

The Effect of Transformational Leadership on Turnover Intention: The Mediating Role of Psychological Safety and Work Engagement among Generation Z Employees

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ABSTRACT

The impact of transformational leadership on Generation Z employees is a challenge for organizations because it increases recruitment costs, disrupts workforce stability, and decreases organizational performance. Although transformational leadership has been shown to reduce turnover intention, the psychological mechanisms that explain this relationship have not been widely studied through the integration of psychological safety and work engagement, especially in the context of Generation Z employees in Indonesia. This study aims to analyze the effect of transformational leadership on turnover intention with the mediating role of psychological safety and work engagement on Generation Z employees in the service sector in Yogyakarta City. The study used a quantitative approach with a survey method of 293 respondents selected through purposive sampling. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The results showed that transformational leadership has a positive effect on psychological safety and work engagement, and a negative effect on turnover intention. In addition, psychological safety and work engagement were shown to partially mediate the relationship between transformational leadership and turnover intention. These findings confirm that transformational leadership can reduce turnover intention both directly and through increasing psychological safety and work engagement.

INTRODUCTION

Employee retention is one of the strategic challenges faced by organizations in various industrial sectors along with the increasing mobility of the workforce, especially among Generation Z employees. This generation, which was born and grew up in the digital era, has different characteristics compared to previous generations, including prioritizing self-development, work flexibility, work-life balance, and a work environment that provides psychological support and opportunities for development (Schroth, 2019). These characteristics cause Generation Z to tend to have higher job turnover intentions when organizations are unable to meet their expectations (Nami & Prianthara, 2024). In the context of organizational behavior, this condition is reflected through turnover intention, namely the tendency of individuals to consciously consider leaving the organization before actual employee turnover occurs (Bothma & Roodt, 2013; Mobley, 1977). High turnover intention is a significant concern because it hinders organizational efforts to retain competent human resources (HR) as strategic assets and has the potential to increase the costs of recruiting, selecting, onboarding, and training new employees, reduce productivity, and cause the loss of organizational knowledge that is crucial for business continuity (Rizky Kurnia Manggala & Siswanto, 2024; Safirah & Widigdo, 2025). Therefore, understanding the factors that influence turnover intention in Generation Z employees is becoming an increasingly relevant issue in the development of human resource management studies and serves as a basis for organizations to formulate more effective employee retention strategies.

Efforts to reduce turnover intention among Generation Z employees require a leadership approach that is not only oriented toward achieving organizational targets but also able to understand the characteristics, needs, and values of this generation. One leadership style considered effective in creating a supportive work environment is transformational leadership. Transformational leaders are able to inspire, motivate, encourage the development of individual potential, and build working relationships based on trust and respect for employees (Bass, 1999). From the perspective of Social Exchange Theory, positive treatment from leaders will encourage reciprocity, encouraging employees to demonstrate positive attitudes and behaviors toward the organization. Furthermore, based on Job Demands-Resources Theory, transformational leadership is viewed as a job resource capable of improving employees' psychological well-being by creating psychological safety and increasing work engagement (Bakker & Demerouti, 2017). Employees who feel safe expressing their opinions, are not afraid to make mistakes, and have a high level of engagement with their work tend to show greater commitment and have a lower desire to leave the organization (Frazier et al., 2017; Schaufeli et al., 2002). Therefore, transformational leadership, psychological safety, and work engagement are seen as interrelated factors in explaining the formation of turnover intention in Generation Z employees, so the relationship between these variables is important to study further.

Various studies have confirmed that transformational leadership plays an important role in increasing various positive work behaviors, including work

engagement, as well as reducing employee turnover intentions (Ntseke et al., 2022). Other research also shows that the influence of leadership on turnover intention does not always occur directly, but can be explained through psychological mechanisms such as psychological safety, which can create a sense of security for employees to participate, express opinions, and take interpersonal risks without fear of negative consequences (Hebles et al., 2022; Jun et al., 2023). On the other hand, psychological safety has also been shown to contribute to increasing work engagement, thereby creating a more conducive work environment for the development of positive work behavior (Firdiani & Fahlevi, 2025; Rabiul et al., 2023).

