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Work Environment and Engagement Effects on Employee Performance: The Mediating Role of Mental Health

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Abstract

This study analyzes the influence of the work environment and employee engagement on job performance, while also testing the mediating role of mental health in this relationship. The context is set in Ho Chi Minh City – a dynamic economic center with increasing work pressure, requiring organizations to understand the factors affecting labor performance. Quantitative methods are used, with data collected from surveys of office employees in Ho Chi Minh City. Data analysis is conducted using SPSS and the PLS-SEM linear structural model to test the direct and indirect relationships between variables. The results show that a positive work environment and high levels of engagement

have a positive impact on job performance. In particular, mental health plays a significant mediating role, helping to explain the mechanism through which the work environment and engagement affect performance. The study affirms the importance of building a supportive work environment and promoting engagement within organizations as foundational factors to improve performance. Mental health is identified as a key bridge, playing a mediating role in the relationship between organizational factors and employee work efficiency. Therefore, organizations need to pay more attention to mental health support policies as part of a sustainable human resource development strategy.

Keywords: Job Performance, Work Environment, Engagement, Mental Health

1. Introduction

In the context of globalization and the vigorous ongoing Fourth Industrial Revolution, Vietnamese enterprises are facing constant pressure to innovate in order to survive and develop sustainably. One of the key factors that create a competitive advantage is a high-quality workforce. However, in reality, the quality of labor in Vietnam still has many limitations. According to the General Statistics Office (2024), although the labor market in the first quarter of 2024 experienced slight growth compared to the same period last year, it declined compared to the previous quarter, mainly due to seasonal factors and instability in labor demand. In addition, the shortage of technically skilled workers and low labor productivity remain major challenges. Analysis suggests that low labor productivity not only stems from technological limitations but is also a result of an irrational industry structure and weak workforce qualifications. This indicates that the issue of improving productivity cannot be separated from enhancing the quality of human resources – in terms of both professional expertise and mental and psychological aspects.

In the modern work environment, although job performance is often regarded as the primary measurement indicator, soft factors such as mental health and employee engagement have not received adequate attention. Many businesses still focus on short-term work outcomes while neglecting the development of a sustainable human resource management system that integrates emotional, psychological, and personal development factors. This creates a significant practical gap, especially in major urban areas like Ho Chi Minh City – where workers frequently face high work pressure and a stressful pace of life. Meanwhile, research by (Airila *et al.*, 2014a) ^[1] has demonstrated that when employees have good mental health, they are better able to cope with challenges, increase their confidence levels, and thereby improve their work performance. This study proposes a new approach in which mental health is considered a key mediating variable in the relationship between engagement and job performance.

In Vietnam, studies on the relationship between employee engagement and job performance have been mentioned, but they often stop at direct linear analysis and have not clarified the indirect impact mechanism through psychological factors such as mental health. The lack of systematic and empirical quantitative research in urban contexts like Ho Chi Minh City makes it

difficult for businesses to have a scientific basis for designing effective and appropriate management policies. Therefore, clarifying the mediating role of mental health in the relationship between employee engagement and work performance is a necessary direction, contributing to filling the theoretical and practical gap in modern human resource management.

From an applied perspective, this study has the potential to contribute to the development of practical human resource management solutions, not only helping businesses improve employee engagement but also aiming to improve mental health and thereby improve work performance in a sustainable way. The proposed research model with three main variables: employee engagement (independent variable), mental health (mediating variable) and work performance (dependent variable) will allow for a clearer analysis of the impact mechanism, while opening up new research directions for scholars and managers in the field of human resources. Therefore, the topic "The impact of working environment and employee engagement on work performance in Ho Chi Minh City: Studying the mediating effect of mental health" is not only highly topical and practical, but also feasible and has academic value in the current context of Vietnam.

Although many international studies have addressed the relationship between employee engagement and work performance ((Kahn, 1990); (Bakker & Demerouti, 2008); (Saks, 2006))^[11, 5, 16], most of these studies focus on the context of developed countries, where the working environment is relatively stable and there is a systematic human resource management system. Meanwhile, in Vietnam - an emerging economy with rapid urbanization, constantly shifting industrial structure and increasing competitive pressure - factors such as mental health, intrinsic motivation, or organizational emotion have not been fully integrated into the research model on work performance. This is a notable theoretical gap.

In addition, domestic studies mainly approach work performance from the perspective of skills, professional knowledge, or job satisfaction (Nguyen & Le, 2022), without deeply considering the psychological-emotional role as a mediating factor that can explain the mechanism from engagement to work outcomes. Meanwhile, mental health is a core component of the "well-being" state - a factor increasingly emphasized in modern human resource management. The lack of empirical quantitative studies in the Vietnamese context, especially in dynamic economic centers like Ho Chi Minh City, has made it difficult for businesses to design sustainable, effective engagement programs that meet the psychological and emotional needs of employees.

