CHAPTER I
INTRODUCTION

1.1 Research Overview

According to Badan Pusat Statistik (2021) Millennials are the generation born between 1981 and 1996. Now they constitute the largest segment of the workforce. They bring unique values, expectations, and tech-savvy to the workplace, prompting organizations to adapt traditional work environments. This mini-thesis delves into the critical relationship between work environment characteristics and work engagement among millennial employees. Indonesia's labour market is two-thirds populated by the (Badan Pusat Statistik, 2021). This phenomenon is quite important because millennials themselves have unique attitudes and values regarding work (Naim & Lenka, 2018). According to Deloitte (2022)millennials have trust issues with companies. They doubt whether companies truly respect ethics in business and leaders will consider the larger goals of society. Millennials is known as a generation that easily changes workplaces, if the work they do does not match their criteria and life principles. So, with the phenomenon that occurs, companies are not only required to always follow market conditions, but are also required to pay attention to the goals of the community and market conditions, but also required to pay attention to the needs and ways of working based on generations in the organisation (Khasha & Indiyati, 2022).

Table 1.1 Indonesian Consensus Result, 2020

No	Generation	Population
1	Generation Z (1997-2012)	27,94
2	Millennial (1981-1996)	25,87
3	Generation X (1965-1980)	21,88
4	Baby Boomer (1946-1964)	11,56
5	Post Gen Z (>2013)	10,88
6	Pre-Boomer (<1946)	1,87

Source: Badan Pusat Statistik (2021)

According to data from Badan Pusat Statistik (2021) the population of Indonesia is dominated by Generation Z and Generation Y (Millennial), which makes up 27.94% of the population for generation Z and the Millennial generation comprising 25.87%

In another report, it is represented that the millennial generation of 40.8% choose a job with a duration of 3-5 years, 20% only choose 1-2 years, and the rest choose a job duration of less than a year. This report also states that the millennial generation is reluctant to have a career with a long duration of time in one company, so that the millennial generation is associated with a high turnover rate because they prefer freedom and flexibility in turnover rate because they prefer freedom and flexibility (Deloitte, 2022). The IDN Research Institute report also said that 1 in 10 millennials want to work for more than 10 years at a company, and only 3 in 10 millennials stated that they wanted to work 2-3 years at a company (IDN Research Institute, 2022). Furthermore, a research conducted by Mohd et al., (2016), states that the factors that can influence employee engagement are reward, work environment, and work-life balance.

According to (Widyaputri & Sary, 2022) As one the largest generation, the millennials are important because they play a significant role in the demographic dividend era. This generation will be responsible for the country's growth and will serve as the country's hope for further progress towards advanced and dynamic development. Essentially, millennials are a major investment in realising national independence in all areas, and they are required to have greater potential than previous generations (Triana Muliawati & Agus Frianto, 2020)

Reward is able to reduce complaints regarding compensation / payment, reduce turnover, reduce absenteeism, and reduce employee performance problems (Scott et al., 2012). 4th ASEAN Conference on Psychology, Counselling, and Humanities (ACPCH 2018) Advances in Social Science, Education and Humanities Research (ASSEHR), volume 304 390 2010). According to Anitha in Mohd et al., (2016), there is a significant connection between employee, work environment and employee

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engagement. A safe work environment can attract new employees in the vacant position.

