

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN IMPROVING WORK ENGAGEMENT THROUGH EMPLOYEE WELL BEING: IMPLICATIONS FOR SDGS IN THE MANUFACTURING INDUSTRY IN SURABAYA

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Abstract:

This study aims to analyze the effect of Corporate Social Responsibility (CSR) on work engagement through employee well-being in the manufacturing industry in Surabaya. A quantitative approach was employed by collecting data through employee surveys, which were analyzed using PLS-SEM path analysis to examine causal relationships among variables. The results indicate that CSR positively influences employee well-being. Furthermore, employee well-being fully mediates the relationship between CSR and work engagement, while the direct effect of CSR on work engagement is not significant. These findings highlight that CSR programs initiatives are more effective in fostering engagement when they enhance employees' physical, psychological, and social conditions. Practically, this study suggests that effective CSR implies that well-targeted CSR implementation can strengthen productivity and innovation capacity while also supporting sustainable development through improved employee health, decent work, economic growth, and human capital development.

Keyword: Corporate Social Responsibility; Employee Well-Being; Work Engagement; Manufacturing Industry; Sustainable Development

1. Introduction

The manufacturing industry in Indonesia is currently facing intensifying competitive pressures driven by globalization, rapid technological advancement, and increasingly dynamic market demands (Komalasari et al., 2025). In response to these challenges, organizations are required not only to improve operational efficiency and innovation capacity but also to strengthen human resource management practices that support sustainable performance. Beyond technical competence, psychological factors and employee well-being have become critical determinants of organizational competitiveness (Komalasari et al., 2025).

Within this context, work engagement has emerged as a key organizational outcome. Work engagement refers to a positive, fulfilling, and work-related psychological state characterized by vigor, dedication, and absorption (Schaufeli et al., 2022). Employees who exhibit high levels of work engagement demonstrate stronger resilience, enthusiasm, and full involvement in their tasks, which ultimately contribute to enhanced productivity, innovation, and job satisfaction. Conversely, low engagement levels may hinder organizational performance and long-term sustainability (Sabila & Izzati, 2025).

One strategic approach increasingly adopted to foster positive employee attitudes is the implementation of Corporate Social Responsibility (CSR). While CSR is traditionally associated with external stakeholders, its internal dimension plays a significant role in shaping the quality of the work environment. Internal CSR encompasses initiatives such as occupational health and safety, training and development programs, fulfillment of employee rights, and welfare policies (Ramdhan et al., 2022). These initiatives reflect organizational commitment to employee welfare and may influence employees' perceptions of organizational support (Widhi et al., 2024).

Grounded in social exchange theory (Blau, 1964), employees are likely to reciprocate perceived organizational support with positive work-related attitudes and behaviors. When CSR initiatives are perceived as genuine organizational investments in employee welfare, employees may respond with stronger psychological attachment and engagement. However, the mechanism through which CSR influences work engagement remains theoretically and empirically underexplored.

A critical mechanism that may explain this relationship is employee well-being, defined as employees' physical, psychological, and social welfare within the workplace (Fransiska & Turangan, 2025). Effective CSR practices may enhance well-being by creating safe, supportive, and equitable work environments. In turn, well-being provides essential emotional and psychological resources that enable employees to invest themselves more fully in their work roles. Thus, employee well-being may function as an important mediating mechanism linking CSR to work engagement (Widhi et al., 2024).

Although prior studies have examined the relationship between CSR and work engagement, most research has primarily focused on direct effects, with limited attention to underlying psychological mechanisms. Furthermore, empirical evidence remains scarce in labor-intensive manufacturing contexts within emerging economies, particularly in Surabaya, Indonesia. Given the demanding nature of manufacturing work environments—characterized by production targets, routine processes, and physical intensity—the role of well-being as a mediating factor warrants deeper investigation.

In addition to its theoretical relevance, examining the CSR–well-being–engagement linkage also holds practical and global significance. CSR initiatives that enhance employee well-being align with the Sustainable Development Goals (SDGs), particularly SDG 3 (Good Health and Well-Being), SDG 8 (Decent Work and Economic Growth), and SDG 9 (Industry, Innovation, and Infrastructure) (Han et al., 2024). Therefore, understanding this mechanism contributes not only to organizational sustainability but also to broader global development objectives.

