

The Challenges of Millennial And Gen-Z Generation Workforce In Indonesia

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ABSTRACT

The intermediary role of HRD between employees and the company is crucial to satisfy both parties. As the workforce shifts from Baby Boomers and Gen-X to Millennials and Gen Z, companies must review their compensation and promotion systems to meet the new workforce's unique characteristics. This literature study examines the relationship between employee engagement and performance on the company's wage system and career opportunities. The study's practical goal is to provide a rationale for human resource development departments of businesses that will soon be hiring members of the Millennial and Gen-Z generations, outlining how corporate HRD systems might be revamped to accommodate the generational gap. Literature study allows us to explore various paradigms of these topics and to make new contributions to knowledge and understanding of issues. We concluded that companies must change the paradigm in the HRD system in dealing with the Millennial and Gen-Z generation workforce by naturally growing their engagement and performance and making the wage system and career promotion a reward for their efforts.

Keywords: Employee Engagement, Performance, Wage System, Millennials, Gen-Z

INTRODUCTION

Until recently, both HR researchers and practitioners viewed performance as a result. This is understandable, given that they always use the company's point of view. And it causes HRD to behave like the company's dog, constantly barking at the employees. The HR division's intermediary function is ineffective; both parties should be served and satisfied. It is critical to remember that organizations are like living things; health is often thought of as the health of the entire body, but the truth is that it's the health of each organ and body cell. Cancer, for example, is a disease of one organ that affects the entire body. So, if a specific organ fails, it will cause problems for the whole system. There are numerous ways to satisfy both parties. Employees benefit from a good working environment, a sound wage system, career advancement opportunities, etc. In contrast, the company benefits from better performance, organizational culture, high worker involvement, etc.

Companies will soon have an increasing number of employees from the Millennials and Gen-Z generations, which differ from the Baby Boomers and Gen-X generations. Millennials and Gen-Zs require actualization and are rebellious; therefore, the company's wage system and career advancement require a different approach.

Employee engagement was raised as one of the study's topics because employees are valuable assets to the company and should be fully engaged with and within the company. Employee engagement refers to an employee's concern level, motivation, and participation in their job. Employees put forth effort in their engagement activities. Employees with high work engagement exhibit three characteristics: say (consistently “shout out” organization’s positive context to colleagues, prospective new employees, and even to customers); stay (wanting to become a permanent member of the company); and strive (giving their power, energy, and time, and contributing initiatively to the organization's or business agency's success) (Bakker & Leiter, 2010).

Employee performance is also studied because of many factors, such as 1) the influence of attitude and mentality (including work motivation, work discipline, and work ethics); 2) education; 3) skills; 4) leadership management; 5) income level; 6) salary; 7) health; 8) social security; 9) work climate; 10) facilities and infrastructure; 10) technology; and 11) opportunities for advancement. Employee performance refers to their ability to meet the company's goals and performance standards. Employees have put in a lot of effort to give a good performance.

Wage management is an essential aspect of human resource management in a business. A fair wage policy can motivate and improve employee performance. Inappropriate or opaque wage policies, on the other hand, lead to employee dissatisfaction and lower employee motivation and performance. Employees should strive for advancement in their careers. The wage system is inextricably linked to career advancement. Promoted employees will have higher social status, authority, responsibility, and income. Choosing a career is part of the personal development (Budisiwi, 2013) Every employee wishes to be promoted to a position at or above their current level, where they can earn a higher salary.

No studies discussed the relationship studied in this topic, which makes this research an overall novelty. This research study analyses how Millennial and Gen Z workers might perform if their level of engagement and performance impacted the company's pay structure and development prospects. The study's practical goal is to provide a rationale for human resource development departments of businesses that will soon be hiring members of the Millennial and Gen-Z generations, outlining how corporate HRD systems might be revamped to accommodate the generational gap.

Literature Review

Employee Engagement

Employee engagement is a "resource" that can be invested in to help the company grow (Bakker & Albrecht, 2018). Highly work-involved Employees are enthusiastic about work, immersed in work activities, and persistent when dealing with challenges and obstacles.