However, previous research generally only partially examined the relationship between transformational leadership, psychological safety, work engagement, and turnover intention. For example, research Amirah Jasmine & Utomo, (2024) focuses more on the relationship between transformational leadership and employee engagement and organizational commitment in Generation Z, while research Xiong et al., (2023) only tested work engagement as a mediating mechanism in the relationship between leadership and turnover intention. Thus, the psychological mechanisms explaining how transformational leadership can reduce turnover intention through a combination of psychological safety and work engagement have not been widely studied simultaneously, especially among Generation Z employees in the Indonesian service sector. This gap indicates the need for research that integrates these two mediating variables into a single research model to provide a more comprehensive understanding of the mechanisms that reduce turnover intention in Generation Z employees.

Based on these research gaps, this study offers a more comprehensive model by integrating psychological safety and work engagement as mediating variables in the relationship between transformational leadership and turnover intention. Unlike previous studies that generally examine these two variables separately, this study analyzes the psychological mechanisms that occur simultaneously, thus providing a more comprehensive understanding of how transformational leadership influences employees' tendency to leave the organization. Furthermore, this study focuses on Generation Z employees working in the service sector in Yogyakarta City, given the characteristics of this generation that have high expectations for leadership, the work environment, and opportunities for self-development (Nami & Prianthara, 2024; Schroth, 2019). Thus, this study is expected to not only enrich the literature on the relationship between transformational leadership and turnover intention, but also provide empirical evidence regarding the role of psychological safety and work engagement as psychological mechanisms in the context of the Generation Z workforce in Indonesia.

Based on the description, this study aims to analyze the influence of transformational leadership on turnover intention with the mediating role of psychological safety and work engagement in Generation Z employees working in the service sector in Yogyakarta City. This study is expected to provide theoretical contributions by expanding the application of Social Exchange Theory and Job Demands-Resources Theory in explaining the psychological

mechanisms that link transformational leadership to turnover intention. In addition, the results of this study are expected to provide practical contributions for organizations in designing leadership strategies and human resource management that can create a psychologically safe work environment, increase work engagement, and reduce the tendency of Generation Z employees to leave the organization.

LITERATURE REVIEW

Social Exchange Theory (SET) and Job Demands-Resources Theory (JD-R Theory)

Social Exchange Theory (SET) explains that social relationships are formed through a process of resource exchange based on the principle of reciprocity, where individuals tend to respond in kind to the treatment they receive. In an organizational context, the relationship between employees and the organization develops through ongoing interactions, forming trust, commitment, and reciprocal obligations. This exchange encompasses not only economic aspects but also social aspects, such as the support, attention, and trust given by the organization and leaders to employees (Cropanzano & Mitchell, 2005). Recent research developments show that SET remains relevant in explaining modern organizational behavior because repeated exchange relationships are able to form psychological bonds, moral obligations, and long-term expectations of reciprocity (Ahmad Saufi et al., 2023; Mora Cortez & Johnston, 2020). In this study, SET serves as a theoretical basis to explain that positive treatment provided by leaders through the application of transformational leadership will encourage employees to provide positive responses to the organization, which is reflected in increased psychological safety and work engagement, as well as decreased turnover intention.

Job Demands-Resources Theory (JD-R Theory) explains that working conditions are influenced by two main components: job demands and job resources. Job demands are the demands of work that require continuous physical and psychological effort, while job resources are resources that help employees achieve work goals, mitigate the impact of job demands, and encourage individual growth and development (Bakker & Demerouti, 2017). In its development, JD-R Theory explains that the availability of job resources plays an important role in increasing intrinsic motivation, work engagement, and various positive work behaviors, while reducing negative consequences such as work burnout and the desire to leave the organization (Bakker & Demerouti, 2017). In the context of this research, transformational leadership is viewed as a form of job resource because it provides support, inspiration, feedback, and development opportunities to employees. This support creates a more psychologically safe work environment, increases work engagement, and ultimately contributes to lower turnover intention. Therefore, JD-R Theory serves as a theoretical foundation explaining the motivational mechanisms linking transformational leadership to the psychological state and work behavior of Generation Z employees.

Hypothesis Development

Transformational Leadership and Psychological Safety

Transformational leadership is a leadership style that emphasizes providing inspiration, individual attention, and intellectual stimulation to encourage employee development (Bass, 1999; Bruce J. Avolio, 2013). In the perspective of Social Exchange Theory (SET), the relationship between leaders and employees is based on the principle of reciprocity, so that the support, trust, and attention given by leaders will be responded to through positive attitudes from employees (Cropanzano & Mitchell, 2005). Transformational leadership that demonstrates openness, provides opportunities for participation, and values employee ideas and opinions can create a psychologically safe work environment, a condition where individuals feel comfortable expressing their opinions, taking interpersonal risks, and learning without fear of negative consequences (Edmondson, 1999). Furthermore, from the perspective of Job Demands–Resources Theory, transformational leadership can be viewed as a job resource that provides social and emotional support, thereby strengthening employees' sense of psychological safety. Empirical findings also indicate that leadership quality has a positive relationship with psychological safety (Frazier et al., 2017), while research Bader et al., (2023). This study demonstrates that transformational leadership plays a role in improving employees' positive psychological well-being. Based on these theoretical foundations and empirical findings, this study proposes the following hypothesis.

