

Original Article

The Influence of Compensation and Non-Physical Work Environment on Employee Turnover Intention among Generation Z in Bandung City

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Abstract: This study aims to understand the influence of compensation and non-physical work environment on the turnover intention of Generation Z employees in Bandung City. Generation Z, born between 1996 and 2006, has high technological skills and is just entering the workforce. Technological developments encourage companies to plan strategies to anticipate changes. This study uses quantitative methods and path analysis as a data analysis technique. Data were collected through distributing questionnaires to 100 Generation Z employees in Bandung City as the research sample. The results of the questionnaire were analyzed using SPSS version 29 software. The results of data analysis show that compensation and non-physical work environment are in the "Good Enough" category, while turnover intention is in the "High" category. There is a significant positive influence, both partially and simultaneously, between compensation and non-physical work environment on turnover intention. The total effect of compensation and non-physical work environment on the level of turnover intention is 73.9% and 46.9%, respectively. It is hoped that the results of this study can help companies increase their understanding of Generation Z's needs in the world of work, especially in increasing compensation and creating a healthy work environment. This is expected to reduce the level of exit intention of Generation Z employees and increase their contribution to the company.

Keywords: Compensation, Non-Physical Environment, Turnover Intention, Generation Z

I. INTRODUCTION

In the era of digitalization marked by the presence of Generation Z or the internet generation, significant challenges impact various sectors, especially in the realm of mass media. Amidst intense competition, Indonesia is expected to face globalization, and employees are expected to demonstrate high levels of efficiency, exceptional skills, and unparalleled competitiveness in the global competition environment within and outside the country (Fernando & Wulansari, 2020).

Human generations are divided into six generations based on birth years: the Baby Boomer Generation, consisting of individuals born between 1946 and 1964; Generation X, covering births from 1965 to 1980; Generation Y, born between 1981 and 1996, commonly referred to as the millennial generation; Generation Z, born between 1997 and 2012, also known as the Internet generation; and Generation Alpha involving those born from 2013 to 2025 (BPS, 2020). According to a survey conducted by a financial company called Bankrate and job seekers in the United States (Gillespie & Rubloff, 2023):

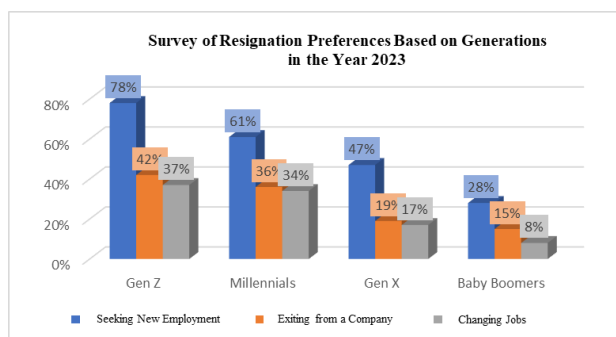


Figure 1: Resignation Preferences Survey for Each Generation in the United States

According to Figure 1, in America, Gen Z has a higher percentage (42%) of individuals leaving companies compared to Gen Millennials (36%), Gen X (19%), and Gen Baby Boomers (15%) in 2023 (Gillespie & Rubloff, 2023). This increase can be attributed to the work system returning to its pre-pandemic state, resulting in significant changes in working patterns. Generation Z particularly feels these changes as they enter the workforce.



According to Deswarta et al. (2021), turnover intention refers to an employee's internal motivation to leave a company and is influenced by various factors, including the company environment and compensation. Among the generational groups, Generation Z tends to experience a stronger desire to leave companies, primarily driven by compensation factors. Michael Page (2023) found that 55% of Indonesian employees choose to stay with a company because they are satisfied with their compensation, which motivates them and fosters loyalty. However, if employees feel that their compensation does not meet their expectations, there is a high probability that they will leave the company and seek new employment or even resign. This finding is supported by data on factors influencing the exit rate of Gen Z employees from companies, as depicted in Figure 1.3.