1.2 Research Background

According to IDN Times (2022) with 70.72% of its population in productive age (15-64), Indonesia is enjoying a demographic dividend that will hopefully will help the country reach its golden age in 2045. The Millennials born between 1981 and 1996, make up the second largest generation in Indonesia, accounting for 25.87% of the total population or 69.38 million people, trailing Gen Z (born between 1997 and 2012) with 27.94% or 74.93 million people. As all millennials enter their productive years, they will be the key driver of the country's economic growth. While there has been much discussion about millennials, most of it is based on anecdotal stories that lack evidence and data, and may do more harm than good. Understanding millennials starts with from their lifestyles, perspectives and values to their goals and challenges in life and it is crucial for us to find the true path to Indonesia's golden era
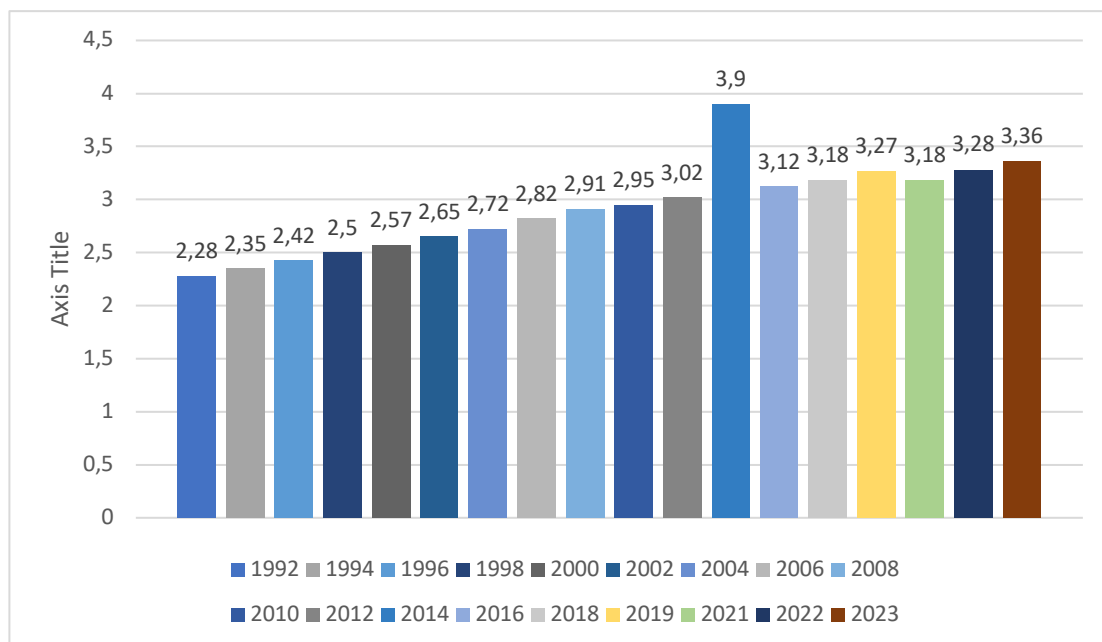

Figure 1. 1 Data of people working around the world

Source: Statista, (2024),

According to Statista (2024), about 3.4 billion people were estimated to be employed worldwide, compared with 2.28 billion in 1991 - an increase of about 1.1 billion people. There was a noticeable drop in global employment between 2019 and 2020, when the number of employed people fell from 3.3 billion to 3.19 billion, probably due to the sudden economic shock caused by the coronavirus pandemic.
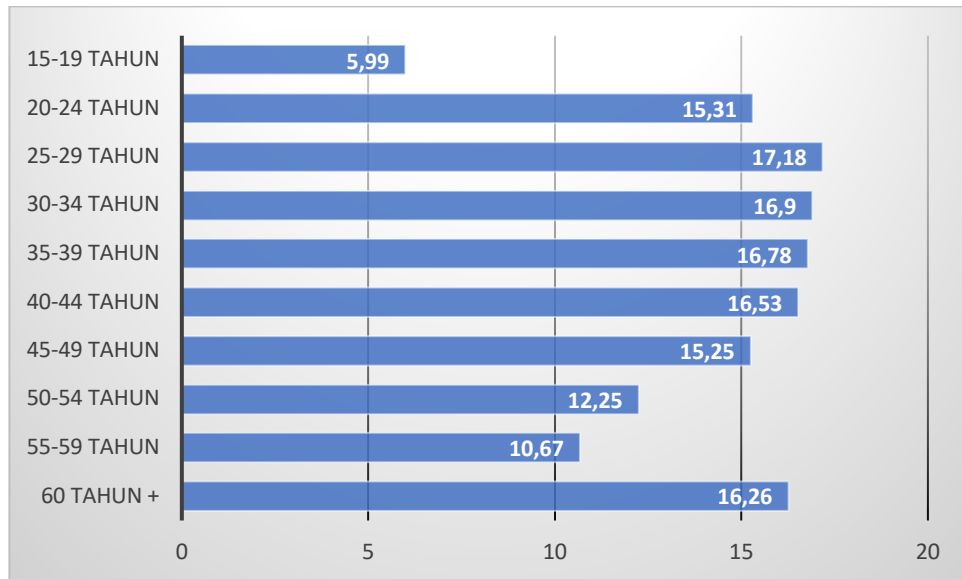

Figure 1.2. Total workers according to age difference in indonesia

Source: Databoks (2022)

According to Kusnandar (2022) Millennials are the generation born between 1981 and 1996. With that being said, Millennials are in the category of age 28 to 43 years old. As we can see from the figure above, we can sum up the number of workers who are millennials from 25-29 to 40-22 and the result is about 67.39 million workers.
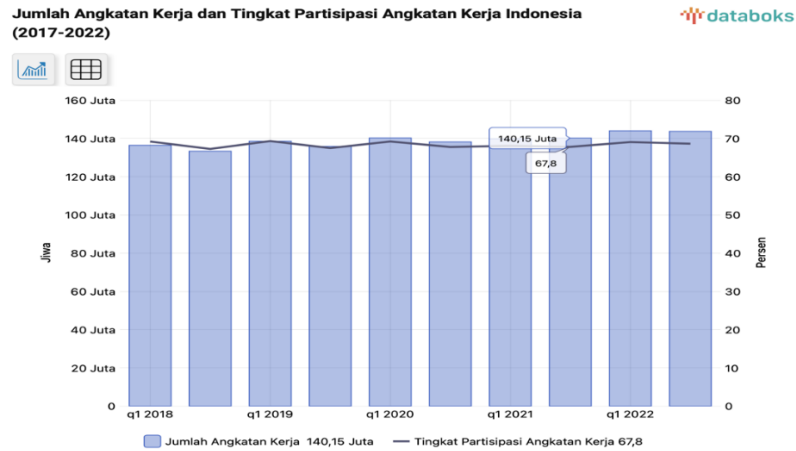
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Figure 1.3 Number of labor force participation rate in Indonesia

