

The effect of a psychological capital on employee performance through quality of work life

Maretta Tri Irvayanti¹ , Sopiah Sopiah¹ 

¹*Departement of Management, Faculty of Economics, Universitas Negeri Malang, Indonesia*



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Abstract

Change of environment and technology that occurs in the era of globalization. Force organization to adapt more rapid which would survive in global competition. Therefore, superior human resources are needed that are equipped with psychological capital and good performance. The research plans to determine the impact of *psychological capital* on *employee performance* through quality of work life. The object of this analysis is 110 respondents as the representative employee from PG Kribet Baru with purposive sampling. This research uses the Partial Least Square Structural Equation Model (SEM-PLS). Research has found that *psychological capital* affects positive *employee performance* and *quality of work life*. Then, the *quality of work life* acts as a partial mediation between *psychological capital* on *employee performance*.

Keywords: Psychological capital, Employee performance, Quality of work life, Human resources.

JEL Classification Codes: J20, J24, J28, L20.

corresponding authors:
maretta.tri.1804136@students.um.ac.id
sopiah.fe@um.ac.id

1. Introduction

The rapidly growing globalization brings many environmental and technological changes that encourage the organization and the company to move faster to adapt (Sugandi, 2013). This change occurs with direct and indirect influences on the development of company/organizational performance in general in order to survive in global competition. Good human resources are needed with *psychological capital*, work commitment, and a good employee performance (Jonathan & Erdiansyah, 2021). Wirawan (2009) performance is defined as the value of the company's output, company management instruments (production, marketing, and finance), or even the output value of company employees.

Mangkunegara (2009) *employee performance* interpreted as a result of working obtained each employee whether quality and quantity in solve its appropriate duties responsibility who is given. The success of organizational goals can be determined by the quality and quantity produced by employees. According to Barnad in Prawirosentono (2008) the quality and quantity of *employee performance* can be determined by several criteria, which include effectiveness and efficiency. Effectiveness is a goal established by the organization so that it can be achieved as planned. Then, effectiveness is the effort contributed to achieving the goal. Second, the initiative is the desire of someone with the power of thought, creativity, and ideas to encourage the success of organizational goals. The third, discipline is an attitude and volition an employee in obey regulation, as present on time, orderly, and regularly. Fourth, authority and responsibility arise from a person carrying out his duties and responsibilities, such as completing assigned tasks before the *deadlines* and having specified quality standards. Therefore, the performance appraisal indicators adopted in this object company document include integrity, cooperation, initiative, discipline, effectiveness, and efficiency.

The process of optimizing performance can be influenced by two factors such as *internal* and *external factors*. Wirawan (2009) declares that *internal factors* as inherited factors could be in the form of talent, *personal traits*, and physical and psychological conditions that influence their performance. Successful performance is also correlated with the existence of an action produced by the employees' personality and behavior towards their activities in the organization to support the goals and achievements of the company (Sasmoko, 2020).

The development of a positive personality can effect their performance. *Psychological capital* is one of the positive things in psychology that can be measured and developed by every human optimizing flexible work performance (Luthans et al., 2007). The employees' personality whose high performance could be recognized with a sense of responsibility, such as daring to face the

risks that have been taken, implementing *feedback* over all the work, and taking advantage of opportunities in completing their work (Mangkunegara, 2009).

Good *employee performance* can be compelled by aspects contained in *psychological capital* such as self-confidence, *hope*, never giving up, and *optimism*. The employee can work harder by increasing the *psychological capital* to improve work performance. It aims to create more focused communication in the group and increase job satisfaction (Nafei, 2015). *Psychological capital* can also trigger an increase in work ethic as the *quality of work life* for *clients* (Tho et al., 2014). Further, the cognitive resources of employees in *psychological capital* can better cope with the challenges and demands of their work. The overall result of employees' evaluation of their work is higher, which is able to manifest a better alignment of activities in the work environment (Allameh et al., 2018).