Based on the above arguments, this study proposes the following hypotheses:

H1: Corporate Social Responsibility positively affects Employee Well-Being.

H2: Corporate Social Responsibility positively affects Work Engagement.

H3: Employee Well-Being positively affects Work Engagement.

H4: Employee Well-Being mediates the effect of Corporate Social Responsibility on Work Engagement.

Accordingly, this study aims to examine the direct and indirect effects of CSR on work engagement through employee well-being within the manufacturing industry in Surabaya. By positioning employee well-being as a mediating mechanism, this research contributes to the micro-level CSR literature and provides practical insights for strengthening organizational sustainability and supporting the achievement of the Sustainable Development Goals.

2. Research Methods

2.1. Object, Time, and Location

The object of this study is operational employees in manufacturing companies who are directly involved in daily production processes in Surabaya. The research was conducted in January 2026. Data were collected through the distribution of online questionnaires to facilitate respondent access and improve efficiency in reaching research participants.

2.2. Data Collection Technique

Data were obtained using a questionnaire instrument measured with a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). This scale is considered effective in quantitatively measuring respondents' perceptions, attitudes, and opinions and supports statistical analysis requirements (Hair et al., 2022).

2.3. Data Analysis Technique

Data analysis was conducted using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS). According to Hair et al. (2022), the PLS-SEM analysis procedure consists of three main stages:

- Measurement model evaluation (outer model): This stage aims to test the validity and reliability of indicators for each construct to ensure that all items adequately represent the measured variables.
- Structural model evaluation (inner model): This stage assesses the relationships among latent constructs, including examining the coefficient of determination (R^2) to determine the extent to which independent variables explain dependent variables.
- Path coefficient testing: This test aims to determine the direction and significance of relationships among variables and to test the hypotheses.

3. Results and Conclusion

3.1. Results Research

a. Convergent Validity

Table 1. Loading Factor

| | Corporate Social Responsibility | Employee Well-Being | Work Engagement |
|----|---------------------------------|---------------------|-----------------|
| X1 | 0.859 | | |

| | | |
|----|-------|-------|
| X2 | 0.783 | |
| X3 | 0.789 | |
| X4 | 0.872 | |
| Y1 | | 0.913 |
| Y2 | | 0.859 |
| Y3 | | 0.874 |
| Y4 | | 0.874 |
| Z1 | | 0.948 |
| Z2 | | 0.887 |
| Z3 | | 0.900 |

Source: Author processed

The analysis results indicate that all indicators used to measure corporate social responsibility, employee well-being, and work engagement have outer loading values greater than 0.70, ranging from 0.783 to 0.948. These values indicate that each indicator adequately represents its respective construct. Thus, the latent constructs explain the majority of their indicator variance, and the research instrument meets convergent validity criteria.

b. Discriminant Validity

Table 2. Square root of AVE

| | Corporate Social Responsibility | Employee Well-Being | Work Engagement |
|---------------------------------|---------------------------------|---------------------|-----------------|
| Corporate Social Responsibility | 0.827 | | |
| Employee Well-Being | 0.384 | 0.880 | |
| Work Engagement | 0.430 | 0.851 | 0.912 |

Source: Author processed

Discriminant validity was tested using the Fornell–Larcker criterion. The results show that the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlations with other constructs. This finding confirms that each construct has unique characteristics and does not overlap with others, indicating that the measurement model satisfies discriminant validity.

c. Composite Reliability

Table 3. Composite reliability

| | Cronbach's Alpha | Composite reliability (rho c) |
|--|------------------|-------------------------------|
| <i>Corporate Social Responsibility</i> | 0.827 | 0.896 |
| <i>Employee Well-Being</i> | 0.384 | 0.932 |
| <i>Work Engagement</i> | 0.430 | 0.937 |

Source: Author processed

Reliability analysis shows that all constructs have Cronbach's Alpha and Composite Reliability values greater than 0.70, ranging from 0.827 to 0.937. This indicates a very good level of internal consistency, meaning the research instrument is reliable and suitable for hypothesis testing in the structural model.

