

CHAPTER I

Introduction

1.1 Background of Study

Individuality decipher a person's best and worst attributes. It is the idea that as individuals we have different interests that affects what we want in life; and it is the person's quest to find what really grasps them. Therefore, many individualities in a group can encompass many solutions to a single question, but also create problems. With individuality, comes other factors such as different generations, new and evolving trends & globalisation. This generation of millenials with its technology advances and diverse set of people poses a competitive business environment. Because it is important to get it right, Human Resources Management in the organisation will accordingly provide the solutions to the problem. A decade ago, Human Resources was not something companies took strictly, even until 2019, certain businesses were still taking Human Resources or, in other words, Human Capital Development very loosely. Some organisations do not think it is important to invest in people, it is difficult to manage, and it is very expensive. While there are negative investments in human abilities, it is important to know that the word "investing" will also mean: greater impact, greater benefit, and a greater future. All that has just been said, that it is

difficult to manage and expensive will yield a greater outcome, and a stronger outcome means that it is of great importance.

Every organisation is striving to get the right answers to accommodate their employees to increase employee retention, as turnover causes threats to arise in an organisation. Fact-based, turnover will condemn a decrease of effectiveness, increase costs, create morale-stress in employees, ruin the organisation's public image, and will result in productivity loss. Within turnover studies, the intention to quit or in words turnover intention poses the greatest threat (Kuean, Kaur, & Wong, 2010). It is with this knowledge that just the thought of resignation will push an employee towards turnover is what organisations should consider to examine to decrease turnover.

Within an organisation, everyone has a vital role in how the organisational work cycle will formulate. It will formulate a positive boundary among worker engagement, loyalty and satisfaction that then the worker intends with the acceptance he or she feels, can sanguinely keep within the company. Within the range of what's organisational commitment it will then be such into 3 factors: 1) a powerful belief in and acceptance of the organisation's goals and values; 2) a disposition to exert wide effort on behalf of the organization; and 3) a powerful want to take care of membership within the organization (Andrew and Sofian, 2012). Simpson (2009) and Andrew and Sofian (2012) have studies on the relationship between organisational performance and employees' engagement that they believe is the key to turnover and will try to lessen employee retention.

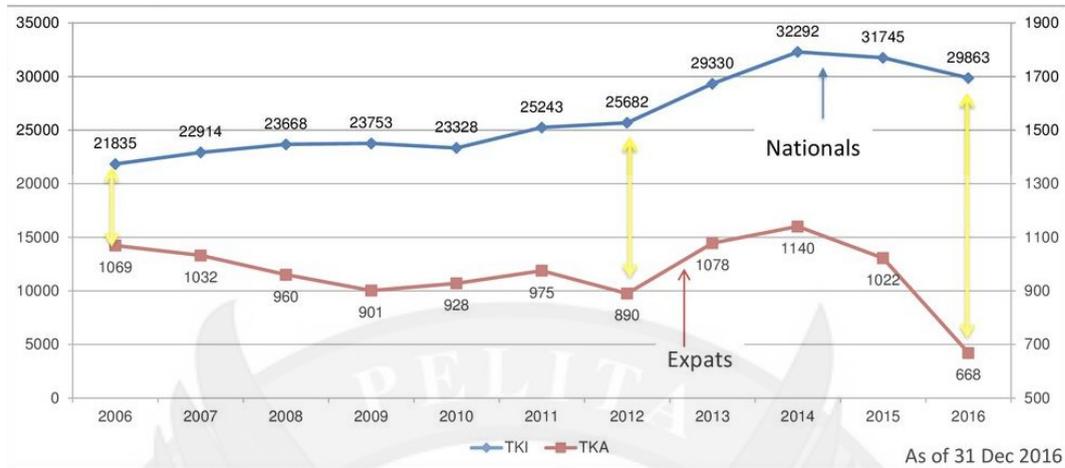
Within the problem of thought in turnover intention, many studies have concluded that employee engagement and employee-organizational commitments are critical organizational requirements as organisations face globalization and recovering from the global recession. How an employee engages in his or her work and how they commit themselves toward their organisation was always an interest towards many researchers especially in the era of vast rapid technology advancements.

The measure of worker satisfaction is one in every of the most important aspects of Human Resource Management. It's typically neglected and brought gently however Human Resource workers should devote their time to make sure that the worker satisfaction is high among employees that enlists increasing productivity, responsiveness and quality and client service.