The main procedure carried out by the company organization to respond to the needs of each employee, namely with favorable job protection, adequate income, providing support, and creating pleasure in the workplace (Cascio, 2010). The *quality of work life* has a positive impact on *employee performance*, which means that a good quality work environment is able to create profitable employee work performance (Arif et al., 2020). However, Asharini, Hardyasturi, & Irham. (2018) and Diana, Eliyana, Mukhtadi, & Anwar. (2022) refute this statement because their research result did not find any positive impact on the *quality of work life* on employee work performance. It means that the *quality of work life* does not take any part in *employee performance*.

PT Rajawali is a manufacturing company engaged in the agribusiness industry and has two subsidiary companies. The two branches are PG Kreet Baru and PG Rejo Agung Baru. Of these subsidiaries, PG Kreet Baru has contributed to better company performance. Based on the 2019 and 2020 *annual reports*, profit and sugarcane mill production contributed to PT Rajawali, as in 2019, PG Kreet Baru contributed 93% profit, while PG Rejo Agung Baru contributed 7% profit. In addition, in 2020, PG Kreet Baru contributed greatly to the acquisition of milled sugarcane by 75.31%, while PG Rejo Agung Baru contributed to the acquisition of milled sugar cane by 24.69% of the total production of milled sugarcane 2020. To maintain this achievement, PG Kreet Baru has made efforts, namely by developing positive psychological conditions for each individual employee and providing a fairly good quality of work life.

2. Literature Review

2.1. Psychological capital

One of the positive psychological things that help the process of developing each individual so that they have a sense of trust and confidence in themselves to be applied in completing various

hard tasks (*self-efficacy*), forming good completeness in the future (*optimism*), having direction and being constant in getting to its goals (*hope*), and being able to grow back over all difficulties and being ready to face problems and challenges (*resilience*) is the definition of *psychological capital* (Luthans et al., 2007). Hence, the summarized that *psychological capital* has four main dimensions, namely *self-efficacy*, *optimism*, *hope*, and *resilience* (Luthans et al., 2005). An employee who has high *psychological capital*, has more energy and effort into work performance over a long period (Avey et al., 2009). *Psychological capital* can help and encourage employees to get up and move forward in facing work difficulties (Ali et al., 2022). Positive emotions, thoughts, and behaviors of the employees in *psychological capital* can also affect the improvement of their work performance (Sen & Basim, 2018). The former researchers found that *psychological capital* provides a positive and relevant value to *employee performance* (Kappagoda et al, 2014; Şen & Basim, 2018; Ngo, 2021; Ali et al., 2022). Therefore, this study carries out the hypothesis in the form of:

H1: *Psychological capital* has a positive effect on the *employee performance*.

The theory of resource conversion (COR), personal characteristics, object terms, and energy are things that each individual wants related to human resources (Hobfoll, 2002). Personal resources related to the limits of the COR theory are *self-efficacy*, *optimism*, *hope*, and *resilience* (Avey et al., 2010). The psychological strength of employees could show a commercial view of the *quality of work life*, such as *survival needs*, *belonging needs*, and *knowledge needs* (Nguyen & Nguyen, 2012). The realization of positive psychological conditions is one of the correct efforts in enhancing the *quality of work life* and increasing human resources in the company as the goal of *quality of life* (Allameh et al., 2018). Previous researchers have found the *quality of work life* has been influenced positively and significantly by *psychological capital* (Tho et al., 2014; Kim et al., 2017; Kang et al., 2018; Allameh et al., 2018). Therefore, the researcher took the second hypothesis in the study in the form of:

H2: *Psychological capital* has a positive effect on the *quality of work life*.