Source*:* Databoks (2022)

According to Databoks (2022) reported that in August 2022 there were 143.72 million people in the labour force, with a participation rate (TPAK) of 68.63% of the working-age population. The labour force decreased by 291.4 thousand people (0.2%) compared to the position in February 2022. The TPAK also decreased by 0.43 percentage points compared to February 2022.
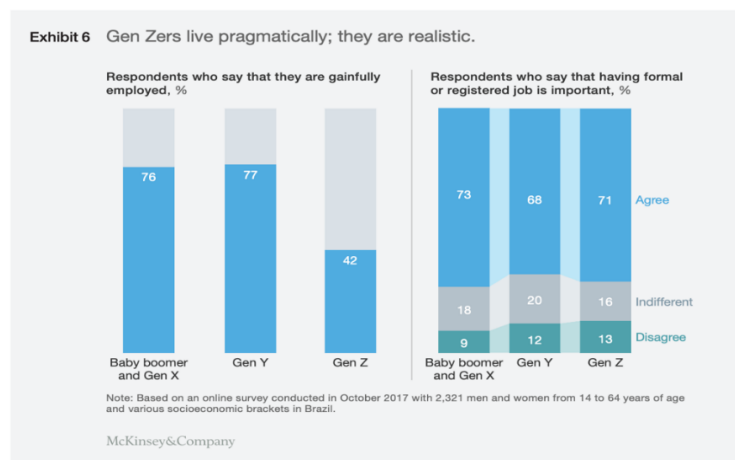

Figure 1.4 Importance of Formal Job for Millennials

Source: McKinsey & Company (2018)

As we can see from McKinsey & Company (2018), The youth behaviours we are discussing here influence all generations and, ultimately, attitudes towards towards

consumption. Three forces are are emerging in a powerful confluence of technology and behaviour. There are 71% of Gen Z who thinks that having formal or registered job in important, on the second position between baby boomer and Gen X with 73% and Gen Y with 68% who agrees. Although in this figure Gen Z is dominating the number of respondents who say that having formal or registered job is important, Gen Y is keeping up close with only 3% difference.
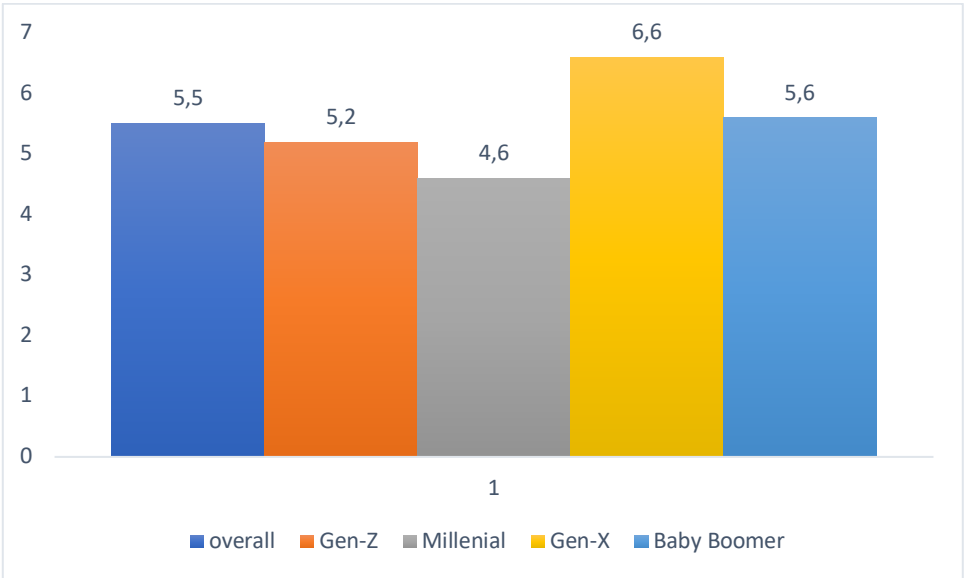

Figure 1.5 Job Satisfaction by Generation

Source: Forbes Advisor (2024)

According to data from Forbes Advisor (2024) the level of job satisfaction from the scale 1-10, Millennials sits in the lowest position with 4.6 while Generation Z sits in 5.2, Generation X in 6.6 and Baby Boomer in 5.6. With this data we can correlate the level of job satisfaction with the work engagement.