Indonesia being the fourth most populous country in the world, it is clear that turnover is not what any company wants. Indonesia relies its GDP growth through resources. One of these resources at hand is the export and import of fuel oil. In 2018, Pertamina's domestic oil and gas production reached 768 thousand barrels of oil equivalent per day (MBOEPD) or 42% of oil and gas production in 2017 that was 542 MBOEPD. the main points, Pertamina's drilling in 2018 reached 291 thousand barrels per day (MBOPD), a rise of 22% compared to the belief of 2017 that recorded 238 MBOPD (PT. Pertamina Annual Report, 2019). Meanwhile, Pertamina's gas production in 2018 was recorded at 2,763 million cubic feet per day (MMSCFD) or jumped fifty seven p.c from 2017 to one, 760 MMSCFD. This increase in production resulted from a mixture of productive

efforts to extend production and curb the speed of decline in production of existing assets. Another huge impact on the rise in consumption is that the era of Gojek and Grab, 2 online-based transportation service that heavily depends on fuel. Gojek is presently leading in Indonesia's food delivery market with a seventieth share. Nielsen (2019), the well-known knowledge firm, surveyed 1,000 Indonesian shoppers in could 2019 across seven major cities within the country. Respondents, aged between eighteen and forty five, had used a minimum of one app-based food delivery service within the last 3 months. The survey conjointly found that of the ninety fifth of Indonesians agency eat, fifty eight order food from two times to six times a week (PT Pertamina Annual Report, 2019)

The large increase of crude use in the Republic of Indonesia explains in clear that the necessity for labour in this sector conjointly will increase. Organisation cannot afford to lose its workers. Sadly, turnover has has it's high decrease over the years, being at its height in 2014 for Indonesia and remains decreasing until currently (Hay Group Cebr analysis, 2019).



Source: SKKMigas 2019

The graph above shows the phenomenon of the decrease in the amount of employees in the oil and gas company since 2014 recorded by *Satuan Kerja Khusus Pelaksanaan Kegiatan Usaha Hulu Minyak dan Gas Bumi*, in short SKKMigas, a Special Task Force for Upstream Oil and Gas Business Activities. The blue line indicates *Tenaga Kerja Indonesia*, the locals working in the company, and the red line indicates *Tenaga Kerja Asing*, Expats working in the oil and gas company. The majority of *Tenaga Kerja Indonesia* in the works in the administrative sector, a few in the technical sector work as a geologist, engineer, and technical expertise (GGE). The *Tenaga Kerja Asing* in majority works in the top executive and GGE. Senior Manager of Human Resources in SKKMigas, Daniel Kurnianto in early 2018 have claimed that in 2014 there were 1,140 foreign workers in the oil and gas sector. Then in 2015, it decreased to 1,022 people. Not graphed above, in 2016 it also dropped even more dramatically wherein the number of foreign workers in Indonesia in that year reached 668

people. Then in 2017, foreign workers fell again to reach 404 people. In 2018 it is expected to fall again. In the first semester of 2018 alone, the number of foreign workers throughout the oil and gas Cooperation Contract Contractors (KKKS) is only 312 people. Daniel Kurnianto (2018) believes that, the decrease of the expats lead to the decrease of the locals. Locals who are experts in the engineering sector have fled Indonesia to work overseas because they believe they will have more opportunities abroad. This is very unfortunate for Indonesia, knowing that oil and gas still make up one of the main resources for living.

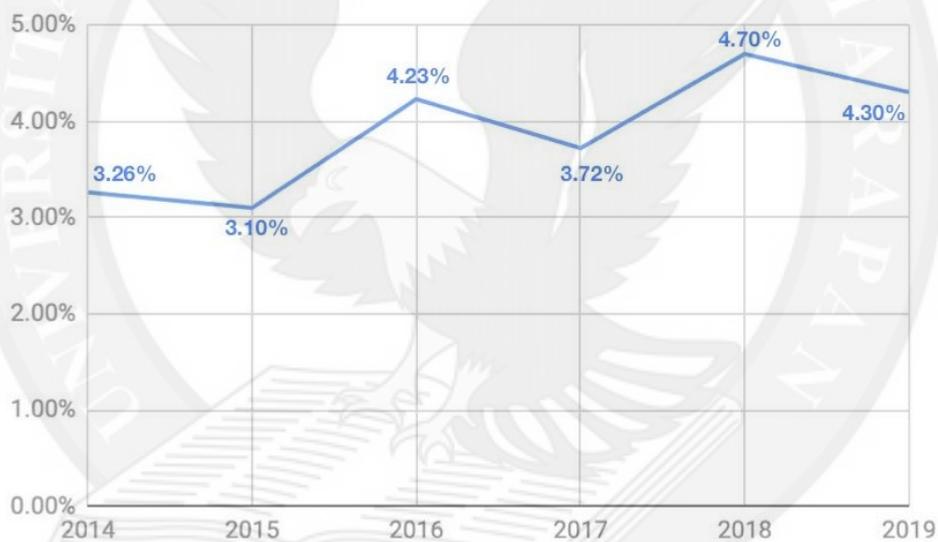


Image 1.1 Actual Turnover of PT. Karinda employees

Source: Obtained from PT. Karinda's archives

A company called PT. Karinda, an oil and gas company that provides basic services to construction tries to maintain their turnover by 3.5% or less and regards a high turnover rate as above 5%. In the image and table above, it is clear

that PT. Karinda by 2016 to 2019 has a turnover rate that exceeds 3.5% but still; it is under 5% as what is intended as a high turnover rate. The most turnover seen is in the year 2018 by 4.70% which in proximity is pretty close to 5%. It is clear that the turnover rate is nor high or low, but to diminish the possibility that the turnover rate could increase in the future, PT. Karinda is to view other possibilities that the turnover intention could be high, which could then push into actual turnover.