In addition, most current models only measure the direct linear relationship between work environment, engagement, and performance, overlooking the possibility of mediating or moderating variables - which could help explain more deeply the complex nature of labor behavior in the modern environment. As (Airila *et al.*, 2014b)^[2] pointed out, mental health can serve as a bridge, helping to transform engagement into higher performance. However, in Vietnam, empirical evidence for this relationship remains very limited, with no large-scale studies or models clearly designed for mediation analysis. This is not only an academic gap but also a policy and management gap - where business leaders lack scientific data and analysis to

make informed decisions.

2. Theoretical review

2.1 Social Exchange Theory - SET

The Social Exchange Theory proposed by (Blau, 1986)^[6] provides a solid theoretical foundation for explaining the relationship between employees and organizations. According to this theory, individual behavior in organizations is motivated by the expectation of rewards commensurate with the efforts they put in. Specifically, when employees perceive that they receive care, support, and fair treatment from their organization - such as career development opportunities, a positive work environment, and recognition - they tend to respond positively, such as higher engagement, greater loyalty, and greater efforts to contribute to the overall effectiveness of the organization. This is expected to lead to higher work performance, both quantitatively (productivity) and qualitatively (innovation, initiative, and support for colleagues).

However, while Social Exchange Theory (SET) has been widely applied to explain the relationship between organizational psychological factors such as engagement, commitment, and performance, most previous studies have only focused on testing the direct link between engagement and work performance ((Harter *et al.*, 2002); (Bakker & Bal, 2010))^[9, 4]. Although these studies contribute important value, they have not truly clarified the indirect or mediating mechanisms through which engagement leads to higher performance. Meanwhile, increasing evidence shows that mental health—with components such as positive emotional states, psychological resilience, and stress levels—can be a key mediating factor affecting both employee engagement and their work performance ((Maslach *et al.*, 2001); (Schaufeli & Bakker, 2004))^[13, 18].

This reality presents a significant gap in current research: the lack of models analyzing the mediating role of mental health in the relationship between engagement and performance, especially within the unique cultural, social, and economic context of developing countries like Vietnam. The labor context in Ho Chi Minh City - the largest economic center in the country - characterized by a fast work pace, fierce competitive pressure, and a stressful urban living and working environment, can significantly affect the mental health of workers. However, most domestic studies still tend to measure the components of performance from the perspective of skills, professional knowledge, or physical working conditions, without deeply considering the role of psychological and emotional factors. This leaves businesses lacking scientific grounds to design comprehensive human resource management strategies that combine performance with the sustainable development of people within the organization.

Therefore, this study aims to test a theoretical model in which the engagement of office employees in Ho Chi Minh City partially influences work performance through improvements in mental health. By filling this theoretical gap, the study not only clarifies the impact mechanisms among psychological factors within the organizational environment but also contributes valuable empirical evidence for academics and human resource management practice in Vietnam. The research results are expected to provide specific recommendations to help businesses enhance performance through strategies that nurture engagement and care for employees' mental health - a

factor increasingly regarded as essential "psychological capital" in the modern working era.

2.2 Herzberg's Two-Factor Theory

Herzberg's Two-Factor Theory (Herzberg, 1966) ^[10] is one of the foundational theoretical frameworks with widespread influence in the fields of human resource management and occupational psychology, providing a clear analytical framework for factors that drive work motivation and individual performance. Unlike other theories based on need satisfaction (such as Maslow) or expectancy (Expectancy Theory), Herzberg approaches the issue from the perspective of actual work experience and employees' attitudes toward their jobs. He clearly distinguishes between two main groups of factors affecting work motivation: hygiene factors and motivators.

Hygiene factors – such as company policies, salary, working conditions, and relationships with colleagues and superiors – are necessary to prevent dissatisfaction, but they are not sufficient by themselves to create satisfaction or increase long-term motivation. In contrast, motivator factors – including recognition, opportunities for advancement, the level of challenge in the work, responsibility, and meaningfulness of the job – are the true drivers of internal satisfaction and commitment, leading to sustainable and proactive work performance. According to Herzberg, satisfaction and dissatisfaction do not lie on the same continuum but are two independent phenomena with separate causes. Therefore, eliminating dissatisfaction does not necessarily lead to satisfaction; only by simultaneously enhancing motivator factors can real improvement in work attitudes and behaviors be achieved.