Job satisfaction is the level of satisfaction that workers are feeling on their job. If they are not satisfied it will likely for them to do job hopping. This will increase the level of turnovers. According to Gallup.com (2024) The number of millennials who are having intents of leaving their work is about 48%.
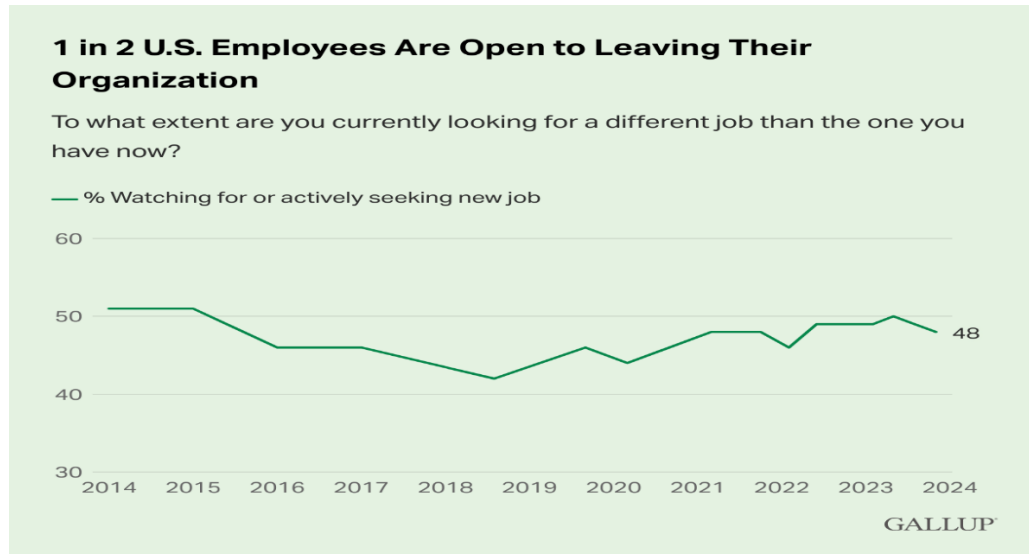
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Figure 1. 6 1 in 2 U.S Employees are open to leaving their organization

Source: Tatel Corey; Wigert Ben, (2024)

According to Tatel Corey; Wigert Ben (2024) there are 48% of workers who have intentions to leave their current jobs and it is actually increasing gradually since 2018 to 2024. This data is supported by a recent Gallup report on the millennial generation shows that 21% of millennials say they've changed jobs in the past year, more than three times the number of non-millennials who say the same. Gallup estimates that millennial turnover costs the US economy $30.5 billion annually. Organizations can benefit from engaged employees in many ways for instance, reducing   employee turnover and increasing level of job satisfaction (Karanika-Murray, 2015). The level of job turnover is very connected to the level of job engagement for every employee.
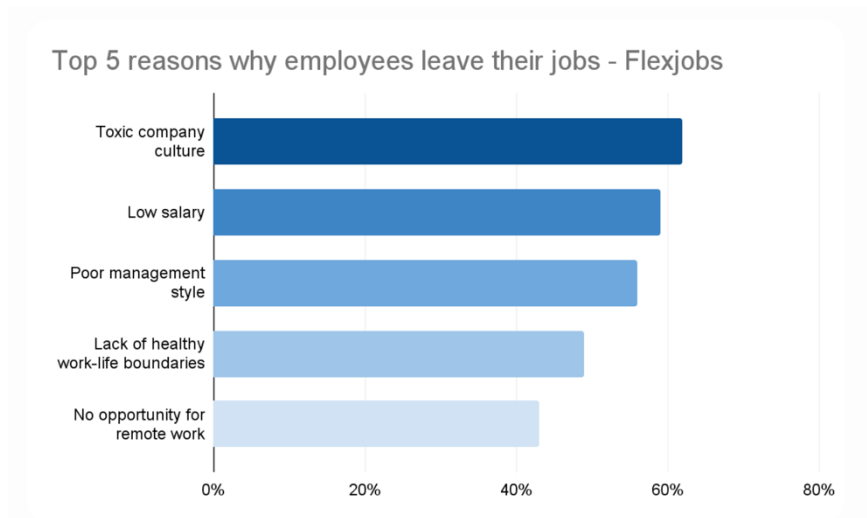
Figure 1.7 Top 5 reason why employees leave their jobs

Source: gomada (2023)