d. R-square

Table 4. Nilai R-square

| | R-square |
|----------------------------|----------|
| <i>Employee Well-Being</i> | 0.147 |
| <i>Work Engagement</i> | 0.736 |

Source: Author processed

The R-square value reflects the ability of independent variables to explain the variance of dependent variables. The employee well-being variable has an R² value of 0.147, meaning corporate social responsibility explains 14.7% of the variance in employee well-being, while 85.3% is influenced by other factors outside the research model. This effect is categorized as weak. Meanwhile, the work engagement variable has an R² value of 0.736, indicating that corporate social responsibility and employee well-being simultaneously explain 73.6% of the variance in work engagement, while 26.4% is explained by other variables outside the study. This effect is categorized as strong.

e. Hypothesis Testing

Table 5. Path coefficient

| | Original Sample (O) | T-Statistics | P-Values |
|--|---------------------|--------------|----------|
| <i>Corporate Social Responsibility -> Employee Well-Being</i> | 0.384 | 3.706 | 0.000 |
| <i>Corporate Social Responsibility -> Work Engagement</i> | 0.122 | 1.109 | 2.67 |
| <i>Employee Well-Being -> Work Engagement</i> | 0.804 | 9.835 | 0.000 |
| <i>Corporate Social Responsibility -> Employee Well-Being -> Work Engagement</i> | 0.309 | 3.279 | 0.000 |

Source: Author processed

H1 states that Corporate Social Responsibility positively and significantly affects Employee Well-Being. The test results show a significant effect with an original sample value of 0.384, T-statistics of 3.706, and P-value of 0.000. Thus, H1 is accepted. This indicates that the better employees perceive CSR programs, the higher their level of well-being.

H2 states that Corporate Social Responsibility positively affects Work Engagement. The results show that the direct effect is not significant, with an original sample of 0.122, T-statistics of 1.109, and P-value of 0.267. Therefore, H2 is rejected. This means CSR alone is not sufficient to directly increase work engagement without a mediating factor.

H3 states that Employee Well-Being positively affects Work Engagement. The results show a very strong positive effect with an original sample of 0.804, T-statistics of 9.853, and P-value of 0.000. Thus, H3 is accepted. Employee well-being is a primary factor in enhancing work engagement.

H4 states that Employee Well-Being mediates the effect of Corporate Social Responsibility on Work Engagement. The results indicate that the indirect effect is significant, with an original sample of 0.309, T-statistics of 3.279, and P-value of 0.001. Therefore, H4 is accepted, and the mediation is categorized as full mediation. This means CSR can only increase work engagement if it successfully enhances employee well-being first.

3.2. Discussion

The findings of this study indicate that corporate social responsibility (CSR) positively affects employee well-being. This result suggests that the implementation of internal CSR practices—such as training provision, fair treatment, and various welfare programs—can enhance employees’ physical, psychological, and social conditions. Within the organizational context, corporate attention to employee needs fosters a perception of support that strengthens feelings of security and comfort at work. This condition encourages positive evaluations of the work environment, thereby improving employee well-being.

These findings are consistent with the studies of Fransiska and Turangan (2025) and Widhi et al. (2024), which emphasize that internal CSR practices play a significant role in fostering employee well-being. Furthermore, the results reinforce the framework of social exchange theory (Blau, 1964), which highlights reciprocal relationships when employees perceive tangible benefits from their organization. Corporate initiatives implemented through CSR are perceived as a form of social investment, which employees reciprocate through positive work-related attitudes.

However, the direct effect of CSR on work engagement was found to be insignificant. This result indicates that the presence of CSR programs does not automatically enhance work engagement if employees do not experience direct improvements in their personal well-being. In other words, CSR requires a specific psychological mechanism before it can be translated into energy, dedication, and full involvement in work activities.

Within the manufacturing industry, which is characterized by production targets, repetitive routines, and substantial physical demands, well-being represents a fundamental need that must first be fulfilled. Without a sense of well-being, CSR initiatives may be perceived merely as administrative policies rather than genuine organizational support. This finding aligns with Han et al. (2024), who argue that work engagement is more strongly influenced by internal psychological processes than by the mere existence of CSR programs.