H1: Transformational Leadership has a positive influence on Psychological Safety.

Transformational Leadership and Work Engagement

Transformational leadership is a leadership style that is able to inspire, motivate, and provide individual attention to employees, thereby encouraging the development of positive work behavior (Bass, 1999). From the perspective of Social Exchange Theory (SET), the support, trust, and attention given by leaders will be responded to by employees through increased involvement in work as a form of reciprocity for the positive treatment received (Cropanzano & Mitchell, 2005). Meanwhile, Job Demands–Resources Theory (JD-R) explains that transformational leadership is a job resource that can increase intrinsic motivation, provide meaning to work, and help employees cope with job demands, thus encouraging work engagement (Bakker & Demerouti, 2017). Employees who receive support from leaders tend to show higher levels of vigor, dedication, and absorption as key dimensions of work engagement (Schaufeli et al., 2002). Empirical findings also show that organizational support and leadership have a positive influence on work engagement (Saks, 2006). Research result Bader et al., (2023). This study also confirmed that transformational leadership has a significant influence on increasing employee work engagement. Based on these theoretical foundations and empirical findings, the following hypothesis is proposed.

H2: Transformational Leadership has a positive influence on Work Engagement.

Psychological Safety and Turnover Intention

Psychological safety is a condition where employees feel safe to express opinions, put forward ideas, and take interpersonal risks without fear of negative consequences (Edmondson, 1999). From the perspective of Social Exchange Theory (SET), a work environment that provides a sense of security, trust, and support will encourage the formation of positive reciprocal relationships between employees and the organization (Cropanzano & Mitchell, 2005). When employees feel valued and accepted, they tend to have higher levels of job satisfaction, build better interpersonal relationships, and demonstrate a stronger commitment to the organization, resulting in a lower desire to leave. Empirical findings support this relationship. Hebles et al., (2022) shows that psychological safety contributes to creating a conducive work environment, thereby reducing turnover intention. Jun et al., (2023) found that employees who perceive high levels of psychological safety tend to have a stronger attachment to the organization and show a lower tendency to leave their jobs. Based on these theoretical foundations and empirical findings, the following hypotheses are proposed.

H3: Psychological Safety has a negative effect on Turnover Intention.

Work Engagement and Turnover Intention

Work engagement is a positive psychological condition characterized by vigor, dedication, and absorption, which reflects the level of energy, enthusiasm, and full involvement of employees in their work (Schaufeli et al., 2002). From the perspective of Social Exchange Theory (SET), employees who receive positive support and treatment from the organization will reciprocate through attitudes and behaviors that benefit the organization, one of which is by increasing work engagement and reducing the desire to leave the organization (Cropanzano & Mitchell, 2005). Employees who have a high level of work engagement tend to have a stronger emotional attachment to their work, show a higher level of commitment, and are more motivated to contribute to the organization, so the tendency to look for another job is lower (Saks, 2006). Empirical findings support this relationship. Ntseke et al., (2022) found that work engagement negatively impacts turnover intention, where employees who are more emotionally and cognitively engaged in their work are less likely to leave the organization. These results are supported by Thahrim et al., (2025) which shows that increased work engagement contributes to lower turnover intention and is an important mechanism for employee retention. Based on these theoretical foundations and empirical findings, the following hypotheses are proposed.

H4: Work Engagement has a negative effect on Turnover Intention.

Transformational Leadership and Turnover Intention

Transformational leadership is a leadership style that is able to inspire, motivate, and provide individual attention to employees so that positive working relationships are created (Bass, 1999). From the perspective of Social Exchange Theory (SET), supportive, fair, and trusting treatment from leaders will encourage employees to reciprocate through positive attitudes toward the

organization, including increased loyalty and reduced desire to leave their jobs (Cropanzano & Mitchell, 2005). Furthermore, Job Demands–Resources Theory (JD-R) explains that transformational leadership is one of the job resources that can improve psychological well-being, provide emotional support, and help employees cope with job demands, thereby reducing withdrawal behavior, including turnover intention (Bakker & Demerouti, 2017). Empirical evidence supports this relationship. ResearchJudge & Piccolo, (2004) showed that transformational leadership has a negative relationship with various negative outcomes, including employees' desire to leave the organization. This finding is supported by Xiong et al., (2023) who found that transformational leadership negatively influences turnover intention in new-generation employees. Based on these theoretical foundations and empirical findings, the following hypothesis is proposed.