The figure above gomada (2023) shows that there are 5 reasons why employees leave their jobs. Five of them are toxic company culture, low salary, poor management style, lack of healthy work-life boundaries, and opportunity for remote work. These reasons are extremely inline with work engagement and the highest reason of leaving work is because of the toxic company culture which we can say it is the work environment. However, there are still differences of opinion regarding work engagement with employee engagement based on found that work engagement and employee engagement have the same concept which describes the level of dedication of individuals to their work (Kosaka & Sato, 2020). Kosaka & Sato (2020) mentioned that their use is differentiated based on the focus of the research, employee engagement is used for research in general. Employee engagement measures the extent to which employees feel committed and connected to the company or organisation on the other hand work engagement focuses more on the employee's relationship with their work such as aspects of enthusiasm, dedication and level of absorption in work. This shows that the data from employee engagement can add to the understanding of existing conditions for work engagement. Some studies use the same measures to measure work engagement and employee engagement (Kosaka & Sato, 2020)

Continuing from the figure above, work engagement is a multidimensional construct that reflects the positive psychological state of employees characterised by vigour, commitment and involvement in their work. It represents a deep connection between individuals and their work roles, in which they invest themselves physically, cognitively and emotionally. Unlike pure job satisfaction, which focuses on how employees feel about their jobs, work engagement focuses on the intensity and quality of their involvement in their tasks and the organisation as a whole.

Vigour, the first component of engagement, refers to high levels of energy, mental resilience and willingness to invest effort in work-related activities. Engaged employees show enthusiasm, initiative and persistence in pursuing their goals, even in the face of challenges or setbacks. They approach tasks with a sense of excitement and determination, often demonstrate proactive behaviour and take ownership of their work responsibilities (Schaufeli et al., 2006)

Commitment, the second component, reflects employees' strong sense of importance, pride and commitment to their work. Engaged people feel emotionally connected to their roles and the organisation, and see their work as meaningful and valuable. They identify with the organisation's mission and values and derive a sense of purpose and fulfilment from contributing to its success. Engagement fosters a sense of loyalty and commitment, inspiring employees to go beyond the requirements of their jobs, strive for excellence and make meaningful contributions to their teams and the organisation (Schaufeli et al., 2006)
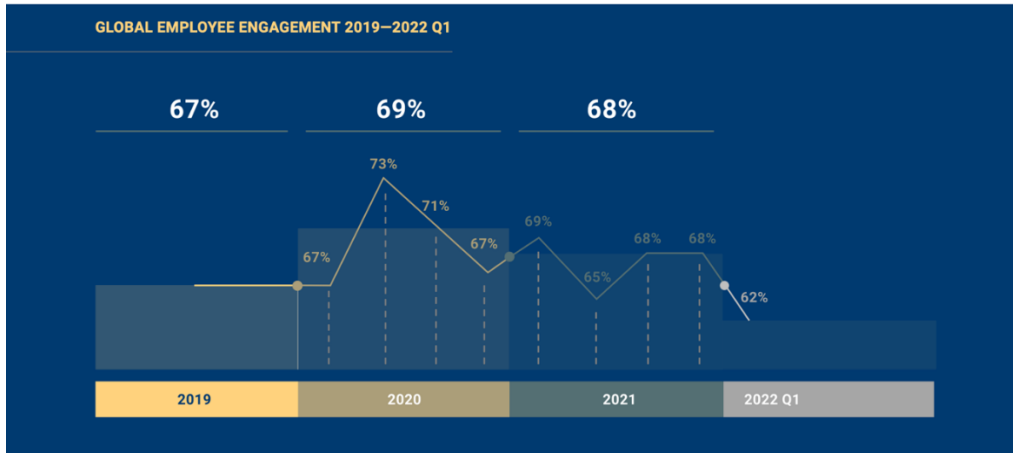
Figure 1.8 Global Employee Engagement 2019 – 2022

Source: Kincentric (2022)

The graphic above shows that the level of engagement is fluctuating. As we can see from the figure above, the number of engagement are increasing in 2019 to 2020 from 67% to 73% and decreasing rapidly from there to 62% in 2022. From this, we can conclude that there is a problem or a phenomena that is causing the number of engagement to fluctuate (Kincentric, 2022).

