CHAPTER I

INTRODUCTION

1.1 Background of the Research

Human Resources are considered as important company assets, since humans are dynamic resources and are always needed in every process of producing goods and services (Dessler, 2008). According to research conducted by Silaban and Syah (2018), it is found that human resources are an important element in an organization. Employees have an important role in the development of the company. An organization who can support the needs of employees, the employees will reciprocate with good performance (Putra & Surya, 2019). Companies must retain employees as long as possible, especially if these employees have a positive impact on the company. Employees who have bad perceptions of the company and many other parties who also leave the company can have an impact on employees to leave their current jobs (Shriar, 2017). The bad quality service of a company and does not pay attention to the needs of its employees can make employees feel uncomfortable working and try to find work in other better companies, so that an intention to turnover appears.

Companies in Indonesia have challenges in managing human resources, especially generation Y or millennials. The biggest challenge for companies today is how to maintain and reduce turnover intentions. Turnover intention is an intention to edge away the company voluntarily, which can affect the company's status and surely affect employee productivity (Issa et al., 2013). Puspitawati & Atmaja (2019) stated that resignation, transfer out of the organizational unit, dismissal or death of an organization member can be the form of turnover. Meanwhile, Millennial Generation according to De Meuse et al. (2010) is a generation born in 1980 to the end of 2000. When viewed from the age group, the millennial generation is the generation currently (2021) around 21- 40 years old.

In this recent development employee turnover has been seen as an important issue for organizations, its importance lies in the fact that there are many negative consequences in the organization if the employee turnover rate is high (Randhawa, 2007). In addition, Robbins (2015) also explained the factors costs arising from turnover intention. According to him, the high level of employee turnover intention will interfere with efficiency management of the company, because employees with a lot of experience and have skills that company needs will leave the company, so it can disrupt the course of company activities. De Connick (2009) suggested that organizations need to know and comprehend the causes of turnover, since turnover creates costs for the organization, the costs incurred include promotion costs, recruitment costs and employee coaching costs. Companies with high turnover intentions must also invest heavily in recruiting, training, developing and retaining their employees (Hassan, 2012). Mobley (1997) has been assessed for he importance role in understanding and forecasting actual turnover, because turnover intention will be highly correlated with actual turnover.

Employee turnover can be happened in all types of organizations, and also can be happened into part time, full time, or work hourly employees (Mobley, 1997). Likewise in the banking sector, someone who has a job in the banking service sector tends to have the intention of making a turnover. This is supported by research conducted by Chen (2010) which shows that turnover intentions occur mostly in individuals with service backgrounds, namely people who work in the banking services sector or those related to society. For example nurses, social workers, teachers, lecturers. counselors, doctors, and the military.

In addition, several banks in Indonesia also recruit outsourcing employees. For banking companies, using company outsourcing is a profitable thing because by outsourcing the company can be more concentrated on the company's core activities. This is why the fate of thousands of outsourcing workers in Indonesian banks is still unclear. Because the average

contract is only one year and can only be extended for another year, the placements are mostly in remote areas in Indonesia. As for employees, especially women, it will be difficult and miserable for them. For example, employees who are married, where they must separate from their families. And finally, not a few also decided to resign from the bank where they worked. Some even ask for their own transfer from the employee concerned with the approval of their supervisor. Approximately 10-12% of employees are doing turnover every year. The outsourcing system and contract system enforced by the company make employees anticipate this as early as possible before the company imposes a termination policy on them (Jehani, 2008).

The turnover phenomenon in the millennial generation does not only occur in one particular industrial sector, but in various industrial sectors.

Table 1.1 Turnover Percentage in some industries

Kind of Industries	Turnover Rate
In Hospitality Sector	29.4%
In Healthcare Sector	20.5%
In Banking & Finance Sector	18.7%
In Manufacturing Sector	17.0%
In Services Sector	16.2%
In Not-for-profit Sector	16.2%
In Insurance Sector	12.8%

Source: Compdata (2017)

Based on the survey data conducted by Compdata (2017) in the table 1.1, it shows that the turnover rate in some of these industries is high, because according to Roseman (1981), companies with turnover rate more than 10% can be classified as high turnover rates in these companies, it can be seen in the Banking and Finance sector, 18.7% is quite high. This is quite interesting because turnover rate had always been increasing in Bank Nagari (one of regional owned enterprises in Sumatera Barat) since 2016 until 2020, can be seen in the table 1.2.

Table 1.2 Employee Turnover per year in Bank Nagari

Year	Turnover Rate (People)
2016	25
2017	34
2018	51
2019	54
2020	56

Source: Secondary Data Obtained from Bank Nagari (2020)

For a company with 250 employees in 2020, losing 56 or 22.4% employees is a huge loss. That is not too surprising since most of their employee are millennial. In addition, a recent survey conducted by the Deloitte Millennial Survey (2018), conducted on 10,455 millennial generation in 36 different countries (including 306 Indonesian employees) predicts that in 2021 there will be 71% of employees who will do so. The survey results are different from the results of the Deloitte Millennial Survey in 2016, where employees from the millennial generation who want to make turnover are 66%. This shows an increase in the turnover rate in the millennial generation which is getting higher from 2016 to 2018.

Bank employees in deciding to leave their jobs are of course due to a number of reasons. According to research conducted by Smola & Sutton (2002), banks often apply longer operating hours outside of normal working hours. This is certainly not in accordance with the value of work-life balance which is highly appreciated by the millennial generation, where millennial generation employees are reluctant to spend long hours in the office after normal working hours (Smola & Sutton, 2002). Through this explanation, it shows that there is a mismatch between job requirements in banking and the values desired by the millennial generation. According to Hussain et al. (2013) the mismatch of job requirements and values that employees want can lead to turnover behavior.