Applying this theory to the research context on employee engagement, it can be seen that engagement is a specific manifestation of intrinsic motivation – nurtured by motivator factors such as learning opportunities, a sense of meaningful work, recognition, and having a real impact within the organization. At the same time, mental health can be seen as an indicator or positive outcome of a work environment rich in motivator factors: when employees feel empowered, valued, and supported, they experience less stress, less burnout, and are better able to cope with challenges. This is consistent with the findings of recent studies, which show the interactive relationship between engagement, mental health, and work performance ((Airila *et al.*, 2014b); (Bakker & Demerouti, 2008)) ^[2, 5].

In the context of today's organizations, especially in major urban areas like Ho Chi Minh City – where the fast pace of life, high work pressure, and intense competition can lead to serious mental stress – relying solely on hygiene factors such as salary increases and material improvements is not enough to retain and maximize employee potential. Businesses need to shift their focus to intrinsic factors that can truly motivate – such as creating a meaningful work environment, encouraging creativity, recognizing achievements, and promoting organizational engagement. When employees feel that their work is not just an obligation but also a part of their personal development, they tend to be more committed, mentally healthier, and as a result, achieve higher work performance.

Thus, Herzberg's Two-Factor Theory not only provides a foundation for explaining why some administrative interventions (such as salary increases or improvements in physical conditions) do not lead to long-term improvements

in performance, but also points the way for organizations to design human resource management strategies based on psychological and emotional factors. This is also an important basis for approaching the current study, by examining the mediating role of mental health in the relationship between employee engagement and work performance, in which motivator factors act as catalysts for the sustainable development of human resources.

3. Research Model and Hypotheses

3.1 Impact of innovation resistance factors on intention to use

3.1.1 The relationship between work environment and mental health

The workplace is not only a place where we create material wealth, but also an "ecosystem" that profoundly affects each individual's mental health. A positive, healthy work environment can be likened to a "remedy" that strengthens mental resilience, bringing great benefits to both employees and organizations. Numerous scientific studies have demonstrated the positive impact of the work environment on mental health. For example, a WHO (*World Health Organization (WHO)*, n.d.) ^[24] study shows that an unhealthy work environment causes an estimated economic loss of 1 trillion USD annually due to reduced productivity and sick leave. Research by Gallup indicates that engaged employees are 21% more productive, generate 22% higher profits, and take 25% less sick leave. A study by Harvard University shows that a positive work environment helps reduce symptoms of depression and anxiety by 25%.

H1. The working environment has a positive impact on the mental health of employees in Ho Chi Minh City.

3.1.2 The relationship between engagement and mental health

Employee engagement and mental health are closely related and promote a healthy and productive work environment. The workplace environment requires addressing mental health issues. The research results conducted by (Sharma & Kumra, 2020) ^[19] stated that employee engagement affects mental health. This illustrates that employees who are energetic, dedicated, and absorbed can improve their mental health by reducing burnout, job stress, absenteeism, thought disorders, and coma ((Ferguson & Scott, 2008); (Tullar *et al.*, 2016)) ^[7, 23].

H2. Employee engagement has a positive impact on employee mental health in Ho Chi Minh City.

3.1.3 The relationship between work environment and job performance

The work environment includes everything related to employees that can affect their job satisfaction while performing tasks to achieve optimal job performance. In the employee's work environment, there must be a comfortable place for them to carry out their activities effectively. (Irfan & Mahargiono, 2023) The work environment includes both physical and non-physical factors that exist within an organization and can positively impact employee performance. This environment plays an important role in shaping the extent to which employees perform their tasks. Therefore, organizations need to focus on these

environmental factors to ensure that employees can work in an optimal, comfortable, and safe environment, thereby helping to maintain their motivation and productivity, ultimately contributing to the organization's goals. (Junaidi, 2021).

H3. The working environment has a positive impact on employee performance in Ho Chi Minh City.

3.1.4 The relationship between engagement and job performance

(Truss *et al.*, 2013) ^[22] wrote that "individuals may personally engage in their work, investing positive emotional and cognitive energy in the performance of their roles." Highly engaged employees demonstrate passion for their work, understand the importance of their job, and show loyalty to their organization compared to those who are not engaged.

Employee engagement leads to higher job performance by eliciting positive emotions and enhancing motivation to carry out job tasks and responsibilities (Parker & Griffin, 2011) ^[15]. (Stairs & Galpin, 2009) ^[20] noted that high levels of employee engagement have been shown to significantly influence job performance. In this regard, previous empirical studies have demonstrated that employee engagement positively impacts job performance.

H4. Employee engagement has a positive impact on employee performance in Ho Chi Minh City.