H5:Transformational Leadership has a negative effect on Turnover Intention.

The Mediating Role of Psychological Safety in the Relationship between Transformational Leadership and Turnover Intention

Social Exchange Theory (SET) explains that a positive reciprocal relationship between leaders and employees will encourage the formation of attitudes and behavior that benefit the organization (Cropanzano & Mitchell, 2005). In the context of this research, transformational leadership not only directly influences turnover intention but also creates a psychologically safe work environment. Transformational leaders who provide support, trust, individual attention, and opportunities to participate will increase employees' sense of security in expressing ideas, taking interpersonal risks, and contributing without fear of negative consequences (Edmondson, 1999). This condition strengthens employees' attachment to the organization and reduces their tendency to leave their jobs. Empirical findings support this mechanism. Sobaih et al., (2022) shows that psychological safety mediates the relationship between transformational leadership and turnover intention, whereas Durukan et al., (2024) found that leadership that creates a sense of psychological safety can reduce employee turnover intentions by enhancing positive psychological well-being. Based on these theoretical foundations and empirical findings, the following hypotheses are proposed.

H6: Psychological Safety mediates the influence of Transformational Leadership on Turnover Intention.

The Mediating Role of Work Engagement in the Relationship between Transformational Leadership and Turnover Intention

From the perspective of Social Exchange Theory (SET), a positive reciprocal relationship between leaders and employees encourages employees to reciprocate the support received through work attitudes and behaviors that benefit the organization (Cropanzano & Mitchell, 2005). One form of this response is increased work engagement, which is reflected in high levels of vigor, dedication, and full involvement (absorption) in work (Schaufeli et al., 2002).

Transformational leaders who provide inspiration, support, individual attention, and opportunities for development will increase employee work engagement, thereby strengthening commitment to the organization and reducing the tendency to leave. Thus, work engagement acts as a psychological mechanism that explains how transformational leadership can indirectly reduce turnover intention. Empirical findings support this mechanism. Thahrim et al., (2025) shows that work engagement significantly mediates the relationship between transformational leadership and turnover intention. These results are reinforced by Ntseke et al., (2022) who found that transformational leadership can increase work engagement, which ultimately reduces employee turnover intentions. Based on these theoretical foundations and empirical findings, the following hypothesis is proposed.

H7:Work Engagement mediates the influence of Transformational Leadership on Turnover Intention.

METHODOLOGY

This research uses a quantitative approach with this type of research explanatory research, which aims to test causal relationships between variables through hypothesis testing based on numerical data analyzed using statistical procedures (Creswell & Creswell, 2023). This approach was chosen to analyze the influence of transformational leadership on turnover intention with the mediating role of psychological safety and work engagement in Generation Z employees. The study was conducted in Yogyakarta City, Yogyakarta Special Region, which was chosen because it has a relatively high proportion of Generation Z workers and is supported by the development of the service sector, such as education, trade, banking, and the creative industry, so it is considered representative as a research location (BPS DIY, 2025).

In line with the research objectives, the research subjects focused on Generation Z employees working in service sector companies or organizations in Yogyakarta City. The research sample was determined using a random sampling technique purposive sampling, namely a non-probability sampling technique that selects respondents based on certain characteristics according to the research objectives (Bougie & Sekaran, 2019). The respondent criteria include: (1) active Generation Z employees aged 18-28 years, (2) working in a company or service sector organization in Yogyakarta City, and (3) having a minimum work period of six months. Based on these criteria, this study involved 293 respondents, all of whom were obtained through questionnaire distribution and were declared to meet the requirements for analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) (Hair et al., 2021).

Research data was collected through a structured questionnaire distributed to respondents who met the research criteria. All items were measured using a five-point Likert scale, with a score range of 1 (strongly disagree) to 5 (strongly agree) (Bougie & Sekaran, 2019). The research instrument was compiled based on indicators that have been validated in previous research. The transformational leadership variable was adapted from Bass, (1999), psychological safety refers toEdmondson, (1999), work engagement uses the

Utrecht Work Engagement Scale (UWES) instrument developed by Schaufeli et al., (2002), while turnover intention is adapted from Bothma & Roodt, (2013). The use of these instruments aims to ensure that each construct is measured using indicators that have validity and reliability that have been tested in various previous studies.

