

CHAPTER I

INTRODUCTION

1.1 Background of Study

Employees should be seen as valuable assets in every organization. After all, long-term employees have been invested through the organization's programs of training and development, as well as valuable experience that can only be achieved by learning on the job. However, not all organizations perceive their employees as assets, and more towards an "extra set of hands". Not only this, but there are also numerous factors that affect how the employees are perceived in their organization, which ultimately affects their job contentment. According to a study done to analyze links between contentment and various outcomes, job contentment is a leading factor towards job satisfaction. The theory states that employee contentment affected by motivation and organizational context will have a positive correlation towards job satisfaction, employee performance, and employee intention to stay (Mardanov, 2020).

Industries and organizations around the world are facing difficult contemporary issues regarding employees with regards to current economic trends and conditions. According to the records and reports of LinkedIn in 2017, the annual worldwide employee turnover rate is 10.9% (Zojceska, 2018), Furthermore according to the United States Bureau of Statistics; the average turnover rate is within 12-15% in 2018. However, according to Bureau of Labor Statistics report in 2020 reported a 57.3% annual turnover rate (Glassdoor, 2021), which was heavily

influenced by the Covid-19 global pandemic. As we can see by the dramatically increase in employee turnover rates, the global economy has suffered greatly by the pandemic. However, with Indonesia being one of the numerous economies suffering, the future of the Indonesian economy is questionable.

With regards to the closing remarks in the previous paragraph, according to the results of '2019 Indonesia Total Remuneration Survey' done by Mercer, Indonesia has an estimate workforce of around 180 million people, with 1/3 of them being between the ages of 20 – 35 (Mercer, 2019). Furthermore, according to Astrid Suryapranata, the Career Business Leader of Mercer Indonesia, states that the digital economy of South East Asia is thriving with Indonesia leading. From this data we can analyze that a large portion of the current workforce is compiled of the 'young generation' and this will only continue to grow within the following years. However, a report from Michael Page Indonesia Employee Intentions Report states that 72% of the respondents showed interest to leave their jobs within the first 12 months (Alkhatiri, 2017). Furthermore, Raharjo (2015) implies that millennial employees had a higher turnover intention to leave work rather than the generations before it. Therefore, it can be assumed that the employee workforce of Indonesia within the coming years looks optimistic, however organizations would have to face a new threat in retaining their employees especially from the coming millennial generation. Indonesia already has a high employee turnover rate at 15.8% in 2020 (Ferdian et al, 2020). However, a research done in 2020 by Licorice indicates that

a majority of Indonesians are satisfied with their jobs, as seen in Figure 1. Having nearly 75% of their respondents satisfied or pretty satisfied with their current job.

Q. Are you satisfied with your current job? (SA)

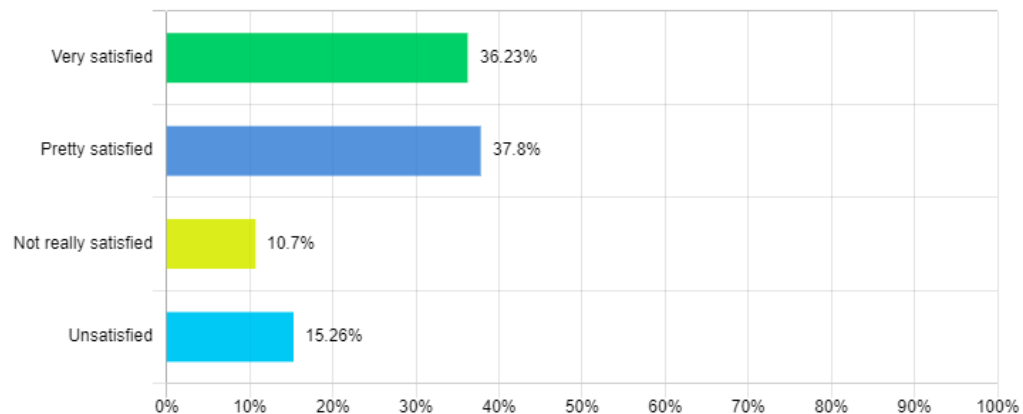


Figure 1.1 – Level of Job Satisfaction by Licorice Team

Source: <http://report.licorice.pink/blog/indonesia/do-indonesian-satisfied-with-their-job/>

Furthermore, from the same survey, we can see the levels of organization retention by analyzing how long the respondents have worked in their organization, as seen in Figure 2. However, it should be noted that this survey was done in 2020, at the midst of the Covid-19 pandemic, which resulted in a lot of job losses and economic downturn. From this data we can analyze that nearly 30% of the respondents have been working in their organization for less than a year, and more than 26% of the respondents working in their organization from 1-10 years.