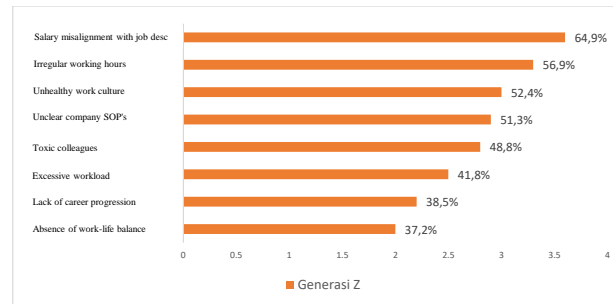


Figure 2: Factors that contribute to Gen Z resigning

In addition to compensation, the non-physical work environment is also a determinant in employees' decisions to resign from a company (Rahmawati et al., 2021). The non-physical work environment involves the formation of harmonious working relationships between employees and superiors (Siagian, 2014). This is also supported by a survey conducted by Michael Page (2023), indicating that 6 out of 10 people choose to resign due to mental health factors in the workplace. As shown in Figure 1.3, 48.8% of Generation Z consider toxic coworkers as a reason for their resignation. A healthy work environment is a crucial factor for Generation Z in choosing a job, and when faced with an unhealthy environment, turnover intention rates may increase. In Rasool et al. (2021) study, it is shown that worrisome physical and mental imbalances often occur in toxic work environments, leading to high levels of stress and fatigue and serving as a source of psychological pressure on employee health.

II. LITERATURE REVIEW

A. Conceptual Definition of Variables

a) Compensation

Enny (2019) defines compensation as a reward to employees; compensation is stated as a reward given by the company, both in financial and non-financial forms, with the aim of maintaining and improving employee welfare (Elmi, 2018). The objectives of compensation also include providing rights, a sense of justice, attracting quality employees, retaining employees, and rewarding employees (Kasmir, 2016). This study, adopting the dimensions presented by Elmi (2018), categorizes compensation into two main categories: (1) Direct compensation includes salaries, incentives, and bonuses as rewards for work and increased achievement; (2) Indirect compensation includes allowances, insurance, leave, and work facilities for employee welfare and comfort.

b) Non-Physical Work Environment

The non-physical work environment involves working relationships between superiors, coworkers, and subordinates. It is important for companies to create a family atmosphere, effective communication, and healthy relationships in the non-physical work environment (Sedarmayanti, 2018; Indiyati et al., 2018). Simamora (2016) said that leaders who carry out supervisory functions well, build trust, and facilitate good communication are also important in creating an ideal non-physical work environment. Aspects such as work structure, responsibility, leadership support, cooperation, and communication affect employee behavior within the company (Wulansari et al., 2022).

The non-physical work environment involves social aspects among employees in the organization. According to Sedarmayanti (2017), the two main dimensions in the non-physical work environment are (1) Superior-subordinate relationships and (2) Communication relationships between employees. The first dimension includes superiors' treatment of subordinates and supervision, while the second dimension involves the effectiveness of communication and social relationships between employees.

c) Turnover Intention

Turnover intention is the desire to move from the company, which can be caused by boredom, lack of job attractiveness, or the existence of other job alternatives (Robbins & Judge, 2015). As stated by Wulansari et al. (2020), turnover intention is

the desire of employees to leave the company. A high turnover rate indicates employee discomfort or dissatisfaction (Dessler, 2015). Turnover intention involves three important dimensions, namely: (1) Intention to Quit, (2) Looking for a New Job, and Thinking about Quitting (Kartono, 2017). Intention to Quit reflects an individual's desire to leave the company, Looking for a New Job includes active behavior in seeking job opportunities outside the company and Thinking of Quitting includes the thought process of employees leaving the company where they work.

B. Relationship between Variables

a) Compensation between Turnover Intentions

Compensation is an important factor for Generation Z in choosing a job to achieve financial stability. Research shows that appropriate compensation can affect job satisfaction and employee turnover (Aprilyani, 2022; Saputri et al., 2023). Generation Z does not mind a heavy workload if they are adequately rewarded. Therefore, companies need to understand Generation Z's compensation needs to increase their contribution at work. Negative perceptions of salary can lead to low job satisfaction and high turnover. By providing compensation in accordance with the workload, companies can increase loyalty and reduce employee turnover intention (Saputri et al., 2023). Other research also shows that compensation has a positive influence on turnover intention (Doddy & Jahja, 2023).

H1: Compensation has a positive influence on turnover intention.

b) Non-Physical Work Environment between Turnover Intention

According to Rizki & Lubis (in Mochklas, 2019), men are more prone to mental health problems than women, so they tend to have low loyalty to the company. Generation Z wants a physically and mentally healthy work environment, transparent communication, and support from coworkers (Lavenia, 2022). Research by Rezeki et al. (2022) and Masruroh et al. (2020) support this by finding that the non-physical work environment has a positive and significant influence on turnover intention.