2.2. Quality of work life

The most important thing in an organization to keep attracting and keeping the best employees is the *quality of work-life*. Sirgy et al. (2001) the *quality of work-life* is related to the satisfaction of employees' needs which include: first, the existence of occupational health and safety in the form of work accident protection; second, economic and family needs in the form of job security and salary; third, social needs of good relations between colleagues or collegiality in the workplace; the four, rewards given to employees in the form of recognition and appreciation; and the fifth,

aesthetic in the form of creativity in the workplace. The *quality of work-life* can realize high *employee performance* because it is able to create a comfortable and well-being work environment, it is thought to be able to increase the role and contribution of employees to an organization. Several previous researchers found that the *quality of work-life* on performance was positive and significant (Hanafi et al., 2018; Thakur & Sharma 2019; Setyaningrum & Ekhsan, 2021). Therefore, the researcher carries out the third hypothesis, which is:

H3: Quality of work life has a positive effect on the employee performance.

Based on statement the results of previous studies when value *psychological capital* the higher produced by any individual, it can increase its height their *performance employees* at core. On the other hand, when value *psychological capital* the higher produced by any individual, can also increase value of satisfaction that high it is by an employee will *quality of work life* at work so that the thing also can form the results of employee who high. This can be shown that when there is a change in value on the variables of *psychological capital*, so can affect variable values of *employee performance* and *quality of work life*. Thus, the *quality of work life* can positively bridge the linkage of *psychological capital* on employee performance (Allameh et al., 2018; Tho et al., 2014; Hermawati & Mas., 2017; Choi et al., 2020). Then the fourth hypothesis to be studied is:

H4: Psychological capital positively effects employee performance through quality of work life.

3. Methodology

The research will study examine the existence of influence caused by *psychological capital* on *employee performance* through quality of work life. *Explanatory research* is used as a method in this research with a quantitative approach. Questionnaires are distributed directly.

3.1. Population and sample

The population on this research is the employees of PG Kreet Baru. The sampling method in this research is *purposive sampling*. With certain considerations, this will focus only on the plant staff employees, accounting and finance divisions, HR and general departments, quality assurance divisions, and manufacturing divisions. The sample obtained as many as 110 respondents.

3.2. Instrument and data analysis

The research instrument is a tool to measure a variable useful for measuring natural or social phenomena (Sugiyono, 2016). Measuring *psychological capital*, researchers adopted four

indicators with 16 statement items from Luthans, Youssef, & Avilio. (2007); Santos, Neto, & Verwal (2018). Then, the *quality of work-life* adopted three indicators with 9 statement items from Sirgy, Efraty, Siegel, & Lee. (2001); Nguyen & Nguyen, (2012). As well as *employee performance* adopts five indicators that are applied in the company, namely integrity, cooperation, initiative, discipline, as well as effectiveness, and efficiency. Latent variables are formed through reflective indicators. The measurement of the questionnaire items uses a Likert scale of 1-5, from the strongly disagree (1) to strongly agree (5) answer. This paper also uses descriptive analysis, especially SPSS. Then, *Partial Least Square* (PLS) is a data analysis technique used and assisted by *SmartPLS* 3.0 software which is divided into two testing stages, including: first, evaluation of the outer model, in the form of validity testing; discriminant validity test; and *composite reliability*. Second, evaluation of the inner model, in the form of the R-Square test; effect sizes; and hypothesis testing.

4. Result

4.1. Demographics of respondents

The characteristics of the study's respondents, namely the majority of men by 84,5%, the majority aged 39-43 years by 44,5%, the majority of a working period of more than five years by 80,9%, and the majority of high school/vocational education levels of 44,5%. Also, the majority of the parts/divisions in this research are plant parts, 28.2%.

4.2. Descriptive analysis

Table 1. Variable Frequency Distribution

Variable	Min	Max	Grand mean
<i>Psychological capital</i>	4,10	4,50	4,31
<i>Quality of work life</i>	3,95	4,45	4,21
<i>Employee performance</i>	4,31	4,60	4,46