3.1.5 The Relationship Between Mental Health and Work Performance

Mental health is an important aspect of human life, including in the workplace. Good mental health is essential for employees to work effectively and contribute to the company to the fullest (Saptono *et al.*, 2020) ^[17]. Employees tend to feel satisfied with their jobs when their mental state remains stable and positive. Generation Z, which currently dominates the workforce in Indonesia, has a relatively high vulnerability to mental health issues. According to research by the American Psychological Association (APA), stress levels among Generation Z are higher than other generations, with only 45% of them reporting good or excellent mental health.

H5. Mental health has a positive impact on employee performance in Ho Chi Minh City.

3.1.6 The relationship between work environment and job performance is mediated by mental health

A positive, supportive, fair, and development-oriented work environment helps employees feel happy, confident, and reduces stress and anxiety. In contrast, a negative, toxic, high-pressure, and unfair work environment can lead to mental health problems such as anxiety, depression, and burnout. When employees have good mental health, they work more effectively, creatively, and with better focus, and are less prone to making mistakes. They also tend to communicate and collaborate better with colleagues, creating a positive and productive work environment.

A positive work environment not only directly impacts job performance but also does so through the mediating role of mental health. When employees have good mental health, they are more motivated to work, which in turn improves

job performance. Mental health plays an important mediating role in this relationship. To improve job performance, organizations need to focus on building a positive and healthy work environment that enables employee development and protects their mental health.

H6b. Work environment has a positive impact on job performance and a mediating role of employee mental health in Ho Chi Minh City.

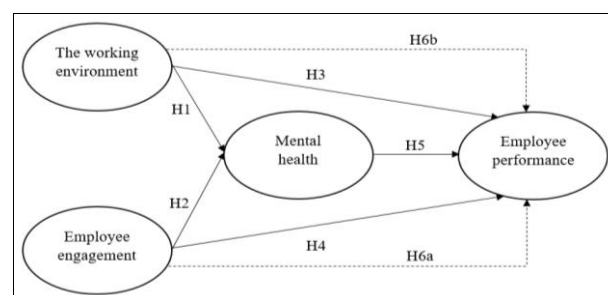
3.1.7 The relationship between engagement and job performance is mediated by mental health

When employees feel engaged with their work and organization, they experience happiness, confidence, and reduced stress and anxiety. They feel like an important part of the organization, contributing and being recognized. When employees have good mental health, they work more effectively, creatively, with better focus, and make fewer mistakes. They also have better communication and collaboration skills with colleagues, creating a positive and productive work environment.

Engagement not only directly affects work performance but also does so through the mediating role of mental health. When employees have good mental health due to engagement, they are more motivated to work, thereby improving their job performance. Mental health plays an important mediating role in this relationship. To improve work performance, organizations need to focus on building a positive and healthy work environment that enables employee development and protects their mental health, thereby enhancing employee engagement.

H6a. Engagement has a positive impact on job performance and a mediating role of employee mental health in Ho Chi Minh City.

3.2 Research Model



Source: Author synthesized from research hypothesis

Hình 1: Proposed research model

4. Research Methods

4.1 Measurement and Analysis Method

The measurement scales for the concepts were adjusted from measurement scales in previous studies conducted in various contexts and modified to suit the research context. The questionnaire was designed in two parts: the first part was designed to screen respondents and collect personal information from office employees, including gender, age, length of employment, and duration of engagement. The second part included observed variables adjusted from previous studies. The items were scored using a 5-point Likert scale ranging from "strongly disagree" to "strongly agree."

Due to differences in the research contexts of previous studies compared to the current study, as well as cultural differences between countries, the authors conducted a qualitative study to adjust the measurement scales. In-depth interviews were conducted with 06 experts (03 human resource management lecturers and 03 HR specialists) to independently revise the measurement scales. The questionnaire was modified based on expert feedback and pre-test results. Table 2 presents the concepts, the adjusted observed variables, and the sources of the measurement scales.

We used the covariance-based Structural Equation Modeling (SEM) approach (Anderson & Gerbing, 1988) [3] with AMOS 24 and SPSS 24 software. First, normality distribution and common method bias were tested; next, Confirmatory Factor Analysis (CFA) was conducted to assess the fit of the indicators, reliability, and validity of the measurement scales. Finally, to test the research hypotheses, we employed the structural model.

Maximum Likelihood Estimation was used in SEM to assume multivariate normality of the observed data. Confirming normality implies that the estimates are unbiased and efficient. Therefore, normality tests were conducted beforehand, with skewness (<3) and kurtosis (<10) criteria (Kline, 2011) [12]. Z-scores (<3.29) were used to check for outliers (Tabachnick *et al.*, 2019) [21].