The collected data was then analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS 4 software. The PLS-SEM method was chosen because it is able to analyze complex relationships between latent variables, accommodate research models involving mediating variables, and is suitable for research oriented towards testing and developing theories (Hair et al., 2021). Data analysis was conducted in three stages. The first stage was the evaluation of the measurement model (outer model) to test the validity and reliability of the constructs through convergent validity, discriminant validity, composite reliability, and Cronbach's alpha tests. The second stage was the evaluation of the structural model (inner model) to examine the relationship between latent variables through the path coefficient, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The final stage was carried out through a bootstrapping procedure to test the significance of direct and indirect influences based on t-statistics and p-values (Hair et al., 2021).

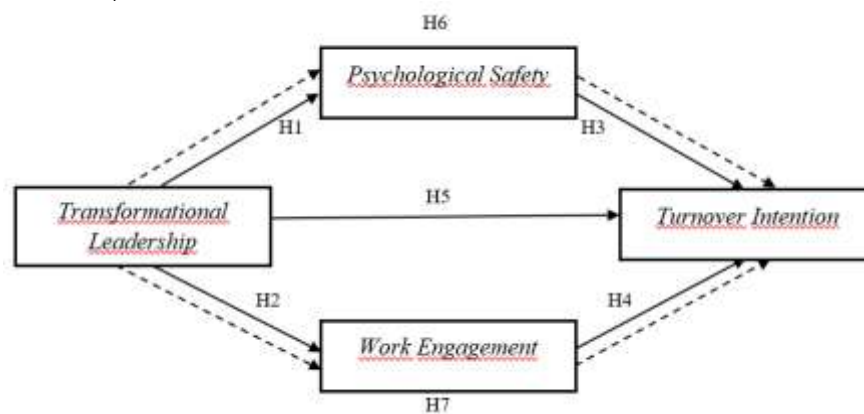


Figure 1. Research Framework

RESEARCH RESULTS

Respondent Characteristics

Table 1. Respondent Characteristics

Demographic	Amount	Percentage (%)
Gender		
Male	134	45.73%
Female	159	54.27%
Age		
18 - 22 Years	98	33.45%
23 - 28 Years	195	66.55%
Length of work		
6 - 12 Months	68	23.21%
13 years old	139	47.44%
> 3 Years	86	29.35%
Type of Workplace		
Food & Beverage (F&B)	88	30.03%
Retail	72	24.57%
Creative/Digital Services	47	16.04%
Hotel/Hospitality	42	14.33%
Education/Tutoring	41	13.99%
Others (Construction, Government, etc.)	3	1.02%
Position/Title		
Staff/Employees	151	51.54%
Customer Service	49	16.72%
Team Leader	40	13.65%
Admin	38	12.97%
Supervisor	15	5.12%

Based on the results of descriptive analysis, this study involved 293 respondents, all of whom were Generation Z employees in the service sector in Yogyakarta City. The majority of respondents were female (54.27%) and were in the age range of 23-28 years (66.55%), indicating that most respondents had entered the early phase of their professional careers. In terms of work experience, respondents were dominated by employees with 1-3 years of service (47.44%). Based on the type of workplace, most respondents came from the Food & Beverage (F&B) sector (30.03%), while based on job position, they were dominated by staff/employees (51.54%). These characteristics indicate that the research sample has represented Generation Z employees working in various service subsectors and job levels, thus being considered in accordance with the research objectives.

Evaluation of the Measurement Model

Evaluation measurement model Validation was conducted to ensure that each construct met the validity and reliability criteria before testing the structural model. Testing included factor loading, Average Variance Extracted (AVE),

Cronbach's Alpha, Composite Reliability, and discriminant validity using the Fornell-Larcker Criterion. The test results showed that all constructs met the recommended criteria, thus the research instrument was declared valid and reliable for use in the next analysis stage.