Note(s): n = 110

Table 1 shows the interval results for each *psychological capital* variable, *employee performance*, and quality of work life. *Psychological capital* is measured by four indicators. In general, the average item statement on all indicators ranges from 4.10 to 4.50 with a grand mean, which is 4,31, indicating that the individual employees of PG Krebet Baru are very high. It is characterized by a positive way of thinking and acting, focusing on goals with high enthusiasm and rising in difficulty when completing the task. Then, three indicators that explain the overall *quality of work-life* – the

average statement items ranged from 3,95 to 4,45 with a grand mean, which is 4,21 indicating that the *quality of work-life* of PG Kreet Baru employees is very high. It indicates the employee welfare on the *survival needs, belonging needs, and knowledge needs* that are fulfilled and felt by employees. Finally, five indicators explain *employee performance* average items ranging from 4,31 to 4,60 with a grand mean, which is 4,46 implying that PG Kreet Baru employees feel they have high performance because they understand the tasks and responsibilities. Hence, the employees are able to complete their duties following predetermined *deadlines* and standards and are driven by a sense of initiative.

4.3. Validity test

Hair et al. (2013) stated that this test was measured from the results of the outer loading. This research uses standard criteria > 0.6 and the *average variance extracted* > 0.5 , so the indicator can be declared valid. However, four items were discovered that had a value below 0.6, namely: item OP1 of 0.564; HO3 is 0.511, INT2 is 0.502, and KDS3 is 0.452. The four items were discontinued because they did not meet the standard criteria, then the four items were deleted and declared invalid. Show at table 2

Table 2. Validity Test Result

<i>Construct, Dimension, Indicator</i>	Loading Factor	Decision
<i>Construct: Psychological capital</i>		
SE1	0.802	Valid
SE2	0.742	Valid
SE3	0.821	Valid
SE4	0.754	Valid
OP2	0.788	Valid
OP3	0.811	Valid
OP4	0.813	Valid
HO1	0.817	Valid
HO2	0.791	Valid
HO4	0.828	Valid
RE1	0.764	Valid
RE2	0.859	Valid
RE3	0.816	Valid
RE4	0.815	Valid
Dimensions:		
<i>Self-efficacy</i>	0.886	Valid
<i>optimism</i>	0.874	Valid
<i>Hope</i>	0.903	Valid
<i>Resilience</i>	0.902	Valid

Construct: Employee performance		
INT1	0.873	Valid
INT3	0.833	Valid
KK1	0.891	Valid
KK2	0.892	Valid
INS1	0.846	Valid
INS2	0.798	Valid
INS3	0.838	Valid
KDS1	0.856	Valid
KDS2	0.855	Valid
EE1	0.899	Valid
EE2	0.863	Valid
Dimensions:		
Integrity	0.834	Valid
Cooperation	0.810	Valid
Initiative	0.861	Valid
Discipline	0.830	Valid
Effectiveness and Efficiency	0.835	Valid
Construct: Quality of Work Life		
SN1	0.833	Valid
SN2	0.865	Valid
SN3	0.882	Valid
BN1	0.834	Valid
BN2	0.811	Valid
BN3	0.847	Valid
KN1	0.857	Valid
KN2	0.923	Valid
KN3	0.846	Valid
Dimensions:		
<i>Survival needs</i>	0.872	Valid
<i>Belonging needs</i>	0.882	Valid
<i>Knowledge needs</i>	0.861	Valid

Source: The data processed with SmartPLS 3.0 (2022)

4.4. Reliability test

The reliability test has two kinds of methods used in this paper: the value of cronbach's alpha and the value of *composite reliability*. However, the *composite reliability* method is better for measuring the internal consistency of the construct, and the standard value used is > 0.7 or, a value of 0.6 can still be proposed (Hair et al., 2013). Table 3 shows the results of the reliability test in the first order cronbach's alpha and *composite reliability* values meet the standard, which is $b > 0.7$. As a result, it concludes as reliable. However, it is known that in cronbach's alpha first order,

the value of integrity, discipline, effectiveness, and efficiency has a cronbach's alpha value of less than 0.7. Then this value can still be reliable and meets the criteria.

