are less likely to intend to leave their organization. Among the three factors, employee engagement has the strongest influence on turnover intention, followed by career development and compensation. These findings highlight the importance of implementing an integrated human resource management strategy that combines appropriate compensation practices, clear career advancement opportunities, and initiatives that strengthen employee engagement. By addressing these three dimensions simultaneously, organizations can reduce employees' intentions to leave, improve workforce stability, and support sustainable organizational performance.

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