4.2 Sample and Data Collection

The research sample consists of 223 office employees in Ho Chi Minh City, with a balanced gender distribution (51.1% female, 48.9% male), ensuring representativeness. However, the age group is concentrated in the 18-25 range (40.4%), reflecting the characteristics of a young workforce in the city, which should be noted when generalizing. The relatively even distribution between regular working hours (52%) and shift work (48%) allows for consideration of the impact of working time factors. The diversity in tenure (under 1 year being the highest at 38.1%) provides various experiential perspectives. Participation from enterprises of different sizes (with large companies being the largest at 29.6%) helps the study have a comprehensive view of the work environment. These characteristics, despite differences in proportions for some factors, still provide a foundation to analyze the influence of the environment and engagement on performance, taking into account the specific context of office employees in Ho Chi Minh City.

Bảng 1: Description of research sample characteristics (n = 220)

Element	Classify	Quantity	Ratio %
Sex	Male	109	48,9
	Female	114	51,1
Age	From 18 to 25 years old	90	40,4
	26 to 35 years old	72	32,3
	36 to 45 years old	34	15,2
	Over 45 years old	27	12,1
Working time	Administration	116	52
	According to ca	107	48
Bonding time	Under 1 year	85	38,1
	From 1 year - 3 years	66	29,6
	Over 3 years	72	32,3
Enterprise scale	Under 100 employees	55	24,7
	From 101 to 200 employees	53	23,8
	From 201 to 500 employees	49	22
	From 501 employees or more	66	29,6

Source: Author compiled from survey data

5. Data Analysis and Results

5.1 Scale Reliability Analysis

Bảng 2: Cronbach's Alpha coefficient scale of the study

Variable name	Observation variable	Cronbach's Alpha coefficient
Working environment	MTLV1.1, MTLV1.2, MTLV1.3, MTLV1.4	0.947
Engagement	SGK1, SGK1.3, SGK1.5	0.932
Mental health	SKTT1, SKTT1.1, SKTT1.2	0.950
Work performance	HSCV1, HSCV1.3	0.930

Nguồn: Tác giả phân tích và tổng hợp từ SPSS (2025)

According to (Nunnally, 1978) [14] a Cronbach's Alpha coefficient of 0.7 or higher is considered acceptable, and a value above 0.9 indicates excellent internal reliability. The fact that all the scales in this study exceed the threshold of 0.9 confirms that the observed variables within each scale are closely correlated, consistently and reliably measuring specific aspects of each concept. This reinforces the robustness of the scales used to collect data and serves as an important foundation for subsequent statistical analyses in the thesis. The high reliability of the scales allows the author to be confident that the analysis results and identified relationships accurately reflect the research reality.

5.2 Measurement Model

Table 3 presents the reliability and convergent validity indicators of the scales in the research model. The results show that all the scales meet the evaluation criteria. Specifically, the Cronbach's Alpha coefficients of the constructs range from 0.946 to 0.960, significantly higher than the minimum acceptable threshold of 0.7, indicating very high internal reliability of the scales.

Regarding composite reliability (CR), the values range from 0.952 to 0.968, all exceeding the 0.7 threshold recommended by (Fornell & Larcker, 1981) [8], demonstrating high consistency among the observed variables within each scale.

The average variance extracted (AVE) values of the constructs range from 0.857 to 0.910, all above the threshold of 0.5, proving that the scales achieve convergent validity, meaning the observed variables truly reflect the latent constructs they represent. Additionally, the factor loadings of all observed variables are very high, ranging from 0.913 to 0.973, well above the minimum requirement of 0.5 (better if > 0.7), confirming that each observed variable makes a strong contribution to measuring the latent construct.

Overall, these results indicate that the scales in the study meet strict requirements for reliability and convergent validity. This ensures that the scales can be reliably used in subsequent analyses such as confirmatory factor analysis (CFA) and structural equation modeling (SEM).

Bảng 3: Reliability and convergent validity

Concepts	Items	Factor loadings	α	C.R	AVE
Working environment	MTLV1.1.	0.935	0.960	0.968	0.857
	MTLV1.2.	0.913			
	MTLV1.3.	0.937			
	MTLV1.4.	0.916			
	MTLV1.5.	0.928			
Engagement	SGK1.	0.949	0.946	0.957	0.882
	SGK1.3.	0.928			
	SGK1.4.	0.941			
Mental health	SKTT1.	0.957	0.953	0.968	0.910
	SKTT1.1.	0.959			
	SKTT1.2	0.946			
Work performance	HSCV1.	0.973	0.952	0.967	0.882
	HSCV1.3	0.961			

^a Items removed due to low loading (< 0.5)

Source: Author compiled from survey data

Discriminant validity was tested using the recommendation of (Fornell & Larcker, 1981) [8] where the square root of the AVE for each construct is greater than the correlations with all other constructs. The results in Table 4 meet this condition, indicating that the constructs in the model have good discriminant validity.