Table 2. Measurement Model Evaluation Results

Variables	Loading Factor	AVE	Cronbach's Alpha	Information
Transformational Leadership	0.889–0.983	0.879	0.983	Valid & Reliable
Psychological Safety	0.895–0.962	0.866	0.969	Valid & Reliable
Work Engagement	0.895–0.964	0.886	0.978	Valid & Reliable
Turnover Intention	0.885–0.976	0.895	0.976	Valid & Reliable

Based on the Table 2, all indicators have loading factor values ranging from 0.889 to 0.983, thus exceeding the minimum value of 0.70 recommended by Hair et al. (2021). The Average Variance Extracted (AVE) values for all constructs are also above the minimum limit of 0.50, namely 0.879 for Transformational Leadership, 0.866 for Psychological Safety, 0.886 for Work Engagement, and 0.895 for Turnover Intention. Furthermore, the Cronbach's Alpha values for all constructs are in the range of 0.969 to 0.983, indicating an excellent level of internal consistency. Supported by the Composite Reliability values that have also met the minimum limit of 0.70, all constructs are declared valid and reliable and therefore suitable for use in testing the structural model.

Table 3. Discriminant Validity Test Results (Fornell-Larcker Criterion)

Variables	Psychological Safety	Transformational Leadership	Turnover Intention	Work Engagement
<i>Psychological Safety</i>	0.931			
<i>Transformational Leadership</i>	0.875	0.938		
<i>Turnover Intention</i>	0.630	0.761	0.946	
<i>Work Engagement</i>	0.278	0.335	0.780	0.941

Next, discriminant validity was evaluated using *Fornell–Larcker Criterion*. The results in Table 3 show that the square root of the AVE value for each construct is greater than the correlation value with other constructs. Thus, each construct has a good ability to differentiate the concept being measured from other constructs. These results indicate that all variables have met the criteria for discriminant validity, thus the measurement model is declared to meet the

validity and reliability requirements for further evaluation of the structural model.

Evaluation of Structural Models

After the measurement model has been declared to meet the validity and reliability criteria, the next step is to evaluate the structural model to test its ability to explain the relationships between latent variables. This evaluation is carried out by testing the coefficient of determination (R^2) and effect size (f^2) according to the PLS-SEM analysis procedure recommended by Hair et al. (2021).

Table 4. *Coefficient of Determination (R^2)*

Endogenous Construct	R^2 value	Category
Psychological Safety	0.766	Strong
Work Engagement	0.112	Weak
Turnover Intention	0.892	Strong

Based on Table 4, the Psychological Safety construct has an R^2 value of 0.766, indicating that 76.6% of the variation in Psychological Safety can be explained by Transformational Leadership. The Work Engagement construct has an R^2 value of 0.112, indicating that 11.2% of the variation in Work Engagement is explained by the variables influencing it in the research model. Meanwhile, the Turnover Intention construct obtained an R^2 value of 0.892, indicating that 89.2% of the variation in Turnover Intention can be explained by Transformational Leadership, Psychological Safety, and Work Engagement. Overall, these results indicate that the structural model has good explanatory power, especially in explaining the variables Psychological Safety and Turnover Intention (Hair et al., 2021).

Table 5. *Effect Size (f^2)*

Relationship between variables	f^2 value	Category
Transformational Leadership → Psychological Safety	3,269	Strong
Transformational Leadership → Work Engagement	0.127	Weak
Transformational Leadership → Turnover Intention	0.917	Strong
Psychological Safety → Turnover Intention	0.029	Weak
Work Engagement → Turnover Intention	2,842	Strong

Test results effect size The f^2 in Table 5 shows that Transformational Leadership has a strong influence on Psychological Safety ($f^2 = 3.269$) and Turnover Intention ($f^2 = 0.917$). Furthermore, Work Engagement also has a strong influence on Turnover Intention ($f^2 = 2.842$). Conversely, the influence of Transformational Leadership on Work Engagement ($f^2 = 0.127$) and Psychological Safety on Turnover Intention ($f^2 = 0.029$) is in the weak category. These findings indicate that the magnitude of the influence between variables in the research model varies, with the largest contributions shown by the relationship between Transformational Leadership and Psychological Safety, and between Work Engagement and Turnover Intention (Hair et al., 2021).

Hypothesis Testing

Table 6. Direct Effect Test Results

Hypothesis	Relationship Path	Coefficient (β)	t- statistics	p- values	Decision
H1	Transformational Leadership → Psychological Safety	0.88	54.93	0	Accepted
H2	Transformational Leadership → Work Engagement	0.34	6.84	0	Accepted
H3	Psychological Safety → Turnover Intention	-0.12	2.31	0.02	Accepted
H4	Work Engagement → Turnover Intention	0.59	29.77	0	Accepted
H5	Transformational Leadership → Turnover Intention	0.66	14.52	0	Accepted

Based on Table 6, all direct relationships in the research model showed a p-value <0.05, so all hypotheses were immediately accepted. Transformational Leadership was proven to have a significant effect on Psychological Safety, Work Engagement, and Turnover Intention. Furthermore, Psychological Safety also had a significant effect on Turnover Intention, while Work Engagement was proven to have a significant effect on Turnover Intention. These results indicate that the relationships between variables proposed in the research model received empirical support based on the PLS-SEM analysis.