Q. How long have you been work in your current company? (SA)

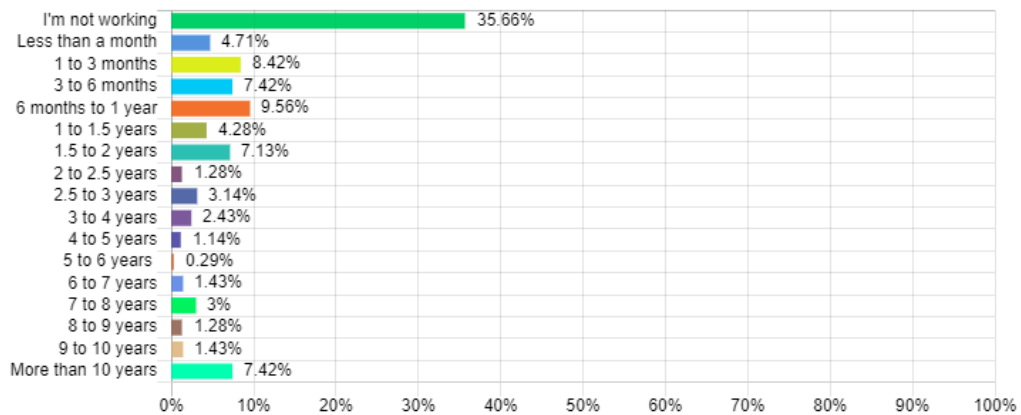


Figure 1.2 – Survey of Job Satisfaction by Licorice Team

Source: <http://report.licorice.pink/blog/indonesia/do-indonesian-satisfied-with-their-job/>

This study will highlight the construction industry within the Jabodetabek area in Indonesia. The Jabodetabek area alone holds an estimate of over 30 million people, with 1/3 of it being Jakarta's population alone (WorldPopulationReview, 2021). Additionally, since Indonesia is regarded as a developing economy, there are plans of development through housing, buildings, roads etc. To help the Indonesian government, there are private organizations that acts as subcontractors to aide them. There are numerous developers within this industry and this study attempts to analyze the effects of employee contentment, job satisfaction, performance, and intention to stay. The construction industry faces challenging growth due to the Covid-19 pandemic resulting in large-scale restrictions from the Indonesian government. This discourages construction and is only limited to necessary projects with respect to the decrease of buying and spending intentions due to the decline of the economy and lower demand. Moreover, this will result in

projects being delayed therefore a reduction in the earnings of the organizations, which has a direct correlation towards employee retention rates. Most likely, small to medium companies within the construction industry will face challenges to maintain office space, salaries, or lack of projects within the coming year.

Although employee contentment should be the primary instrument of measure to analyze job satisfaction, it may seem unattainable to precisely project levels of job satisfaction. Luckily, there are other factors that have shown to influence levels of job satisfaction, such as the given work itself, pay grade, working environment, supervisors or seniors, promotional path to name a few. This study synthesizes these factors as well as those unmentioned into two variables, which are organizational context and motivation. Organizational context revolves around the physical as well as emotional experiences from working in the organization. On the other hand, Motivation can be broken down into Extrinsic and Intrinsic, which will be discussed further in this study.

Next, this study will also analyze the links between employee contentment towards employee performance. Many employees nowadays have expressed feeling of stress and work spillover/imbalance in their lives. According to a study done, employees who are exposed to levels of stress negatively impacts their performance, on the other hand, employees who are in a supportive environment tends to excel in their work (Tran et al., 2020). This study will dive deeper into the links of contentment and performance that will give a definitive answer to this relationship.

Another factor that employee contentment influences is employee retention or intention to stay. Organizations aim to maintain their levels of employee retention to the best of their abilities, yet often times they still face high levels of employee turnover. When employees decide to resign or leave this is known as the turnover term. As mentioned previously, a study done by Ferdian et.al, 2020 shows that Indonesia has a turnover rate of 15.8%. Whilst according to a research article from business.com, organizations should aim for around 10% employee turnover rate, depending on varying industries (Stowers, 2020). From these two data, we can assume that Indonesia is not yet well equipped with the strategies and methods to help retain their employees.