Employee engagement is a concept seen in discretionary effort (employees can act for the organization's benefit) (Yudiani, 2017). Employee involvement is the degree to which a person is psychologically attached to his job and considers his level of performance essential for self-esteem (Angka & Darma, 2016). Employees with a high level of involvement are fully engaged and enthusiastic about their work. A survey report conducted by the Institute of Employment Studies in Brighton demonstrated that employee involvement is a caring attitude toward the success of the company where he works (Mujiasih & Ratnaningsih, 2012). Engaged employees care about the organization's business and can work in teams to improve company performance. As per Lockwood, engaged employees will work harder, be more loyal, and go the extra mile to help the company succeed (Bakker, 2011).

Employees engaged at work are more open to new experiences and may even learn new skills. However, if employees exhibit laziness, are late, do not follow the rules, and do not care about their work or coworkers, the company is failing, negatively impacting productivity and company revenue. Companies with high employee engagement can save up to 55% on recruitment costs while generating higher profits than companies with low employee engagement. The statement is supported by Towers Perrin's research from 2007, which found that financial companies that actively involved 70% of their total employees experienced a 19.1% increase in operating income in one year, generating additional profits of more than USD 192 million. Companies with low employee engagement saw a 32.7% drop in operating income and a combined loss of more than USD 448 million (Mangkunegara, A.P. 2017).

Employee Performance

Performance is employees' actual behavior as work performance produced by their role in the company. Performance refers to the quality and quantity employees achieve while carrying out their given tasks and obligations. Performance is the achievement or results of one's work given the tasks that must be completed within a specific time frame or goals that must be met (Anitha, 2014).

Performance, more broadly, is the success of individuals, teams, or organizational units in achieving predetermined strategic goals through expected behavior.

Factors that shape performance are intrinsic (motivation, education, ability, skills, and knowledge) and extrinsic (outside influences) (work environment, leadership, working relationships, and salary).

Wage System

Wage policies are regulated by Indonesian Law 13/2003, jo. 11/2020, and Government Policy number 36/2021, which include minimum wages, wage structures and scales, overtime

work wages, paid leave, forms and methods of payroll, and minimum wage calculation or paying other rights and obligations (Suhartini, 2019).

The wage policy stated in Indonesian Law 13/2003, jo. 11/2020, and Government Regulation 36/2021 applies the principles of fulfilling workers' rights to obtain a decent income for humanity, providing equal treatment to all workers in the wage system, and providing equal pay according to the job's value.

Career Promotion

Job promotion is an increase in an employee's position in an organization that provides more authority, responsibility, obligations, rights, status, and income. Ibid. also suggests the following general promotion requirements: honesty, work performance, cooperation, skills, loyalty, leadership, communication, and education. Meanwhile, criteria such as seniority, educational qualifications, work performance, and level of dedication are considered when promoting employees. Promotions must be accompanied by sympathetic attitudes, habits, and behaviors^[19]. As a result, some employees are intelligent and have great potential but need to be promoted.

RESEARCH METHODS

The literature study method is applied to gather information from various sources related to the research topic, such as books, journals, articles, and research papers.

Research Design

Researchers conducted a literature review, analyzing and synthesizing information from various sources before selecting and evaluating relevant and valid data for the research. Furthermore, the literature review allows researchers to investigate previous perspectives and research related to the research topic to make new contributions to knowledge and understanding.

Research Limits

Since millennials and Gen Z will soon make up the bulk of the workforce, this study can only focus on those generations in terms of the studied variables.

RESEARCH METHOD

Only a few studies discussed the relationship studied in this topic that was discovered through previous research search results. All previous studies investigated the opposite relationship, such as the relationship between compensation and rewards to employee engagement the link between compensation and rewards to employee performance^{[28],[29],[30],[31],[32]}; the connection between career promotion to employee engagement^{[33],[34],[35],[36]}, and the relationship between career promotion and employee performance.

According to these findings, all researchers adopted the company's perspective and paradigm that took the initiative first. Alternatively, the company must provide reasonable wages and career advancement systems. In that case, employees may not want to get involved or may not try to offer better performance. And we all know that it only sometimes works that way.

Employee Engagement

Employee engagement is influenced by three factors, namely (1) job resources, related to workload; (2) salience of job resources, related to the level of importance of a job resource owned; and (3) personal resources, related to the characteristics of the employees or employees themselves. From these factors, the company should start its efforts to increase employee engagement, for example, by shifting the personal workload of employees to the workload of the workgroup (team).