Table 7. Indirect Effect Test Results

Hypothesis	Mediation Path	Coefficient (β)	t- statistics	p- values	Decision
H6	Transformational Leadership → Psychological Safety → Turnover Intention	-0.101	2,318	0.021	Accepted
H7	Transformational Leadership → Work Engagement → Turnover Intention	0.197	8,184	0	Accepted

The results of the indirect effect test in Table 7 shows that both mediation paths have a p-value < 0.05 , so all mediation hypotheses are declared accepted. Psychological Safety is proven to mediate the relationship between Transformational Leadership and Turnover Intention with a coefficient value of -0.101 , t-statistics of 2.318 , and a p-value of 0.021 . In addition, Work Engagement is also proven to mediate the relationship between Transformational Leadership and Turnover Intention with a coefficient value of 0.197 , t-statistics of 8.184 , and a p-value of 0.000 . These findings indicate that the influence of Transformational Leadership on Turnover Intention does not only occur directly, but also through psychological mechanisms in the form of Psychological Safety and Work Engagement.

Summary of Research Findings

The results of the study show that transformational leadership plays a significant role in influencing psychological safety, work engagement, and turnover intention among Generation Z employees in the Yogyakarta City service sector. Hypothesis testing shows that transformational leadership has a significant effect on psychological safety, work engagement, and turnover intention. Furthermore, psychological safety and work engagement are also proven to have a significant effect on turnover intention. The results of the mediation test indicate that psychological safety and work engagement are able to mediate the relationship between transformational leadership and turnover intention. Overall, these findings indicate that the implementation of transformational leadership is not only able to reduce the tendency of employees to leave the organization directly, but also through the creation of a psychologically safe work environment and increasing employee engagement in work. These findings also strengthen the Social Exchange Theory (SET) and Job Demands-Resources (JD-R) Theory in explaining the mechanism of the relationship between leadership, psychological conditions, and work behavior in Generation Z employees.

DISCUSSION

The Influence of Transformational Leadership on Psychological Safety

The results of the study indicate that transformational leadership has a positive and significant effect on psychological safety, thus the first hypothesis is accepted. This finding indicates that the higher the implementation of transformational leadership, the higher the level of psychological safety felt by Generation Z employees in the service sector of Yogyakarta City. Leaders who are able to provide inspiration, individual support, intellectual stimulation, and serve as role models encourage the creation of an open work environment so that employees feel safe to express opinions, put forward ideas, and admit mistakes without fear of negative consequences. This finding supports the Social Exchange Theory (SET), which explains that positive treatment from leaders will be reciprocated by employees through the emergence of trust, a sense of security, and mutually beneficial reciprocal relationships. The results of this study are in line with research Newman et al., (2017) And Edmondson, (1999). This study

demonstrates that transformational leadership can build psychological safety through open communication and interpersonal support. Therefore, organizations need to encourage leaders to adopt transformational leadership behaviors to create a psychologically safe work environment, especially for Generation Z employees who value openness and participation in their work.

The Influence of Transformational Leadership on Work Engagement

The results of the study indicate that transformational leadership has a positive and significant effect on work engagement, thus accepting the second hypothesis. This indicates that transformational leadership can increase employee engagement with their work by providing motivation, inspiration, individual attention, and opportunities for development. This finding aligns with Job Demands-Resources (JD-R) Theory, which states that leadership is a job resource capable of increasing intrinsic motivation, thus encouraging work engagement (Bakker & Demerouti, 2017). This study found that transformational leadership increases employee enthusiasm, dedication, and engagement in their work. Therefore, organizations need to develop leadership competencies that can provide support and inspiration to employees to increase work engagement.

The Influence of Transformational Leadership on Turnover Intention

The results of the study indicate that transformational leadership has a significant effect on turnover intention, thus the third hypothesis is accepted. This finding indicates that leadership quality plays a significant role in influencing employees' desire to remain within the organization. Leaders who are able to build positive relationships, provide appreciation, and demonstrate concern for employee needs will create higher-quality working relationships and reduce the tendency for employees to leave the organization. This finding supports Social Exchange Theory (SET), which explains that positive reciprocal relationships between leaders and employees will increase commitment and reduce the desire to leave the organization. The results of this study indicate that transformational leadership can reduce turnover intention. Therefore, organizations need to make the development of transformational leadership one of the main strategies in retaining Generation Z talent.

