

Chapter I.

Introduction

1.1. Research Background

As South East Asia largest economy and part of the growing economy in Asia Pacific, Indonesia with its 270 million population are on the forefront of economic digitalization. Driven by the physical distancing imposed due to COVID-19 pandemic in early 2020, the year was a pivotal time in advancing the digital economy. The growth of South East Asia region was exceptional, e.g. in terms of achieving the number of digital consumers (anyone who has purchased a product or service online, excluding travel in the past 12 months) previously predicted at 2025 at the end 2020 (Facebook & Bain & Company, 2020). Nevertheless, based on the same research Indonesia stands out in comparison to the neighbouring countries. With currently 137 million digital consumers, and about 60% increase in purchase preference using online channels, Indonesia are the biggest digital economy in South East Asia with over \$26 billion of online retail Gross Merchandise Value (Facebook & Bain & Company, 2020).

Backing up the scale of digital economy, apart from growing internet penetration, is in particular, the huge young population that Indonesia has, which are digital native generations. Based on research published by Survey Sosial Ekonomi Nasional (SUSENAS), millennials which born between 1981 - 2000, made up a significant proportion of the Indonesia's population, which is about 33.75% or about 88 million people at the time of the research (SUSENAS, 2017). Followed by a 29.23% population of generation Z (born after 2000), Indonesia are expected to have 'demographic bonus' at 2030 based Indonesia's Ministry of Information where its younger population that are now able to work, surpass the country's non-working population (Kominfo, 2020).

The internet industry (i.e. those whose majority of business operates based on internet, can be internet platforms and mobile applications) grow substantially in the past years and hence creating requirement of having an increase in workforce. Based on a research conducted by Mercer, a global human-resources consulting firm, in 2018, the research shows that all internet (including big e-commerce companies) in Indonesia that has been surveyed by the firm, are expecting increase in their headcount, on average by 44% higher in comparison to the previous

year (Mercer, 2018). Which results attracting large talent pool becoming top-of-mind priority to materialize the vision, mission and business strategy of these organizations.

The industry also seeks for and even create new kind of talents which skills are relatively limited in availability in Indonesia to operate the business, for example cloud engineering, cyber security, machine learning, and big data to name a few. Based on LinkedIn research (Loo, Chhabria, et.al, 2020), some of the jobs are indeed emerging in Indonesia, and the internet companies are looking to millennials and generation Z who has the most interest and more likely to have those set of skills in comparison to non-millennial generation (e.g. social media marketing, software applications, data mining, etc.).

Technology companies (including internet/e-commerce) are having the upper hand as of now as they lead in terms of millennials preference due to general global perception of income and job growth, innovative in nature, and deeper sense of purpose in comparison to other industry showing a high organizational commitment for this industry. A global research by Randstad and Futureworkplace shows that 45% of millennials and gen Z are most interested in technology related professions, far outpacing other options (Randstad & Futureworkplace, 2016).

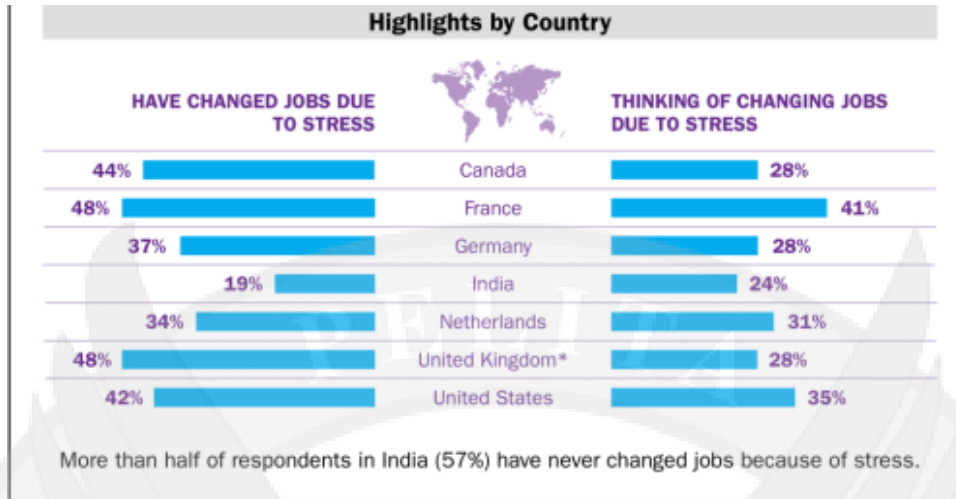
However, competition landscape are shifting, as in the meantime, the broader industries in Indonesia are also looking to attract and retain those who has the particular skills mentioned. The reason is while the digital economy is booming, the more mature and traditional industries, such as consumer goods, pharmaceutical, financial services are also looking to digitalize their consumer experience. Some example are, rise of digital banking in financial services, and consumer goods to market their products through e-commerce platform instead of traditional retailer, and retail companies that use omni-channel to reach the consumers. The competition for digital skills are now tougher to any organization.