Figure 1.9. Overall global employee engagement statistic

Source: www.Pumble.com

There are 21% of employees that are engaged around the world and there are 19% of employees that are actively disengaged. Disengaged employees reported that 59% of them regularly feel stressed at work, 56% of them feel worried, and 31% of them feel anger on a daily basis (Pumble, 2023).
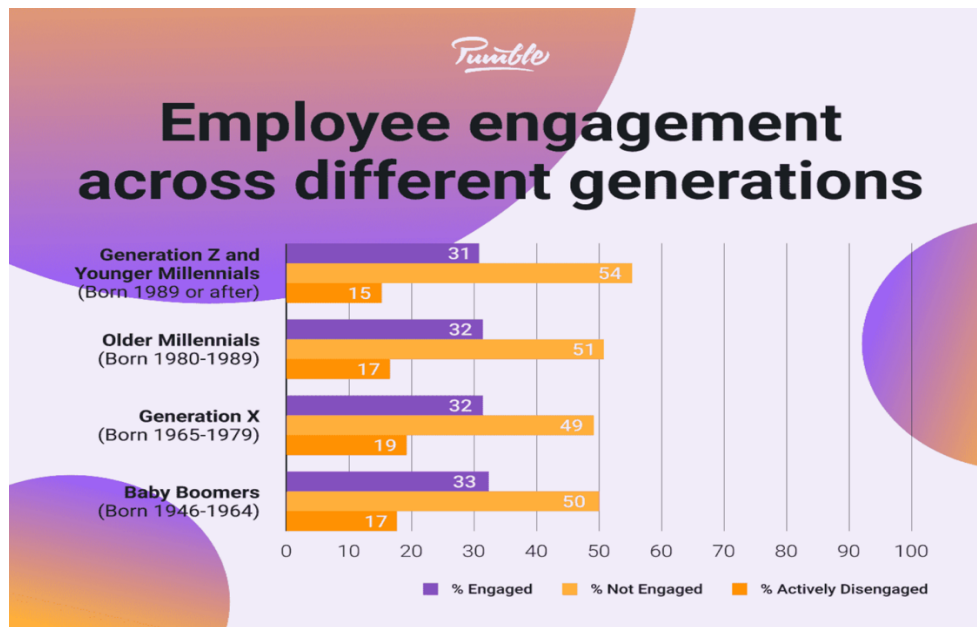
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Figure 1.10 Employee engagement across different generation

Source: www.pumble.com (2023)

The figure from (pumble, 2023) above shows that the reason for this data lies in the fact that younger generations experience more stress and burnout than older generations. In fact, 68% of Gen Zers and younger Millennials feel stressed a lot. With a number of 54% of them are not engaged. A much smaller number of baby boomers (40%) report feeling stressed a lot of the time. While the older millennials, 51% of them are disengaged and 17% of them are actively disengaged. In addition, Gallup's U.S. Employee Engagement Needs a Rebound in 2023 report shows that from 2019 to 2022, engagement levels among young Millennials and Gen Z dropped by 4 points, while they dropped by 2 points among older workers. Active disengagement also increased by 4 points among younger workers (under the age of 35), while it increased by just 1 percentage point among older workers.
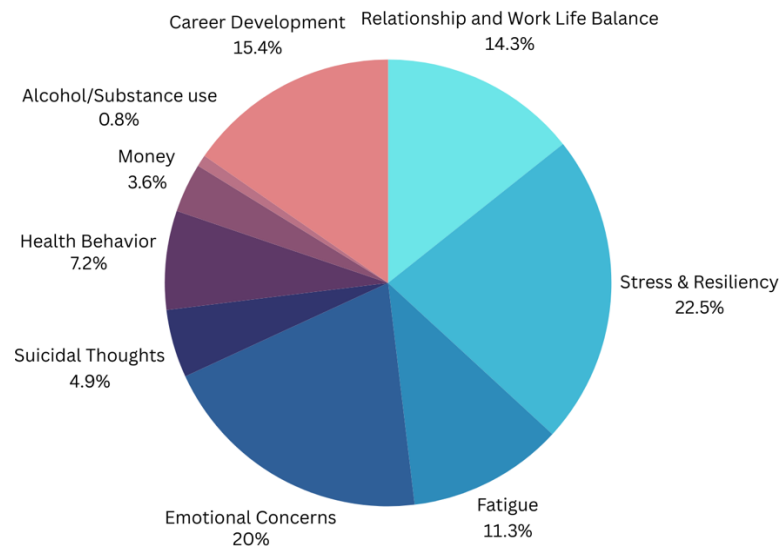
Figure 1.11 Employee Were Seeking Help

Source : Well-Being Index (2023)

Work engagement can be affected by various factors, one of which is Emotional Concerns. Figure 1.6 explains that Emotional Concerns is also the second largest issue with 20.03% of the total. This indicates that employees have significant emotional concerns that may affect their performance at work. Career Development is the third largest issue with 15.37% of the total. This shows that employees feel the need for better career development. This is followed by Relationships & Work-Life Balance with 14.32% of the total. This shows that employees feel the need for a better work-life balance. Finally, Health Behaviour, Suicidal Thoughts, Money and Alcohol / Drug Use are other issues facing employees, each with a lower percentage.