Bảng 4: Discriminant validity

S. No		1	2	3	4
1	Work performance	0.967			
2	Working environment	0.273	0.926		
3	Mental health	0.399	0.407	0.954	
4	Engagement	0.384	0.352	0.406	0.939

Source: Author compiled from survey data

5.3 Structural Model

The analysis results show that hypotheses H2, H3, H4, and H5 are all accepted with p -value < 0.05 . Specifically, engagement ($\beta = 0.248$, $p = 0.000$), work environment ($\beta = 0.301$, $p = 0.000$), and mental health ($\beta = 0.267$, $p = 0.000$) all have a positive and statistically significant impact on job performance. Similarly, engagement also has a positive and

significant impact on mental health ($\beta = 0.248$, $p = 0.000$). On the other hand, hypothesis H1 regarding the impact of the work environment on mental health is not accepted ($\beta = 0.077$, $p = 0.229$).

The hypothesis test for H1 shows that the work environment does not have a significant impact on the mental health of office employees in Ho Chi Minh City ($\beta = 0.077$, $p = 0.229$). This can be explained by the characteristics of the office workforce in a developed urban context—where employees have adapted to high work intensity and environmental pressure. In addition, mental health tends to be more strongly influenced by internal and emotional factors such as organizational engagement (H5: $\beta = 0.267$, $p = 0.000$), rather than physical or external work environment factors. Therefore, although the work environment is an important factor, in this study, it does not show a significant direct role in employees' mental health.

Both hypotheses H6a and H6b are accepted, demonstrating that mental health plays a significant mediating role in the relationship between internal service quality factors (such as work environment and employee engagement) and employee performance outcomes.

The test results show that both hypotheses H6a and H6b are accepted ($p < 0.05$), confirming the mediating role of mental health in the relationship between work environment, engagement, and job performance. Specifically, although the work environment does not directly affect mental health (H1 is rejected), it indirectly influences performance through mental health (H6b: $\beta = 0.080$, $p = 0.004$). This indicates that the impact of the work environment only becomes effective when employees feel mentally comfortable and stable.

Similarly, engagement not only directly affects performance (H5) but also indirectly through enhancing mental health (H6a: $\beta = 0.080$, $p = 0.006$). Thus, mental health serves as a bridge that transforms internal factors into job performance, highlighting the importance of investing in mental health support policies for employees.

Bảng 5: Hypothesis test result

Relationship	Hypothesis	Standardized impact factor (O)	Sample-average standardized impact factor (M)	Significance level of t test	Conclude
MTLV $\rightarrow$ SKTT	H1	0.077	0.076	0.229	Not accepted
MTLV $\rightarrow$ HSCV	H3	0.301	0.302	0.000	Accept
SKTT $\rightarrow$ HSCV	H5	0.267	0.266	0.000	Accept
SGK $\rightarrow$ SKTT	H2	0.248	0.250	0.000	Accept
SGK $\rightarrow$ HSCV	H4	0.300	0.298	0.000	Accept
MTLV $\rightarrow$ SKTT $\rightarrow$ HSCV	H6b	0.080	0.080	0.004	Accept
SGK $\rightarrow$ SKTT $\rightarrow$ HSCV	H6a	0.080	0.080	0.006	Accept

6. Discussion and Implications

6.1 Discussion of Results

The study conducted in Ho Chi Minh City aims primarily to measure the impact of the work environment and employee engagement on job performance, thereby providing managerial implications. The results show that the work environment ($\beta = 0.302$, $p < 0.001$) and engagement ($\beta = 0.298$, $p < 0.001$) both have a positive and significant effect on performance. Mental health ($\beta = 0.266$, $p < 0.001$) also positively affects performance and plays an important mediating role between the work environment (indirect effect = 0.08, $p = 0.004$) and engagement (indirect effect =

0.08, $p = 0.006$) with performance. The study highlights the importance of a positive work environment, high engagement, and especially mental health in improving the performance of office workers in Ho Chi Minh City, thereby suggesting appropriate human resource policies.

