

## Beyond Retention Metrics: How Psychological Safety and Inclusive Leadership Shape Employee Engagement in Hybrid Work Environments

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### ABSTRACT

As organizations increasingly adopt hybrid work models, traditional retention-focused HR metrics are proving insufficient to capture the full spectrum of employee engagement. This study investigates how psychological safety and inclusive leadership practices collectively influence employee engagement in hybrid work environments. Drawing on Social Exchange Theory and the Job Demands-Resources (JD-R) model, we propose and test a conceptual framework in which psychological safety mediates the relationship between inclusive leadership and employee engagement. Using a mixed-methods approach — encompassing a survey of 312 professionals across diverse hybrid-work organizations and 18 semi-structured interviews — the findings reveal that psychological safety is a significant predictor of engagement, and that inclusive leadership behaviors substantially amplify this effect. Furthermore, engagement in hybrid contexts is shaped by perceptions of fairness, belonging, and access to informal communication channels. The study contributes actionable insights for HR practitioners and calls for a paradigm shift from lagging retention indicators to leading engagement-centered frameworks. Implications for HR policy, leadership training, and future research are discussed.

*Keywords: psychological safety, inclusive leadership, employee engagement, hybrid work, human resource management, organizational behavior*

## 1. INTRODUCTION

The COVID-19 pandemic fundamentally reshaped where and how people work, accelerating the adoption of hybrid work models that blend in-office and remote arrangements. While organizations have invested significantly in tracking retention rates, absenteeism, and turnover as primary HR metrics, these lagging indicators often fail to surface early warning signs of disengagement, quiet quitting, or cultural fragmentation that are particularly acute in distributed settings.

Employee engagement — defined as the cognitive, emotional, and behavioral investment an employee makes in their work and organization — has emerged as a leading predictor of organizational performance, innovation, and well-being (Kahn, 1990; Schaufeli & Bakker, 2004). Yet in hybrid environments, cultivating engagement is complicated by reduced spontaneous interaction, inequitable visibility between remote and in-office employees, and the erosion of psychological safety when communication shifts to asynchronous or digital channels.

Psychological safety — the shared belief that one can speak up, take risks, and be vulnerable without fear of humiliation or punishment (Edmondson, 1999) — has garnered substantial scholarly attention, particularly following its identification as the top predictor of team effectiveness at Google. Inclusive leadership, characterized by openness, availability, and accessibility to team members (Carmeli et al., 2010), serves as an organizational antecedent that directly nurtures psychological safety.

Despite the growing literature on each construct independently, limited research has examined how psychological safety and inclusive leadership interact to shape employee engagement specifically within hybrid work contexts. This study seeks to fill that gap by proposing and empirically examining an integrated framework. The central research questions are:

RQ1: How does inclusive leadership predict psychological safety in hybrid work environments?

RQ2: To what extent does psychological safety mediate the relationship between inclusive leadership and employee engagement?

RQ3: What contextual factors unique to hybrid work moderate these relationships?

## 2. LITERATURE REVIEW

### *2.1 Employee Engagement in the Hybrid Era*

Kahn's (1990) seminal work conceptualized engagement as the harnessing of organizational members' selves to their work roles. Subsequent scholars distinguished work engagement — characterized by vigor, dedication, and absorption (Schaufeli et al., 2002) — from older constructs such as job satisfaction or organizational commitment. In hybrid environments, engagement faces unique stressors: the blurring of work-life boundaries, reduced social capital, and the phenomenon of 'proximity bias,' where in-office employees receive more visibility and advancement opportunities than their remote counterparts (Gratton, 2021).

### *2.2 Psychological Safety as a Core Enabler*

Edmondson (1999, 2018) documented that psychologically safe teams exhibit higher learning behaviors, innovation, and performance. In the context of hybrid work, digital communication mediums can suppress voice behavior — employees may be less likely to challenge ideas or admit mistakes over video calls or chat platforms. Research by Frazier et al. (2017) confirmed that psychological safety is a strong predictor of employee engagement and that leadership behavior is its foremost organizational antecedent.