It is therefore important for companies to promote psychological wellbeing in the workplace. This can be done in a number of ways, such as providing psychological support to employees, creating a positive and supportive work environment and promoting work-life balance. Overall, psychological well-being is a factor that can influence the level of engagement at work. By improving psychological wellbeing at work, companies can help to increase engagement at work. In addition to improving employees' psychological well-being, organisational support or perceived

organisational support is no less important to develop in the work environment. Based on previous research by (Imran et al., 2020), POS has a positive relationship with work engagement. Perceived organisational support is the employee's perception of the extent to which the organisation values their contributions and cares about their well-being (Atieq, Basid, & Jayanti, 2023). This is an important factor that can influence the level of Work Engagement. Perceived organisational support can take many forms, such as recognition of work performance, opportunities for professional development, and a supportive work environment (Bonaiuto, Milani, Fantinelli, & Cortini, 2022). According to Cortés-Denia et al., (2023), organisations that demonstrate this support to their employees can help build positive working relationships and increase work engagement. By this data shown above, it can be concluded that the well-being of employees will definitely affect the level of work engagement.

The data that we are going to analyze is about the Millennials in Jakarta, Thus we have to focus on the data of Millennials in Jakarta

Table 1. 2Number of Population Results of the 2022 Population Census According to Generation and Regency/City in DKI Jakarta Province

Kabupaten/ Kota	Pre-Boomer	Baby Boomer	Generasi X	Milenial	Generasi Z
Kepulauan Seribu	236	2346	5559	7497	8033
Jakarta Selatan	32178	252975	547666	583253	565953
Jakarta Timur	34391	331910	712637	806603	792092
Jakarta Pusat	18744	133067	253013	277599	263444
Jakarta Barat	32227	264046	569611	665783	621776
Jakarta Utara	21466	186574	407955	488123	457960
DKI Jakarta	139242	1170918	2496641	2828858	2709258

Source: Badan Pusat Statistik (2022)

According to Badan Pusat Statistik (2022), The number of Millennials that exist in Jakarta is in the number of 2828858. This data will be calculated with Hair test because the goal of this paper is to know about the Millennials in Jakarta.
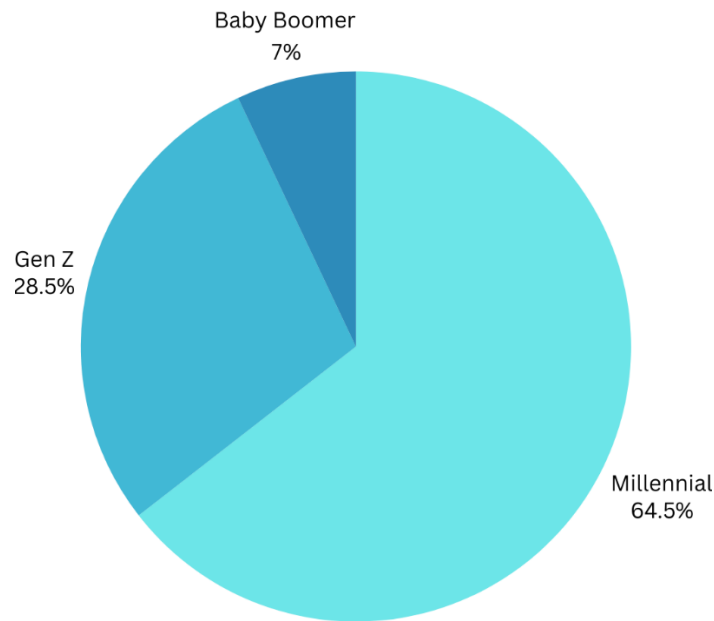
Figure 1. 12 Workforce in Jakarta

Source: BPS (2022), Processed By Author

Continuing from the previous phenomena about number of population in Jakarta in 2020, it shows that millennials dominate the population in Jakarta. Additionally, according to Badan Pusat Statistik (2022) illustrated in the figure above, it indicates that millennials dominate the workforce in Jakarta.

Continuing from the previous phenomena about the number of workforce in Jakarta. It shows that the most workforce who are active is millennials. It means that workers who are impacted by any factors on their work are millennials.

According to Katadata (2022) The trend of mass workforce resignation is happening in several countries. In fact, a survey released by professional recruitment company Robert Walters noted that 77% of professional workers in Indonesia are considering resigning.

As for employees who are considering resigning, 80% of them claim to be open to changing their mind if the conditions are right. Salary, being a vital factor in changing decisions, with details being; salary increases (37%), changes in job responsibilities (25%), and promotions (23%).Some other findings from Indonesian

respondents: 77% of workers are considering resigning in 2021, but 62% of workers are not comfortable quitting without a new job.

Perception Gap: While 59% of companies say they have taken steps to retain employees, 34% of workforce professionals claim to be unaware of such efforts. Factors such as salary increases, changes in job responsibilities, and promotions remain key to retaining the best local talent.