Table 3. Reliability Test Result

No	Variable	Item	Cronbach's Alpha 1 st order	Composite reliability 1 st order	(AVE) 1 st Order	Cronbach's Alpha 2 nd order	Composite reliability 2 nd order	(AVE) 2 nd order
1	Psychological capital	SE	0.785	0.862	0.609	0.926	0.936	0.510
2		OP	0.728	0.846	0.647			
3		HO	0.742	0.853	0.659			
4		RE	0.830	0.887	0.663			
5	Employee performance	INT	0.670	0.858	0.752	0.905	0.920	0,512
6		KK	0.742	0.886	0.795			
7		INS	0.770	0.867	0.685			
8		KDS	0.603	0.834	0.716			
9		EE	0.652	0.852	0.742			
10	Quality of work life	SN	0.825	0.895	0.740	0.902	0.918	0.554
11		BN	0.776	0.870	0.690			
12		KN	0.848	0.908	0.768			

Source: The data processed with SmartPLS 3.0 (2022)

4.5. Structural model test

Figure 1 is the result of modeling hypothesis to research into this that produces the coefficients the directly at variable, includes: 0.511, 0.720, and 0.292.

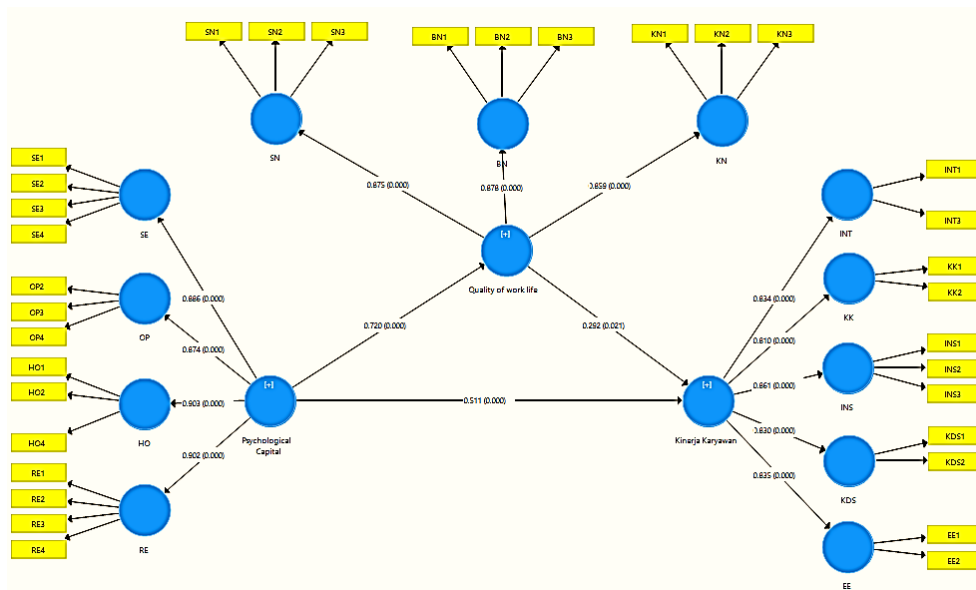


Figure 1. Structural Equation Model

4.6. Coefficient of Determination (R²) Test

In explaining the dependent variable, the measurement of the independent variable was discovered from the estimated R-Square (R²) value. The R-Square value is listed in table 4, where it is 0.561 for *employee performance*, and the *quality of work-life* is 0.519 as the dependent variable. That is, 56.1% of *employee performance* can be explained by *psychological capital*, while 43.9% is caused by variables that are not in the study. Besides, the *quality of work-life* can be explained by 51.9% of *psychological capital*, while the remaining 48.1% is due to variables that are not used in research. The standard R² value can be said to be strong, moderate, weak, and not accepted if the R² value shows numbers > 0.67, > 0.33, > 0.19, and < 0.19. The results of the R² value in table 4 show that the *employee performance* and *quality of work-life* variables meet the standards > 0.33 in the moderate category.

Table 4. R-Square Result

	R Square
<i>Employee performance</i>	0.561
<i>Quality of work life</i>	0.519

Source: The data processed with SmartPLS 3.0 (2022)

4.7. Goodness of fit (Gof)

The goodness of fit test is found with Q² (predictive relevance value). In order that the model can fit the data, it can be calculated with the Q² value from table 5.