Employee engagement is a form of positive thinking. These thoughts arise related to the completion of the workload that is owned and can be characterized by vigor (enthusiasm, energy at work), dedication (active role in advancing the organization or company), and absorption (fun and enjoyment in doing their job). So, it will be an obligation for company managers to create excitement in work that raises employee enthusiasm.

Employee Performance

Companies will generally assess how employees contribute through performance calculations, while the employee's manager or supervisor internally evaluates the processes that produce performance. Unfortunately, except in extreme cases where a warning letter is issued, this is never reported to the HRD division (Huang et al., 2015).

Performance has five criteria: quality, quantity, timeliness, effectiveness, and independence. Performance measurement encompasses both quantitative and qualitative aspects. The quantitative elements involve evaluating work processes, work conditions, time utilization, work duration, error frequency, and the quantity and nature of service delivery. On the other hand, the qualitative aspects entail assessing work accuracy, work quality, level of competence, data analysis proficiency, utilization of machinery, and evaluative capabilities (Awadh & Saad, 2013).

According to the theories, if performance is used as a measure, HRD should consider not only the results but also how employees work processes, how they improve, the number of mistakes they make, and so on.

Wage System

Companies cannot be blamed for not using performance-based pay because Indonesian Law 13/2003, jo. 11/2020 and Government Regulation 36/2021 state that companies must provide equal pay according to the job's value. Companies cannot improve employee performance because no matter how well employees perform, it does not affect their wages (Banjaransari, 2022).

Even though there are regulations regarding wages based on units of time (Article 16 of Government Policy number 36/2021) and wages based on units of results (Articles 18 and 19 of Government Policy number 36/2021), the determination of a month's salary calculated based on units of results is based on the average wage received by the worker over the previous 12 months, so it is not based on individual performance but rather a target-chasing system. Whereas it should be that when an employee exceeds the company's expectations, he receives a bonus, and vice versa if he fails to meet the company's expectations, he gets a deduction. This phenomenon is consistent with Zainal's perception that the wage and salary program must be implemented fairly and feasibly while adhering to applicable labor laws. Furthermore, Ibid. explains that the principle of fairness requires that employees' wages and salaries be adjusted to work performance, type of work, job risks, responsibilities, and worker positions and meet internal consistency requirements. "Fair" should not imply that all employees are paid the same amount (Suhartini, 2019).

However, the standard of payment of salaries and wages for employees in Indonesia must be by the law and government regulations, which refer to the regional minimum wage, which is "in favor of employees" or takes into account the employees and their families' cost of living adequacy. Meanwhile, when we look at the wage system in other countries, we see that they need to prioritize the adequate cost of living for employees and their families. It means that in Western countries, companies pay their employees based on the minimum wage per hour worked or on their performance. So, if their salaries need to be increased, they need to work more hours or deliver the results expected by their company.

Career Promotion

Companies should provide employees with clear information about their company's criteria for promoting an employee so that employees can understand and fight for their fate. A transparent promotion system helps attract qualified job applicants because it gives them the confidence to compete fairly. Furthermore, Ibid. explains that job promotion aims to recognize employees who have demonstrated superior work performance, establish staff stability, and fill vacant positions. However, suppose employees believe their chances of advancement are slim or nonexistent. In that case, their passion, enthusiasm, and work discipline will wane, and they will work carelessly, resulting in lower employee performance.

So, if the preceding discussion is summarized in the form of a graphic of the relationship between variables, it will look like this:

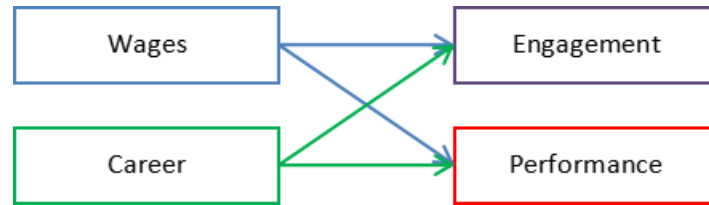


Figure 1. The current corporate paradigm of variable relationships

The picture above shows that companies want employee engagement and good employee performance; thus, they use wage and career systems as "bait," and what the companies hope for is successfully obtained. This action implies that the companies are taking the initiative because they are interested. Although this system cannot be said to be incorrect, it is less effective because, while all employees want good wages and positions, not all employees expect to get them from the company where they work.