### *2.3 Inclusive Leadership and Its Mechanisms*

Inclusive leadership has been theorized as a leadership style that actively solicits contributions from all team members, acknowledges individual uniqueness, and ensures equitable access to resources and information (Hollander, 2009; Randel et al., 2018). In hybrid settings, inclusive leaders must consciously counteract visibility asymmetries — for instance, by ensuring remote participants have equal speaking opportunities in mixed meetings, or by rotating hybrid meeting protocols to prevent the 'two-tier' team dynamic.

### *2.4 Theoretical Framework*

This study integrates two theoretical lenses. Social Exchange Theory (Blau, 1964) posits that employees reciprocate supportive organizational conditions with increased engagement. The Job Demands-Resources (JD-R) model (Demerouti et al., 2001) identifies psychological safety and inclusive leadership as critical job resources that buffer demands and fuel engagement.

Together, these frameworks predict that inclusive leadership cultivates psychological safety, which in turn frees employees to invest more fully in their roles.

### **3. METHODOLOGY**

#### ***3.1 Research Design***

A convergent mixed-methods design was employed. Quantitative data enabled statistical testing of the proposed mediation model, while qualitative data offered depth and contextual nuance regarding lived hybrid-work experiences.

#### ***3.2 Sample and Data Collection***

An online survey was distributed to 312 full-time employees across 14 organizations in sectors including technology, financial services, consulting, and healthcare — all of which had adopted formal hybrid work policies by 2023. Purposive sampling ensured representation across organizational levels, genders, and work-location splits (fully remote, mostly remote, 50/50, mostly in-office). Additionally, 18 semi-structured interviews were conducted with employees and team leaders to explore themes emergent from the survey data.

#### ***3.3 Measures***

Inclusive Leadership was measured using the Inclusive Leadership Questionnaire (ILQ; Carmeli et al., 2010), a validated 9-item scale assessing openness, accessibility, and availability (e.g., 'My team leader is open to hearing my views on how things are done around here'). Psychological Safety was assessed via Edmondson's (1999) 7-item scale. Employee Engagement was measured using the Utrecht Work Engagement Scale (UWES-9; Schaufeli et al., 2002). All items used a 5-point Likert scale. Control variables included tenure, hybrid work ratio, organizational level, and sector.

#### ***3.4 Data Analysis***

Quantitative data were analyzed using Structural Equation Modeling (SEM) via AMOS 26. Mediation was tested using bootstrapped indirect effects (5,000 iterations; Hayes, 2017). Interview data were analyzed thematically using NVivo 14, with themes cross-validated between two independent coders (inter-rater reliability: Cohen's kappa = 0.81).

### **4. RESULTS**

#### ***4.1 Descriptive Statistics and Reliability***

All scales demonstrated acceptable reliability: Inclusive Leadership ( $\alpha = 0.88$ ), Psychological Safety ( $\alpha = 0.85$ ), and Employee Engagement ( $\alpha = 0.91$ ). Bivariate correlations indicated significant positive associations between all three constructs ( $p < .001$ ), with Inclusive Leadership correlating most strongly with Psychological Safety ( $r = 0.62$ ).

#### ***4.2 Mediation Analysis (RQ1 and RQ2)***

The SEM model demonstrated excellent fit ( $CFI = 0.96$ ,  $RMSEA = 0.05$ ,  $SRMR = 0.06$ ). Inclusive Leadership was a significant positive predictor of Psychological Safety ( $\beta = 0.58$ ,  $p < .001$ ), and Psychological Safety significantly predicted Employee Engagement ( $\beta = 0.47$ ,  $p < .001$ ). The direct path from Inclusive Leadership to Engagement was non-significant after including Psychological Safety ( $\beta = 0.11$ ,  $p = .14$ ), indicating full mediation. The bootstrapped indirect effect was significant ( $B = 0.27$ , 95% CI [0.19, 0.36]), confirming that Psychological Safety fully mediates the Inclusive Leadership  $\rightarrow$  Engagement relationship.