As the indication above shows a connection of why organisational commitment and job satisfaction plays a role in turnover intention, PT. Karinda must study its behaviourism in the organisation. The study of behaviours within organizational settings has highlighted critical variables that are supportive or detrimental to the performance of the workforce. This notion holds true while focusing on quality of human resources that is a major factor which contributes significantly to organizational success. Organizational commitment and Job satisfaction are wide studied factors in management literature (Bodla & Danish, 2009; Bodla & Naeem, 2009a; Bodla & Naeem, 2009b) which are the precursors of employee's performance. Then within it employee satisfaction plays a big role in organisational commitment and to decrease turnover.

1.2 Problem Formulation

Based on the background stated above, the detailed problem to be examined is how Employee Satisfaction can lead to Organisational Commitment that will hence decrease Employee Turnover Intention.

From the problem above, the research formula can be obtained as following:

1. Does organisational commitment influence turnover intention?
2. Does employee satisfaction facet, Supervision, negatively influence turnover intention of employees?
3. Does employee satisfaction facet, Personal Development, negatively influence turnover intention of employees?
4. Does employee satisfaction facet, Human Resource Policy, negatively influence turnover intention of employees?
5. Does employee satisfaction facet, Supervision, positively influence organisational commitment of employees?
6. Does employee satisfaction facet, Personal Development positively influence organisational commitment of employees?
7. Does employee satisfaction facet, Human Resource Policy, positively influence organisational commitment of employees?

1.3 Purpose of Research

The purpose of this research is to answer the question that the research formula have so there can be a conclusion on whether this research is proven or not. Thus, the purpose are:

1. Organisational commitment negatively influences turnover intention among employees
2. Job satisfaction facet, Supervision impact negatively on turnover intention among employees
3. Job satisfaction facet, Personal Development, impact negatively on turnover intention among employees
4. Job satisfaction facet, HR Policy impact negatively on turnover intention among employees
5. Job satisfaction facet, Supervision, impact positively towards organisational commitment among employees
6. Job satisfaction facet, Personal Development, impact positively towards organisational commitment among employees
7. Job satisfaction facet, HR Policy, impact positively on organisational commitment among employees

1.4 Limitations of Research

For this research study to provide and produce a definitive conclusion, it is necessary to limit the following problem; these are:

1. The concentration of data from one sector of resources. One of the construction companies of PT. Pertamina, the manufacturer of petroleum. This construction company is called PT. Karinda that provides construction services on oil and gas.
2. The focus is to answer if employee satisfaction involves organisational commitment and turnover intention, it is then preferable that we limit our research towards the employees in the company. Where they view their Personal Development. HR policy and Supervision.
3. The research study was conducted on the headquarters of PT. Karinda in Komplek Metro Duta, Tangerang
4. The research study uses a non-probability sampling, also known as convenience sampling. Therefore, the sample of this study cannot be used to represent and generalize the existing populations. As this condition may be different when conducted in other areas, such as the area outside JABODETABEK.

1.5 Significance of Research

1. For petroleum oil and gas construction companies

The results of this study are expected to be a material for consideration and input for both the stakeholders and shareholders of a petroleum oil and gas construction companies to try to diminish turnover intention and increase organisational commitment

2. For academics

This research can be used as material for further research to add insight and knowledge about the impact of organisational commitment and turnover in an organisation

3. For researchers

This research is expected to add references and discourse to develop knowledge on human resource management towards the effect of employee satisfaction facets (Personal Development, HR Policy and Supervision) and how it can impact an employee's commitment and turnover intention.

1.6 Research Outline

The systematic outline of this research paper will consists of five chapters, with each chapter contains details below:

Chapter I INTRODUCTION

This first chapter discusses research background, research questions, research objectives, and research limitations

Chapter II LITERATURE REVIEW

The second chapter consists of all theories, concepts and previous research in the similar area that builds the theoretical framework for the foundation of this paper.

Chapter III RESEARCH METHODOLOGY

The third chapter explains in systematic details on quantitative research approach, including methods of data collection and research design.

Chapter IV RESEARCH FINDINGS

The fourth chapter consists of research findings represented in quantitative data and discussions.

Chapter V CONCLUSION AND RECOMMENDATIONS

The fifth chapter consists of conclusion and recommendations made according to research findings to answer research questions builds for further research.