Job opportunities are becoming available as Millennials and Gen-Z create new digital-based industries, particularly for those with the necessary skills. A job as a company employee may be a stepping stone for them (Rue, 2018). The grass is always greener on the other side, which means that companies will always offer more appealing wages or careers. Tara de Thouars emphasized that Gen-Z have high self-confidence and, as a result, a strong sense of self-actualization - a desire to be appreciated. Millennials and Gen-Z are more likely to rebel and avoid situations that do not make them comfortable, unlike the Baby Boomers and Gen-X generations, who tend to be more obedient to rules.

As a result, Indonesian companies should shift from the old paradigm to this new one:

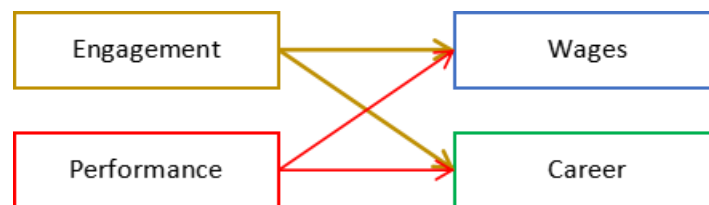


Figure 2. The new corporate paradigm of variable relationships

According to Picture 2, companies must naturally shape employee engagement and performance and make the wage system and career path rewards, not lures. Employees from the Millennials and Gen-Z generations will appreciate this. Companies can shape employee engagement by providing a pleasant work environment, reasonable workloads (for example, through teams or work units), etc. Performance improvement will be measured by rotating more specific and heavier tasks so that employees do not feel differentiated from more senior employees and have the opportunity to learn new skills (Ganguli et al., 2022).

If Indonesian companies adopt this new paradigm, their costs will be lower. Although it is not necessarily less expensive in some cases, at least their prices will be proportional to the increase in employee quality (Schroth, 2019).

This new paradigm may be challenging to grasp initially, but this example will help: Everyone wants to work at Google because it is one of the fastest-growing companies today. Google creates a comfortable work environment by providing video game rooms, sports fields, bedrooms, and a variety of room designs (such as rooms with formal chairs, rooms with bean bags, rooms designed like cafes, and so on) that allow employees to relieve work stress by exercising, sleeping, or playing video games. But that doesn't mean they don't have to meet deadlines. Google encourages their employees to be as creative as possible; sometimes, small software programs created by employees are appreciated enough for Google to form a separate work unit to develop the program further. We can use them today, for instance, Google Scholar, Google Drive, Google Lens, etc. Indeed, such employees will receive bonuses, wages, and possible career advancement (as a manager overseeing the feature division). This decision demonstrates a reward based on their involvement and performance, which raises Google's profile due to the additional features it provides.

General Indonesian businesses may not need to go to such lengths to improve employee engagement and performance. Still, Google can serve as an example that doing so is possible and profitable.

CONCLUSION

Companies must shift the HRD paradigm in dealing with the Millennial and Gen-Z workforces by naturally fostering their engagement and performance (via various factors that influence it) and making the wage and career advancement system a reward for their efforts.

Employee engagement hierarchy: The provision of basic salary and benefits is at the heart of the employee engagement hierarchy. It's a fair and appropriate compensation system, one of the efforts to create employee engagement based on the ranking. As a result, performance-based compensation is the best compensation system for millennial and Gen-Z employees.

Suggestion

We recommend that the HR Division continue to advise company management to redistribute individual responsibilities to team projects as one strategic method for increasing output and morale. As a result of this transformation, more Millennials and Gen-Z are willing to work together and take ownership of their responsibilities. Bringing excitement into the workplace might catalyze increasing morale. Millennials and Gen-Z can rediscover their enthusiasm for work and a sense of purpose by incorporating exciting components into their everyday routines.

Career advancement procedures should be open and honest. It is crucial to provide thorough transparency regarding the benchmarks that underpin promotion considerations to encourage Millennials and Gen-Z to compete for their progress actively. This transparency will give them the information they need to take charge of their professional futures.

Considering training from a cost-cutting perspective, the focus should shift to increasing the complexity of the activities employees are expected to do. At the same time, encouraging people to work together in teams creates an environment for learning and sharing. Millennials and Gen-Z retain the knowledge they gain from hands-on experience more effectively than that achieved through prescribed study. By incorporating learning into regular work activities, employees improve their competence and contribute to the company's growth.

We also recommend that the government of the Republic of Indonesia consider using performance-based pay for companies to see an increase in optimal employee performance.

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