Table 5. Structural Model of R² and Q²

	R Square (R ²)	Predictive Relevance (Q ²)
<i>Employee performance</i>	0.561	0.788
<i>Quality of work life</i>	0.519	

$$Q^2 = 1 - (1 - R^2) \times (1 - R^2)$$

$$Q^2 = 1 - (1 - 0.561) \times (1 - 0.519)$$

$$= 0.788$$

The predictive relevance value (Q²) shows the number 0.788 or 78.8%. This value is appropriate for the model used because the data variance in the model is worth 78.3%. While the remaining value reflects the impact generated outside the research.

4.8. Hypothesis Test

Hypothesis testing of the linkage between *psychological capital* on *employee performance* (H1) resulted in a *t-statistic*=4,312 (*p-value* 0.000 < 0.05), then there was acceptance that had a significant positive effect. The assumption test of *psychological capital* on the quality of work life (H2) produces a *t-statistic*=14,357 (*p-value* 0.000 < 0.05), then there was acceptance that had a significant positive effect. Then, testing the assumption of *quality of work-life* on *employee performance* resulted in a *t-statistic*=2,318 (*p-value* 0.021 < 0.05). Then H3 is accepted, meaning a positive and significant effect. Shown at table 6

Table 6. Path Coefficient Results

	Direct Effect	Std.Dev	T-Statistic	P-Values	Decision
PC -> KK	0,511	0,118	4,313	0,000	H1: Accepted
PC -> QWL	0,720	0,050	14,357	0,000	H2: Accepted
QWL -> KK	0,292	0,136	2,318	0,021	H3: Accepted

Notes: PC: *psychological capital*; KK: *employee performance*; QWL: *quality of work life*

Indirect Effect

Table 7. The Result for Indirect Effect

Correlation	Indirect Effect	Std.Dev	T-Statistic	P-Values
PC -> QWL -> KK	0,210	0,096	2,188	0,029

Notes: PC: *psychological capital*; KK: *Employee performance*; QWL: *quality of work life*

Table 7 shows, it can be concluded that the calculation result show that the indirect effect of *t-statistic*=2,188 (*p-value* 0.029 < 0.05) is significant, meaning that the *quality of work life* partially mediates the linkage between *psychological capital* on employee performance.

5. Discussions

Employees who have a high performance are characterized by employees with high sense of responsibility, daring to face the risks taken, implementing feedback on the overall work activities, and taking advantage of opportunities in completing their work (Mangkunegara, 2009). *Psychological capital* is correlated with performance, as seen by how much effort the individual shows (Triccia, 2020). The estimation results indicate a positive significant effect on *employee performance* from *psychological capital*. Positive self-capacity in individual employees can have

an impact on the performance results it produces. The findings of Luthans, et al (2005) are high *psychological capital* that leads to better *employee performance*. Employees with high *psychological capital* can encourage individuals to work harder in completing the assigned tasks and give a good performance.

Robbins & Judge (2015) state that a positive personality can develop performance in achieving organizational goals, respect co-workers, and precipitate negative emotions by showing positive emotions within the organization. It is reflected by employees having high self-confidence. Hence, they can overcome success in completing challenging tasks to expand their performance (Avey et al., 2009). *Optimism* can be interpreted as the belief by a person who has positive thinking that affects task completion by maximizing positive results in his (Luthans et al., 2007). High expectations of employees can be seen from the perseverance carried out by individuals who lead to goals. They can encourage individual employees to have more motivation and confidence in completing the tasks resulting in higher performance (Luthans et al., 2005). Then, the *resilience* of individual employees in *psychological capital* encourages and helps employees to rise and move forward when facing work difficulties (Ali et al., 2022).