Working environment

The work environment emerges as an important factor with a significant impact on job performance ($\beta = 0.301$). The analysis of the mean values of the observed variables (ranging from 3.26 to 3.53) indicates that employees tend to evaluate the aspects of the work environment positively; however, there is still room for improvement. Specifically,

employees highly appreciate the openness of the workplace (MTLV1.1 = 3.48) and the clarity of safety procedures (MTLV1.4 = 3.53). On the contrary, physical facilities (MTLV1.2 = 3.26) received the lowest rating, indicating that this is an area that should be prioritized for investment and upgrades to better meet employees' work needs. Comfort in communication and teamwork (MTLV1.3 = 3.35) is also rated relatively high, showing that the social environment in the workplace is at a fairly good level.

To further optimize the work environment and thereby boost performance, businesses need to take a multidimensional approach. First, improving the design of the physical workspace is necessary, including ensuring appropriate lighting, temperature, scientific layout, minimizing distractions, and providing effective working tools. Integrating green spaces and aesthetic elements can create a relaxing and inspiring work environment. In addition, building a supportive social environment is key—encouraging positive communication among colleagues, strengthening teamwork, and fostering a culture of respect and collaboration. The relationship between leaders and employees should also be nurtured through two-way communication, attentive listening, recognition of employee contributions, as well as support, encouragement, and motivation from leadership. Finally, improving organizational factors—including role clarity, employee empowerment, opportunities for development, fair evaluations, and flexible working policies—will help balance life, reduce stress, and enhance mental health, thereby positively impacting job performance.

Engagement

Employee engagement emerged as another important factor, which had a significant impact on job performance ($\beta = 0.300$). The mean values of the observed variables belonging to this factor ranged from 3.62 to 3.74, indicating a high level of agreement among employees with statements related to engagement. Specifically, employees expressed excitement at work (SGK1 = 3.71) and were particularly attached to their work (SGK1.5 = 3.74). However, the feeling of time passing quickly while working (SGK1.3 = 3.62) was rated the lowest in this group, suggesting that there are still aspects of work that do not really engage all employees.

This study reinforces the pivotal role of employee engagement in enhancing performance and safeguarding the mental health of office workers in Ho Chi Minh City. The PLS-SEM analysis confirms a positive correlation between engagement and both performance and mental health, while also indicating the impact of the work environment on engagement. Therefore, proactively building and nurturing engagement becomes a strategic task for organizations. To achieve this, priority should be given to strengthening intrinsic factors that foster engagement, including creating meaningful work, clearly communicating the organization's mission, encouraging employee input, building trust and fairness in treatment, providing career development opportunities, and recognizing and rewarding contributions appropriately. In addition, strengthening the relationship between employees and the organization through the development of a positive corporate culture (joyful, friendly, supportive), ensuring effective internal communication, and paying attention to employee welfare (adequate compensation, mental health care) also plays an important role. In summary, proactively building and nurturing

engagement is a key factor in achieving high performance and ensuring mental health for employees, requiring managers to implement comprehensive measures and regularly monitor and evaluate them.

Mental health

Mental health is also an important factor affecting job performance ($\beta = 0.267$), with the mean values of the observed variables ranging from 3.48 to 3.50, indicating that employees tend to agree with the aspects mentioned. Among these, not having trouble sleeping due to work-related worries (SKTT1 = 3.50) received the highest rating, followed by feeling comfortable going to work (SKTT1.1 = 3.49). However, the ability to manage emotions in stressful situations (SKTT1.2 = 3.48) received the lowest rating, suggesting that this is an area that requires attention and improvement.

The research results indicate that mental health plays a significant mediating role in the relationship between the work environment, employee engagement, and job performance. This suggests that organizational factors such as the work environment and engagement do not fully exert a direct impact on performance, but rather become effective when employees maintain a positive mental state. Businesses need to consider mental health as a central element in human resource management. Building a positive work environment and promoting internal engagement will not be sufficient without accompanying policies to protect and enhance mental health, such as psychological support, work-life balance, and a healthy workplace culture.

The study emphasizes the crucial role of protecting and enhancing the mental health of office employees in Ho Chi Minh City, especially as it serves as a mediator between the work environment, engagement, and performance. To achieve this, the top priority is to build a work environment that comprehensively supports mental health, including minimizing stress factors (workload, time pressure, unclear roles), encouraging work-life balance, fostering a supportive and respectful culture, and eliminating negative behaviors. The research also highlights the close relationship between high engagement and positive mental health; therefore, maintaining and strengthening engagement is very important. Organizations need to proactively provide resources and implement mental health support programs (counseling, training, care activities), equip management teams with knowledge and skills to recognize and assist employees facing difficulties. Finally, regularly monitoring and evaluating mental health through anonymous surveys and creating a safe environment for employees to share is a key factor in building a truly supportive culture.

6.2 Theoretical Contributions

This study provides several valuable theoretical contributions in the field of human resource management and organizational behavior, especially in the context of businesses in Vietnam.