#### ***4.3 Moderating Role of Hybrid Work Intensity (RQ3)***

Moderation analysis revealed that the Inclusive Leadership  $\rightarrow$  Psychological Safety relationship was significantly stronger among predominantly remote employees compared to those who spent the majority of time in-office ( $\Delta R^2 = 0.04$ ,  $p = .03$ ). Qualitative interviews corroborated this: remote employees described inclusion behaviors — such as being explicitly invited to contribute in meetings, or receiving proactive one-on-one check-ins — as disproportionately important to their sense of safety and engagement.

#### ***4.4 Qualitative Themes***

Thematic analysis of interview data produced three overarching themes: (1) Visibility and Voice — employees felt psychologically safe when leaders actively solicited remote participants' input; (2) Fairness in Access — perceptions of equitable access to stretch assignments and promotion pathways were central to sustained engagement; and (3) Digital Communication Norms — teams with explicit norms around response times, camera use, and asynchronous decision-making reported higher safety and engagement scores.

### **5. DISCUSSION**

The findings provide robust support for a mediation model in which inclusive leadership cultivates psychological safety, which in turn drives employee engagement in hybrid work environments. This contributes to the HR literature in several ways. First, the full mediation result suggests that inclusive leadership exerts its positive effect on engagement primarily through creating conditions of psychological safety — not through direct motivational mechanisms alone. This implies that leadership training programs targeting engagement outcomes must explicitly teach behaviors that signal openness, non-judgment, and inclusion.

Second, the stronger effect observed among predominantly remote employees underscores that inclusion efforts cannot be uniformly applied. Organizations must invest in differentiated strategies: for remote workers, proactive communication, intentional check-ins, and structured participation protocols are critical. For hybrid teams broadly, leaders must vigilantly counteract proximity bias to preserve equitable engagement across location types.

Third, the identification of digital communication norms as a qualitative theme points to an under-researched mediator. Organizations that co-create and enforce communication norms — establishing when to use synchronous versus asynchronous channels, how to signal availability, and how to document decisions — may further amplify the psychological safety gains facilitated by inclusive leadership.

From a theoretical standpoint, this study extends the JD-R model to hybrid settings, demonstrating that relational job resources (inclusive leadership, psychological safety) function as powerful buffers against the engagement deficits inherent in distributed work. The convergence of Social Exchange Theory and JD-R offers a parsimonious yet comprehensive explanatory framework.

## **6. PRACTICAL IMPLICATIONS**

For HR practitioners, the results advocate a shift from lagging retention metrics to leading engagement indicators anchored in psychological safety. Specific recommendations include: (1) Incorporating inclusive leadership competencies into performance reviews and leadership development curricula; (2) Conducting periodic psychological safety assessments using validated scales as part of engagement monitoring; (3) Establishing hybrid meeting protocols that equalize participation across locations; and (4) Training managers in recognizing

and mitigating proximity bias — an especially important competency as hybrid norms continue to evolve.

## **7. LIMITATIONS AND FUTURE RESEARCH**

This study has several limitations. The cross-sectional survey design precludes causal inference; longitudinal studies tracking engagement trajectories as hybrid policies evolve would strengthen the evidence base. The sample, while diverse in sector, over-represents knowledge-work industries, limiting generalizability to manufacturing or frontline-service contexts. Future research should examine how organizational culture type (e.g., clan vs. market culture) moderates the findings, and explore digital communication norms as a formal mediating variable. Additionally, the role of team-level psychological safety climate — as distinct from individual-level perceptions — warrants further investigation in hybrid settings.

## **8. CONCLUSION**

This study demonstrates that moving beyond retention metrics requires organizations to invest in the relational and cultural conditions that drive engagement — chiefly, psychological safety and inclusive leadership. In hybrid work environments, where physical distance can quickly translate into psychological distance, these constructs are not soft imperatives but strategic necessities. Leaders who are open, accessible, and equitable in their inclusion behaviors create the safety conditions under which employees are willing and able to bring their full selves to work — regardless of where that work takes place. HR scholars and practitioners alike must elevate engagement-centered, safety-driven frameworks as the new standard for measuring and managing the twenty-first-century workforce.

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