The second assumption generated in the estimation is that the existence of a significant and relevant *psychological capital* influence on the quality of work life. It proves that the high *psychological capital* in each employee can increase the *quality of work-life* in the organization. Mortazavi et al. (2012) suggest several ways to encourage someone to create a healthy and good *quality of life* at work. Such as individuals must be able to create a vision in their lives, where this vision can help individuals determine life targets flexibly (meaning that individuals are ready to face all obstacles and challenges). Then, individuals must develop healthy personal habits by maintaining a positive body, mind, and spirit in order to survive all obstacles and pressures at work. Self-confidence, *optimism*, dreams/*hopes*, and the survival power of individual employees make them a resource that is able to create pleasure in working relationships and working conditions associated with the work environment (Kang et al., 2018; Kim et al., 2017).

The third assumption generated in the estimation is that the existence of *quality of work-life* has a significant positive effect on *employee performance*. A comfortable and harmonious *quality of work life* can increase good welfare and affects *employee performance* results. In line with the theory expressed by Cascio (2010) the *quality of work life* includes activities in the company designed to foster safe and harmonious situations in work life. *Quality of work-life* is a management concept that can increase the dignity of employees by fulfillment of three basic needs, which include *survival*, *belongings*, and *knowledge needs* that employees feel can optimize *employee performance* in their organization (Setyaningrum & Ekhsan, 2021; Tarigan et al., 2020). The development opportunities provided by the company's management to each employee are able

to give good value to their performance, this is done if the *quality of work life* continues to be improved with an employee being able to find an interesting job, having good relationships with managers and co-workers, fulfilling sufficient income, independence, and a clear chance for career advancement (Kim et al., 2017; Suyantiningsih et al., 2018; Thakur & Sharma, 2019).

The results of assumption four can be found that quality work of life partially mediates the linkage of *psychological capital* on *employee performance*. The role of *psychological capital* and *quality of work life* contributes to good *employee performance*. The theory of resource conversion (COR), personal characteristics, object terms, and energy are things that each individual wants related to human resources (Hobfoll, 2002). This can be illustrated from personal resources, namely *psychological capital* which can produce other resources such as *quality of work life* that leads to resource caravans (Xanthopoulou et al., 2007). The seriousness of individual employees in trying to be characterized by *psychological capital*, that includes high *self-efficacy*, *optimism*, *hope*, and *resilience*, can create better communication within groups or divisions, increase job satisfaction for individual employees, and improve *employee performance* (Triccia, 2020; Nafei, 2015). In addition, when employees have a positive self-capacity to develop and get satisfaction in working relationship welfare, good conditions are created in the *quality of work life* to create more motivated and active individuals in improving a better organizational performance (Mortazavi et al., 2012; Allameh et al., 2018).

6. Conclusion and Recommendations

Research has found that *psychological capital* has a positive and significant influence on *employee performance* and *quality of work life*. It means that individuals with high *psychological capital* can direct the achievement of their goals and contribute to high work performance. Employees with high self confidence, *hope*, *optimism*, and a sense of unyielding will have good and positive performance results. In addition, employees with high self-confidence, *optimism*, *hope*, and a sense of never giving up are also able to manifest a better alignment of activities in the work environment. Then, the *quality of work life* shows a positive and significant correlation with work performance. It means that increasing the *quality of work life* can provide opportunities for employees to grow and develop so that employees can contribute to their performance. This study also found that the role of quality of work life partially mediates the linkage between psychological capital on employee performance. The limitation of this research is that this research was only conducted on one agro-industrial company.

Suggestions for agro-industry companies in knowing the success rate of employees to rise in difficult and challenging situations can in terms of the assessment result of the *psychological capital*. It can be developed for employees through various training activities and seminars held

by the company to develop, evaluate, and maintain a positive self-capacity for each employee, such as training programs to increase skills and knowledge, as well as motivational seminars. As a result, they can create a good quality employee.

Suggestions for further researchers that quality of work life was ill-suited as mediation, because the quality of work life only partially mediates, meaning that the mediation had a weak influence in improving employee performance. It is expected that the later researchers who want to see the results of *employee performance* should check the document on the results of the performance appraisal in the previous months. It aims to adjust the results to the conditions experienced by each employee at data collection.

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