As attracting these talent for any organization is already challenging due to availability in the individual who has the skills. Retention of these individuals are also challenging. It turns out that millennials worker ,that are previously mentioned to held critical roles in the organization, are more likely to move from one company to another (Adkins, 2016), with 21% of millennials say they've changed jobs within the past year, which is more than three times the number of non-millennials based on its research in the United States. Similar and more recent research in 2020 conducted by Mercer in Indonesia for the broader industry of high technology company (include

internet companies, but also telecommunication, software and hardware producers), also shows that younger workforce tend to stay shorter in the company, which over 50% of employee age 25 to 30 years old has move from one company to another at least once in their professional career (Mercer, 2020). This also adds up on the fact that previous research from the firm in 2019, also shows that internet industries, despite attracting talent and growing rapidly, can reach up to voluntary turnover (i.e. people leaving the organization on voluntary basis) of 19% of total full-time employee annually (Mercer, 2019). This is the highest in comparison to most industries in Indonesia, and surpassing the general industry average by twice as high. These would be problematic to these organizations, as we know that turnover can cost organization 1.5 - fold higher than the average annual salary of the employee that has left the organization (Duda & Zurkova, 2013). The numbers were derived if we considered the loss of leaving's employee knowledge, skills, contacts; investment into training and education; settlement of documentation; loss in productivity; to manager's time.

From the management side, organization has tried to mitigate the risk of voluntary turnover, in particular the regrettable one (i.e. has high potential and/or high performance) by developing talent retention scheme, increasing engagement, and identifying factors driving the voluntary turnover. While every organization has different approach and drivers, several literature research has attributed the voluntary turnover that is caused by job stress to be a common driver, alongside a more frequently quoted drivers such as job satisfaction and organizational commitment. From an employee perspective, about 42% have changed jobs due to stress and another 35% are thinking of changing jobs due to stress based on research of about 1,000 job seekers (Gorman, 2014).

Figure 1.1. Job Stress to Turnover by Country



Source: Monster's International Workplace Stress Study

Job stress is not something new in modern world, and sufficient amount of stress can also be a good performance drivers. Job stress has actually been a concern of Centers of Disease Control and Prevention (CDC) in the United States as far as from 1999, quoting the research of Yale University that shows 29% of workers report the feel "quite a bit or extremely stressed at work" (Sauter, Murphy, et.al, 1999). However, it is the alarming high numbers happening in some industry such as technology that are becoming emphasized lately by the public. Technology companies has been globally notorious for their fast-paced work spaces due to requirement to become constantly agile and their "hustle" culture (Weaver, 2020). Based on a more recent research conducted by PayScale, in comparison to the 1999 aggregate numbers, few big technology names (but not limited to those of internet companies) surpassed that numbers significantly, and some even come out as the most stressful places to work in America (Rush, 2017). These are namely the below, with 2 internet companies (AirBnB and Uber) come on the top 10 list.

Table 1.1. America's Top Tech Companies, Ranked By Job Stress

Rank	Company Name	Industry Sector	% High Job Stress
1	SpaceX	Aerospace manufacturer; Space Transportation Services	86%
2	AirBnB	Online Marketplace	75%
3	InsideSales (XANT)	Software, IT Services	75%

4	Samsung	Hardware Manufacturer	74%
5	Tesla	Automobile Manufacturer	71%
6	Uber	Ride-hauling	70%
7	Fujitsu	Hardware Manufacturer	68%
8	GoDaddy	IT Services	67%
9	Intel	Software	65%
10	SAP	Software	65%


Source: PayScale Research 2017

Breaking the numbers deeper, job stress are experienced even more in younger generations. Based on research published by Mental Health Foundation (MHF) in the United Kingdom, millennials (i.e. those who aged 18 to 38 years old during the time of the research) shows that 28% experienced job stress, almost twice in comparison to other age group. In the other hand, an example of Generation X (i.e. those who aged 53 to 71 years old), shows about 12% experienced job stress (MHF, 2018). Currently there are limited data and information on how these numbers would look like for Indonesia context.

Therefore, taking a look of the steep turnover rate in the internet companies in Indonesia that house many younger generations into their workforce in the rise of Indonesia digital economy, the author seeks to validate if whether the same patterns of stress-driven turnover are impacting Indonesia's leading internet companies.

Another reason for this research is because there is a misalignment/inconsistencies. Where, albeit these type of organizations typically yields higher job satisfaction scores (in terms of pay, opportunity, autonomy, recognition and meaning), for example, in the United States, 90% of technology companies' workers mentioned that they're very or somewhat satisfied with their job (Wronski, 2019). In Indonesia, the turnover rate is alarmingly very high, and hence, might not be the same case in this market.