Furthermore, this study demonstrates that employee well-being has a positive and significant effect on work engagement. Employees who feel physically healthy, psychologically stable, and socially connected at work tend to exhibit higher levels of vigor, dedication, and absorption. Well-being provides the emotional and psychological resources necessary for individuals to fully invest themselves in their work roles. These findings support Schaufeli et al. (2022), who position psychological conditions as key determinants of work engagement.

The mediation analysis further reveals that employee well-being fully mediates the relationship between CSR and work engagement. This indicates that CSR becomes effective in increasing work engagement only when it successfully enhances employee well-being. Thus, well-being functions as a crucial mechanism linking organizational policies with employees' behavioral responses.

This finding strengthens the arguments of Han et al. (2024) and Schaufeli et al. (2022), who emphasize the importance of internal mechanisms in explaining how CSR influences work outcomes. This study provides empirical evidence that the relationship between CSR and work engagement is indirect and operates through psychological processes experienced by employees. Nevertheless, other variables outside the research model—such as organizational culture, leadership style, or intrinsic motivation—may also contribute to explaining variations in work engagement.

CSR programs oriented toward improving employee well-being contribute strategically to the achievement of the Sustainable Development Goals (SDGs) (United Nations, 2015). Based on the findings of this study, CSR enhances employee well-being, which subsequently promotes work engagement. First, physical and psychological well-being reflect alignment with SDG 3: Good Health and Well-Being, as companies play a role in creating safe, healthy, and high-quality work environments. Second, improved well-being strengthens employees' motivation, energy, and dedication, leading to higher productivity and work quality. This condition aligns with SDG 8: Decent Work and Economic Growth, particularly in promoting productive employment and sustainable economic growth through human resource development. Third, employees who experience well-being demonstrate greater capacity to develop competencies, adapt to technological changes, and generate innovation in production processes. Accordingly, CSR practices also contribute to SDG 9: Industry, Innovation, and Infrastructure, especially by strengthening human resource quality as a driver of manufacturing competitiveness. Thus, CSR generates benefits not only at the individual employee level but also serves as an essential mechanism linking internal organizational sustainability with the broader global development agenda.

3.3. Linkage to Research Objectives

The findings directly address the research objective, which was to examine the effect of corporate social responsibility on work engagement through employee well-being. The results demonstrate that employee well-being constitutes the primary mechanism linking CSR to work engagement. The effectiveness of CSR implementation in enhancing engagement depends significantly on the extent to which such programs improve employees' physical, psychological, and social conditions.

This insight provides practical guidance for management in designing CSR policies that focus more specifically on well-being dimensions. Psychological well-being may be strengthened through mental health support initiatives, stress management programs, and the creation of a supportive work environment. Physical well-being may be enhanced through health facilities, fitness initiatives, and occupational safety protection. Social well-being may be fostered through activities that strengthen interpersonal relationships and the implementation of fair reward systems.

Well-designed CSR programs demonstrate the organization's potential contribution to sustainable development. Employees who are physically and psychologically healthy are better positioned to perform optimally. Capacity-building initiatives and equitable recognition systems support productive employment, while competency development fosters innovation and production efficiency. Therefore, effective CSR implementation provides positive implications for organizational performance while reinforcing the company's role in advancing the sustainability agenda.

4. Conclusion

This study confirms that corporate social responsibility plays a significant role in enhancing employee well-being, which subsequently serves as a crucial mechanism in fostering work engagement within the manufacturing industry in Surabaya. The findings indicate that CSR practices do not directly influence work engagement but operate through improvements in employees' physical, psychological, and social conditions. Employee well-being provides the necessary resources that enable individuals to participate more energetically, demonstrate stronger dedication, and become fully immersed in their work. CSR programs that prioritize employee welfare have important implications for productivity, work quality, and innovative capacity. Therefore, strategically implemented CSR initiatives may serve as an

effective managerial approach to strengthening organizational performance while simultaneously demonstrating the company's contribution to achieving sustainable development goals.

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