First, the study clarifies and expands the mediating role of mental health in the model of the relationship between the work environment, engagement, and job performance. Previously, most studies focused on the direct relationship between engagement or the work environment and performance ((Bakker & Bal, 2010); (Harter *et al.*, 2002))^[4, 9], while mental health was often considered only as an independent variable. This study fills that gap by testing and confirming the mediating role of mental health, thereby

explaining the psychological-emotional mechanism through which organizational factors affect work effectiveness. This is a new and meaningful contribution in the context of increasing labor pressure and the risk of burnout in modern work environments.

Second, the study applies Social Exchange Theory (SET) and Herzberg's Two-Factor Theory (Herzberg, 1966) ^[10] to build an integrated theoretical model. Combining these two theories helps strengthen the academic foundation for the hypotheses while providing a more comprehensive view of work motivation: SET emphasizes the reciprocal relationship between the organization and employees, whereas Herzberg clearly distinguishes maintenance factors (e.g., work environment) from intrinsic motivators (such as engagement and morale). This approach enhances the comprehensiveness of the research model and contributes to the practical application of both theories in the context of Vietnam – a transitioning economy with distinctive organizational characteristics.

Third, the study also contributes to the theoretical body by testing the model in a specific local context – Ho Chi Minh City, where the work environment is characterized by high job pressure, a young population, and a fast pace of life. Confirming the theoretical relationships in a particular context helps strengthen the generalizability and reliability of the model when applied to non-Western cultures. This is especially important given that most studies on labor performance and mental health still predominantly rely on Western data.

Finally, the study also provides a set of scales that have been tested for reliability and high convergent validity, which can be used in subsequent studies in Vietnam. The observed variables related to the working environment, engagement, mental health and work performance all achieved Cronbach's Alpha coefficient > 0.9 and AVE > 0.8 , demonstrating the ability to measure stably and reliably under experimental conditions.

In summary, this study contributes to deepening the theory of labor performance by integrating organizational psychology factors into the analytical model, affirming the key role of mental health, and adjusting and testing theoretical relationships in the context of Vietnam - where there is still a lack of in-depth studies on this topic.

6.3 Practical Contributions

The research results bring many important practical values for businesses in Ho Chi Minh City in improving the work performance of office workers. First, the study confirms that a positive working environment has a direct and statistically significant impact on work performance ($\beta = 0.301$, $p < 0.001$), showing that factors such as facilities, safety procedures, communication and opinion sharing within the organization are factors that need to be properly invested. Therefore, businesses need to prioritize improving working conditions, especially facilities (average score of only 3.26) - the lowest rated factor in this group - to facilitate and improve productivity.

Second, employee engagement also positively affects work performance ($\beta = 0.300$, $p < 0.001$), and significantly affects mental health ($\beta = 0.248$, $p < 0.001$). With specific manifestations such as excitement (SGK1 = 3.71) and attachment to work (SGK1.5 = 3.74), businesses can see the importance of building a positive work culture, recognizing contributions and inspiring employees to increase

commitment and loyalty.

In particular, the study found that mental health plays a significant mediating role in the relationship between both work environment and engagement with job performance ($\beta = 0.08$, $p < 0.01$ for both indirect paths H6a and H6b). Although the work environment does not directly affect mental health (H1 is rejected), it still indirectly affects performance through the bridging role of mental health. This suggests that investing in infrastructure or organizational culture will not be enough without policies to support mental health.

The study therefore recommends that organizations establish and implement programs to support employees' psychological well-being, work-life balance, and create a healthy, emotionally safe workplace environment. Specific measures such as psychological counseling, organizing mental-enhancing activities, or training in emotional management skills can help employees maintain a positive mental state – a key factor in transforming organizational resources into sustainable and effective work results.

In summary, the study not only affirms the importance of the working environment and internal cohesion, but also clarifies the essential role of mental health as an intermediary "link" in improving performance. This is the basis for businesses in Ho Chi Minh City to reshape their human resource development strategy in a more comprehensive direction, focusing on productivity while ensuring the long-term health and happiness of employees.

6.4 Limitations and Future Research

Although PLS-SEM is a powerful analytical tool, this study still has some limitations that need to be objectively acknowledged. First, limited research experience may affect the depth of analysis and interpretation of the relationships. Second, time constraints and the lack of sample stratification according to management levels may affect the representativeness and generalizability of the results to all office employees in Ho Chi Minh City. Third, the predominant use of online surveys may limit the depth and diversity of the collected data. Finally, the limited sample size and lack of true diversity among respondents may affect the reliability and generalizability of the findings for the entire business context in Ho Chi Minh City and the country.

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