As we can see from the phenomenon above, there are a large number of workers in Indonesia who are resigning from their work and one of the reason of this is Work engagement. The work environment is one of the factors that influences work engagement. A conducive work environment provides a sense of security and allows employees to work optimally. Furthermore, work engagement is defined as a measure of how far individuals psychologically commit to their jobs and consider the level of performance achieved as a form of self-worth, which has consequences in terms of work outcomes, including performance (Yanti & Zukrianto, 2024)

The concept of work for the Millennial generation initially grew from the idea of a terrible work environment. As they grew up, this generation began to create something new to ensure that their previous experiences would not be repeated. Therefore, Millennials strive to create a pleasant office atmosphere by eliminating some regulations and working in a nearly rule-free environment. This generation is tech-savvy; even if they are not, they will learn through various sources to become proficient in using technology. Millennials possess imagination and creativity, as well as strong problem-solving skills. They were raised with phrases like "You can do anything" and "Nothing is impossible," which contributes to their high competitiveness and self-confidence. Millennials are always connected with their peers in various ways, one of which is through social media. They are accustomed to collaborating with people from diverse backgrounds and are not bound by stereotypes. This greatly influences the work environment for the Millennial generation. Given these circumstances, they are more likely to choose a work environment that minimizes stress and facilitates clear thinking. A comfortable workplace for them is not a conventional office like the typical

office types we see today, but rather a hybrid space that combines work areas with relaxation areas, giving the impression of being in a café or outside the office. As is common, it is in such an environment that Millennials feel more comfortable working, as it provides transparency, comfort in the workspace, and fosters relationships among other workers (Arvian, 2019).

According to Yanti & Zukrianto (2024) the work environment is a factor that indirectly affects employee performance. A conducive work environment provides a sense of security and allows employees to work optimally. In this case it was seen the influence of the work environment on employee work engagement at the Forest Plant Seed UPT DLHK Riau Province. Tesi et al., (2019) explained that Psychological Well-Being affects Work Engagement. It was said that Psychological Well-Being was positively related to Work Engagement. To enlarge the knowledge on this research, the author chose to investigate Millennial workers because according to Kumar (2019) the millennial generation by 2025 will dominate the overall workforce, the generation will account for 35% of the workforce in that year.

Based on the explanation of the background that has been described, the author are interested in conducting research with the title "**The Impact of Psychological Well-Being and Work Environment Toward Work Engagement of Millennial Employees in Jakarta**".

1.3 Problem Formulation

From the above phenomena, it is also shown that theoretically the effect of Psychological Well-Being and Work Environment affect Work Engagement is still under debate. Based on research by Mohd et al., 2016) and Oktavia et al., (2021) shown that shows that all two variables affect Work Engagement. Meanwhile, research by Rabuana & Yanuar (2023) indicate that the work environment does not significantly affect employee performance.

1. How Is The Psychological Well-being towards millennial employee?
2. How Is The Work Environment towards millennial employee?
3. How Is The Work Engagement towards millennial employee?

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4. How Psychological Well-being affect employee engagement among millennial workers?

5. How Work Environment affect employee engagement among millennial workers?

1.4 Research Objective

1. Analyzing Psychological Well-being on millennial employee.

2. Analyzing Work Environment millennial on employee.

3. Analyzing Work Engagement millennial on employee.

4. Analyzing how the impact of Psychological Well-being on employee engagement among millennial employee

5. Analyzing how the impact of Work Environment on employee engagement among millennial employee

1.5 Benefits of Research

The results of this study are expected to be able to provide both theoretical and practical uses to various related parties, including the following:

1. Theoretical Usefulness

For the benefit of the academic field, the results of this study are expected to contribute ideas and as a source of information for various parties in understanding Work Engagement and the factors that influence it.

2. Practical Uses

a. For the telecommunications and informatics business management study programme and Informatics, this final project report is an applied thesis that can provide an overview, comparison and become learning material for business management students related to Work Engagement and its influencing factors.

b. For the author, it can apply the knowledge insights that have been taught in college and compare them with the situation. In the real world regarding Work Engagement and the factors that influence the influencing factors.

c. For the government, it is hoped that it can be a consideration to raise public awareness of the importance of Work Engagement in the world of work.

1.6 Systematics of Final Project Writing

This research is divided into five chapters in which there is analysis and presentation with the following systematic provisions:

a) **CHAPTER I INTRODUCTION**

Chapter I provides an explanation of the object of research, background, problem formulation, research objectives, research benefits, and systematics of writing the final project.

b) **CHAPTER II LITERATURE REVIEW**

Chapter II, explains the theories regarding the research to be carried out, hypotheses, and frameworks of thought.

c) **CHAPTER III RESEARCH METHODS**

In chapter III there are methods to help research which contains the type of research, operational variables, population and samples, data collection, validation and reliability tests, and data analysis techniques.

d) **CHAPTER IV RESEARCH RESULTS AND DISCUSSION**

Furthermore, chapter IV explains the characteristics of the respondents and then also explains the research results and discussion of the research results.

e) **CHAPTER V CONCLUSIONS AND SUGGESTIONS**

And finally Chapter V explains the conclusions of the research questions, then will be suggestions related to the benefits of the research.