Therefore, it can be assumed that employee contentment influenced by organizational context and motivation does have a definitive relationship with job satisfaction, employee performance, and employee intention to stay. The relationship between performance, job satisfaction, and intention to stay is also a definitive relationship that should be further analyzed. Although there have been numerous researches about these links within the various working organization industries, there are limited research within the construction industry within Indonesia. Hence, this study is done to analyze how employee contentment affected by organizational context and motivation towards job satisfaction, employee performance, and employee intention to stay within the construction industry within Jabodetabek area of Indonesia. Researches have sought to solidify the direct links between each variable, and this research aims to contribute to that goal.

1.2 Research Question

From the background discussed previously, the following are the research questions that this study aims to answer:

1. To know if employee contentment affected by motivators and organization context have a positive correlation towards employee job satisfaction?
2. To know if employee contentment affected by motivators and organization context have a positive correlation towards employee intention to stay?
3. To know if employee contentment affected by motivators and organization context have a positive correlation towards employee performance?
4. To know if employee job satisfaction influenced by employee contentment have a positive correlation towards employee performance?
5. To know if employee job satisfaction influenced by employee contentment have a positive correlation towards the intention to stay?

1.3 Research Objectives

Based on the research questions listed above, this study aims to answer said questions. The following are the research objectives of this research:

1. To validate and verify if employee contentment affected by motivators and organization context have a positive correlation towards employee job satisfaction.
2. To validate and verify if employee contentment affects by motivators and organization context have a positive correlation towards employee intention to stay.

3. To validate and verify if employee contentment affects by motivators and organization context have a positive correlation towards employee performance.
4. To validate and verify if employee job satisfaction influenced by employee contentment have a positive correlation towards employee performance.
5. To validate and verify if employee job satisfaction influenced by employee contentment have a positive correlation towards the intention to stay.

1.4 Research Contributions

This study is replicated from a previous model done by Ismatilla Mardanov in 2020, where the author focuses on how employee contentment affected by intrinsic and extrinsic motivation and organizational context effects job satisfaction, performance, and intention to stay with data from Kuan Chen of University of Guam and its audience being construction companies and consulting firms' employees in Taiwan (Mardanov, 2020).

Human Resource can often become overlooked at times, especially when organizations are given the options of thousands of different employees. Various factors such as team synergy, experience, and bonding can only be achieved through certain groups having spent time and making mistakes together. Some organizations might perceive other business sectors to be more important than the other, such as marketing or finance to name a few, however the ability to control and monitor human resource can prove to be quite rewarding to those who are able to utilize it well. Therefore, this study aims to highlight and discuss the crucial part within the organization that some may overlook.

Emphasizing on model and hypothesis testing with various variables are at the core of testing the strength of a theory. A Theory is strengthened when it can be tested through different settings and contexts, using various related variables. Only through rigorous attempts of research can the model be deemed valid and true. Hence this study aims to test the theories from the previous study done by Mardanov to determine the validity and vitality of the model.

The main contribution of this study is to provide results of theories and research from Indonesia, specifically Jakarta. This research will use the same hypothesis model as to Mardanov's and will attempt to test the theories and relationships that were concluded in past tests and research. As there is a theoretical gap of this specific area of study within the developer industry of the Jabodetabek area of Indonesia. Previous theories and models will be tested and solidified using the Indonesian workforce demographic to test the validity of the previous research in another country, further testing the strength of the pre-existing theory. Literature review provides additional knowledge and different outcomes from various variables used as well as the setting of the research done. This study aims to be an effective resource for when organizations would review how to improve their utilization of the human resource.

1.5 Scope of the Research

The scope of this study will focus on relationships between employee contentment affected by motivation and organization context towards job satisfaction, employee performance, and employee intention to stay within the

construction industry of the Jabodetabek area of Indonesia. This research will target specifically within the workforce residing in Jakarta, the capital city of Indonesia, where hundreds of thousands of people are seeking work within the capital. This research will target employee's ages 20 years old and older, and will specify for three levels of employment, which is staff, managerial level, and supervisor.