Table 1.2. All Workers and technology industry's workers job satisfaction



Percent of all workers and tech workers who say...		
	All workers	Workers in the technology industry
...they are very or somewhat well paid for the work they do	72%	84%
...they have excellent or good opportunities to advance their career	59%	70%
...their contributions are valued a lot or some by their colleagues	81%	88%
...they have a lot or some control over how they do their job	84%	86%
...their work is very or somewhat meaningful to them	89%	89%

Source: SurveyMonkey

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In order for the internet companies to thrive, and achieve its objective, (which in this case with their noble mission to digitalize Indonesia economy), organization need to manage its employee turnover to bring some kind of sustainability in the business. Consequently, there is an urgent need to uncover the reasons driving the turnover. This research tries to answer by confirming whether the higher turnover rates are driven by the stress that being experienced from these generations, if there is any, and giving some insights on how organizations might overcome the issue of job stress. In addition, unravel other drivers of turnover, and ultimately, provide actionable areas where organizations can focus their efforts to overcome this complex problem of employee turnover.

1.2. Research Problem

While the internet industries are rapidly growing in Indonesia, the turnover rate of these companies are alarmingly high and might be causing business unsustainability for these organization. In addition, job stress are also increasing for those who work in this sector globally, yet the organizational commitment & job satisfaction seems to remain high causes uncertainty for management to take action for improvement. To bring some insights for management and ultimately improve quality of life of workers in this sector in Indonesia, it is important to conduct research on factors that influence turnover intention for millennials and generation Z. Therefore, the research questions are:

1. Does job stress influence job satisfaction for millennials and generation Z that is working in internet companies in Indonesia?
2. Does job stress influence organizational commitment for millennials and generation Z that is working in internet companies in Indonesia?
3. Does job stress influence turnover intention for millennials and generation Z that is working in internet companies in Indonesia?
4. Does job satisfaction influence turnover intention for millennials and generation Z that is working in internet companies in Indonesia?
5. Does organizational commitment influence turnover intention for millennials and generation Z that is working in internet companies in Indonesia?

1.3. Research Purpose

In correlation with the background that describe turnover in internet companies younger generations (i.e. millennials and generation Z), several research purpose that is derived are as follows:

1. To identify the influence of job stress to job satisfaction for millennials and generation Z that is working in internet companies in Indonesia.
2. To identify the influence of job stress to organizational commitment for millennials and generation Z that is working in internet companies in Indonesia.
3. To identify the influence of job stress to turnover intention for millennials and generation Z that is working in internet companies in Indonesia.
4. To identify the influence of job satisfaction to turnover intention for millennials and generation Z that is working in internet companies in Indonesia.
5. To identify the influence of organizational commitment to turnover intention for millennials and generation Z that is working in internet companies in Indonesia.

1.4. Research Boundaries

In order to be able to answer the purpose of the research, some boundaries set for the research are as follows:

- **Industry sector:** Respondents are taken only from those who are currently working at internet companies. The internet companies represent technology organization which business is primarily conducted its business activities in internet (including mobile application, platform-based internet application for ride-hauling, e-commerce (marketplace), e-retail, and financial technology)
- **Type of employment:** Respondents are taken from those who are working at the company as a full-time equivalents (i.e. those under permanent contract and longer multi-year contract). Those who are taken the survey should at least have completed their probation period.
- **Location of employment:** Respondents are taken for those who are working for internet companies and its employment is based in Indonesia.

1.5. Research Benefits

The research is expected to bring benefits in both theoretical and practical aspects. Below are the description of the benefits that the author intended to bring from the research:

- Theoretical Benefits

The research is intended to provide reliable information of whether the high turnover rate of internet companies in Indonesia is driven from the job stress. The research would also validate if Indonesia shows a high job stress in its internet companies, and whether it has impacted other turnover drivers such as job (in) satisfaction, and (low) organizational commitment. With this research, the author expected to inform the reader with regards to the influence of job stress to turnover in internet companies which Indonesia's data is currently limited in previous research, and to settle the misalignment as well in the area of higher job satisfaction that is seen in other countries but higher turnover rate in these industries Indonesia.

- Practical Benefits

The author intend to inform the management of internet companies on which plan or action would best address the issue of (regrettable) voluntary turnover that is costly for their organization and even other stakeholders. In more details, identify if job stress is something that the organization should focus and start paying extra attention, and if yes to which aspect. This would not only help the organization as a business, but be able to help the workers (individuals) working in this industry to achieve better well-being in more particular mental well-being, on top of physical and financial well-being. In addition, to identify if there is any other turnover drivers (or even particular

dimension) that is causing the higher turnover rate in this industry and how should management better manage this aspect.

1.6. Systematics Writing

Systematics writing applied in this research are as follows:

- Chapter I: Introduction

Contains the background of the research, problem statement, purpose of the research, benefits of the research and also boundaries of the research.

- Chapter II: Literature Review

Contains previous literature and research that supported this research and the knowledge that underlies this research. Literature can be sourced from supporting journals, books, and other reliable sources.

- Chapter III: Methods

Contains methods that being used, data, research model and data analysis.

- Chapter IV: Results and Discussion

Discuss the results from the data that has been analysed based on the literature that is applied in the research.

- Chapter V: Conclusions and Suggestions

Contains conclusions that is derived from the results of the analysis and description that has been previously explained on Chapter IV.