The Influence of Psychological Safety and Work Engagement on Turnover Intention

The results of the study indicate that psychological safety and work engagement have a significant effect on turnover intention, thus the fourth and fifth hypotheses are accepted. Employees who feel psychologically safe tend to feel comfortable at work and are more confident in contributing, while employees with high work engagement will show stronger dedication and attachment to the organization, thus lowering the tendency to leave their jobs. These findings are in line with Social Exchange Theory (SET) and Job Demands-Resources (JD-R) Theory, which explain that a supportive work environment and the availability of job resources will result in a positive work attitude and reduce turnover intentions. The results of this study are also consistent with research

Frazier et al., (2017) regarding psychological safety as well Schaufeli et al., (2002) regarding work engagement. These findings suggest that organizations need not only to build effective leadership but also to create a safe work environment and increase employee engagement in an effort to reduce turnover intention.

The Mediation Role of Psychological Safety

The results of the study indicate that psychological safety mediates the relationship between transformational leadership and turnover intention, thus the mediation hypothesis is accepted. This finding suggests that transformational leadership not only directly influences turnover intention but also through the creation of a sense of psychological safety in the work environment. This condition supports Social Exchange Theory (SET), where positive treatment from leaders builds trust and psychological safety, which then encourages employees to maintain relationships with the organization. This finding aligns with research. Newman et al., (2017) which emphasizes that psychological safety is an important mechanism explaining the influence of leadership on various positive work behaviors. Therefore, improving psychological safety is one strategy organizations can implement to reduce turnover intention.

The Mediation Role of Work Engagement

The results of the study indicate that work engagement mediates the relationship between transformational leadership and turnover intention, thus the mediation hypothesis is accepted. This finding indicates that transformational leadership can increase employee engagement with work, which ultimately contributes to reducing the tendency to leave the organization. These results support the Job Demands–Resources (JD-R) Theory, which explains that leadership as a job resource can increase work motivation and result in higher work engagement, thereby reducing turnover intention (Bakker & Demerouti, 2017). This finding is also consistent with research Schaufeli et al., (2002). Thus, organizations need to develop leadership practices that can increase employee engagement with their work as a strategy to retain Generation Z talent.

Research Contributions

Overall, this study provides theoretical and practical contributions in the development of studies on turnover intention among Generation Z employees. From a theoretical perspective, this study strengthens the application of Social Exchange Theory (SET) and Job Demands-Resources (JD-R) Theory in explaining how transformational leadership influences turnover intention both directly and through the mechanisms of psychological safety and work engagement. In addition, this study enriches the literature by integrating these two mediating variables in one research model in the context of Generation Z employees in the Indonesian service sector, which is still relatively limited. From a practical perspective, the research findings indicate that organizations need to develop transformational leadership that is able to create a psychologically safe work environment and increase employee work engagement as a strategy to retain Generation Z talent and reduce their tendency to leave the organization.

CONCLUSION AND RECOMMENDATIONS

The results of the study indicate that transformational leadership plays a significant role in influencing psychological safety, work engagement, and turnover intention among Generation Z employees working in the service sector in Yogyakarta City. Transformational leadership has been shown to significantly influence psychological safety and work engagement, as well as turnover intention. Furthermore, psychological safety and work engagement have also been shown to significantly influence turnover intention. The results of the mediation test indicate that both variables are able to mediate the relationship between transformational leadership and turnover intention. These findings indicate that organizational efforts to reduce the tendency of Generation Z employees to leave the organization depend not only on the implementation of transformational leadership, but also on the organization's ability to create a psychologically safe work environment and increase employee engagement in their work.

ADVANCED RESEARCH

Practically, the results of this study provide implications that organizations, particularly in the service sector, need to develop transformational leadership competencies through leadership training and development programs that can build open communication, trust, and support for employees. Organizations also need to create a work culture that encourages psychological safety and increases work engagement as a strategy to retain Generation Z talent and reduce turnover intention. This study has limitations because it used a cross-sectional research design that cannot explain long-term causal relationships, and only involved respondents from the service sector in Yogyakarta City, so the results have limited generalizability. Therefore, further research is recommended to use a longitudinal design, expand the coverage of regions and industrial sectors, and consider the addition of other variables such as organizational commitment, job satisfaction, or perceived organizational support to gain a more comprehensive understanding of the factors that influence turnover intention in Generation Z employees.

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