Millennials have high expectations of companies that fulfill their values and needs (Sujansky & Ferri-Reed, 2009). Chee Wee (2013) says that one of the qualities of employees in millennial age who are presently beginning to work is the interest for more adaptable working hours, balance between working time, and associating with loved ones. The

characteristics expressed by millennial generation refer to the notion of work-life balance (Wee, 2013). The same thing was conveyed by Smith (2010 in Gilley et al., 2015). One example of a flexible schedule is that employees can go on vacation with friends or relatives. Meier et al. (2010) stated that the millennial generation, by using technology, work can not only be done in their office, but it can also be done at their home to adjust the balance between work and personal life. In the other hand, employees who worked from home are suffering from increased work to personal life and personal life to work conflicts (Palumbo, 2020). This is quite interesting since the current world situation is on pandemic covid-19 that force many people to work from home.

According to Queiri et al. (2015), later if the company where the employees work is not able to apply the values that are in accordance with the expectations and needs of the employees, it is likely that the employees will raise the intention to leave the company. A lot of research is currently starting to focus on concerns about the work-life balance of employees. The work-life balance aspect is an aspect that currently starts a lot of cheating and according to research carried out on the millennial generation. This is in line with the statement of Twange (2010 in Queiri et al., 2015) which suggests using work-life balance factors and perceived status-work values fit if research is carried out in the context of the millennial generation. Based on the explanation that has been described before, it is safe to consider the work-life balance aspect in an effort to withstand employees or take care employees from engaging in turnover behavior.

Several findings in previous research regarding generation Y (Beutell & Wittig-Berman, 2008) stated that in work, generation Y is more individual, independent and places more value on their careers rather than being loyal to their organizations. DiPietro & Pizam (2008) explained Gen Y is comfortable with change, so high turnover rates and job dissatisfaction are often considered normal for this generation. Generation Y is also more

selfish at work, has no respect, is not independent, does not focus on multitasking work, and is disloyal (Myers & Sadaghiani, 2010). In addition, other researchers also stated that Gen Y has the ability to work hard but they are not loyal to their organization. They can go from one organization to another to increase their confidence (Twenge, 2010). So, it is not surprising if we see workers from the millennial generation who have a tendency to move their workplaces quite often. Khan (2014) suggested an organization should make required facilities, favorable organizational environment, and take actions for the interests of the employee to develop organizational commitment and reduce turnover. This is appropriate with the result of the research conducted by Samad & Saufi (2017) found that organizational commitment and job satisfaction are the main predictor of employee turnover.

Based on the background mentioned above, the researcher wanted to analyze some variables that have impact on millenial employee turnover intention and decided to do research with the title of : "The Influence of Job Satisfaction, Organizational Commitment, and Work-life Balance towards Millenial Employee Turnover Intention: Case Study on Main Office of Bank Nagari".

1.2 Problem Statement

The researcher believes that important to understand the influence of Work-life Balance, Job Satisfaction and Organizational Commitment towards Millenial Employee Turnover Intention

Therefore, the researcher propose 3 research questions to analyze this problems :

1. How does Work-life Balance influence Millennial Employee Turnover Intention?

2. How does Job Satisfaction influence Millennial Employee Turnover Intention?

3. How does Organizational Commitment influence Millennial Employee Turnover Intention?

1.3 Objectives of the Research

Based on the problem identification, the objectives of the research :

1. To analyze the influence of Work-life Balance towards Millennial Employee Turnover Intention

2. To analyze the influence of Job Satisfaction towards Millennial Employee Turnover Intention

3. To analyze the influence of Organizational Commitment towards Millennial Employee Turnover Intention

1.4 Contribution of the Research

1.4.1 Theoretical Contribution

This research aims to provide information about the the influence of Work-life Balance, Job Satisfaction and Organizational Commitment towards Millenial Employee Turnover Intention. This could also help government institution and other private institution providing information about turnover and could be undertaken for future research.

1.4.2 Practical Contribution

The result of this study could give an impact on turnover activities and provide knowledge about factors that influence millennial employee turnover intention and hopefully could decrease millennial employee turnover intention. This study can be used by any organization especially in banking sector to decrease millennial employee turnover intention.

1.5 Research Scope

The theoretical scope of this research will be focusing on the four variables which turnover, work-life balance, job satisfaction and organizational commitment.

The contextual scope of this research will be focusing on employees with ages around 20-40 years old.

1.6 Research Outline

In order to analyze the problem stated above, it is important to organize and divide the research into 5 chapters as follow :

Chapter 1   INTRODUCTION

The background of the research, the problem statements, and the objectives of the research, the significance of the research, the research scope and the research organization, will be illustrated in the first chapter.

Chapter II   LITERATURE REVIEW

The second chapter will assist this study by using relevant topics in previous studies. To assist the hypothesis generation for this study, the previous studies can be used.

Chapter III   RESEARCH METHOD

The methods that will be used in the study will be elaborated in third chapter. The amount of sample and population needed for the research which could help to generate the influence the independent variables has on the dependent variable also identified in this chapter.

Chapter IV   RESULT AND DISCUSSION

The result of the analysis of the study, the characteristic of the respondent, and the descriptive analysis will be shown in fourth chapter. There is also some discussions about the result of the data analysis.

Chapter V   CONCLUSION AND SUGGESTION

The fifth chapter will show the conclusion from the analysis and research that has already been conducted. This chapter will also show the positive or negative influence between the variables and provide advices for future researches.