H2: Non-Physical work environment has a positive influence on turnover intention.

c) Compensation and Non-Physical Work Environment between Turnover Intention

The research conducted by Saputra et al. (2021) asserts that the non-physical work environment and compensation significantly influence turnover intention. Inadequate compensation relative to the workload can lead to employee dissatisfaction and increase the intention to leave. If employees feel undervalued or do not receive sufficient rewards, they may be inclined to seek alternative job opportunities that offer better compensation. Furthermore, an unhealthy work environment can also impact employees' intention to leave. When employees face issues such as interpersonal conflicts, high pressure, or a lack of support from superiors, they may feel uncomfortable and dissatisfied with the work environment, potentially prompting them to pursue new employment opportunities.

H3: Compensation and Non-Physical work environment has a positive influence on turnover intention.

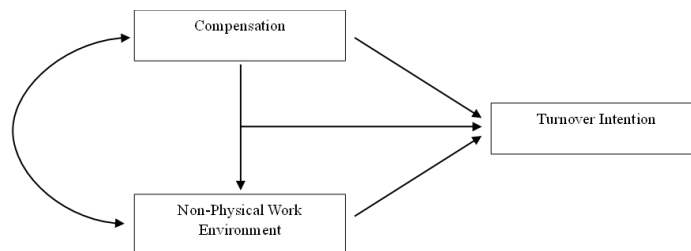


Figure 3: Research Model

III. RESULTS AND DISCUSSION

A. Research Methodology

In this quantitative research, primary data was obtained by distributing questionnaires, which were filled out online by employees among Generation Z in the city of Bandung. The results of this data were collected and processed by the researcher. The research focused on compensation, non-physical work environment, and turnover intention as the objects. The population of this study comprised employees among Generation Z in the city of Bandung who had undergone job transitions at least once. The population was determined based on a sampling method. The actual population size in this research, which was unknown, led to the use of a sample comprising 100 respondents. For data analysis, the researcher employed SPSS version 29 to process the data using path analysis techniques. The study utilized 24 indicators (Table 1) measured on a 5-point Likert scale, where the weight of each question ranged from 1, indicating strongly disagree, to 5, indicating strongly agree.

Table 1: Measurement Scale

Variables		Items	Authors
Compensation	K1	Salary meets needs.	Elmi (2018)
	K2	Salary is paid periodically every month.	

	K3	Salary complies with government regulations.	
	K4	Incentives are given after achieving job targets.	
	K5	Bonuses are based on job performance.	
	K6	Allowances enhance well-being.	
	K7	Health and safety guarantees.	
	K8	Granted leave or time off.	
Non-Physical Work Environment	K9	Work facilities are convenient and comfortable.	Sedarmayanti (2017)
	LKNF1	Good treatment from superiors.	
	LKNF2	Optimal career development opportunities.	
	LKNF3	Good performance supervision.	
	LKNF4	Clear guidance from superiors.	
	LKNF5	Acceptance of complaints from employees.	
	LKNF6	Regular meetings and discussions.	
	LKNF7	Good cooperation within the company.	
	LKNF8	Harmonious relationships and camaraderie within the team.	
Turnover Intention	LKNF9	Support and assistance among colleagues.	Kartono (2017)
	TO1	Intention to resign.	
	TO2	Opting for better job opportunities outside.	
	TO3	Interest in seeking new job applications.	
	TO4	Intention to have a side job.	
	TO5	Leaving if there are no promotions or career development opportunities.	
	TO6	Considering leaving the current job.	

B. Results of Data Analysis

Before conducting the path analysis, several preliminary steps were undertaken, namely classical assumption tests consisting of normality, multicollinearity, and heteroskedasticity tests. The results obtained from the first classical assumption test, which is the normality test, yielded a value of 0.137, indicating that the data follows a normal distribution. The next classical assumption test is the multicollinearity test, resulting in a VIF value of 1.131 and a Tolerance value of 0.884, implying the absence of multicollinearity. The final classical assumption test is the heteroskedasticity test, which produced regularly distributed points both below and above the 0 value on the Y-axis, suggesting that there are no issues of heteroskedasticity in the regression.

In Table 2, the results show the contribution of independent variables to the dependent variable discussed in this study. An R^2 value of .497 or 49.7% was obtained, indicating that the compensation and non-physical work environment collectively contribute 49.7% to the dependent variable. The remaining 50.3% is influenced by other variables not explained in this research, apart from compensation and the non-physical work environment.

Table 2: The Results of the Coefficient of Determination (R-Square/ R^2) Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.705 ^a	.497	.487	4.251

Table 3 presents the results regarding whether there is a substantial link between the dependent variable and the two independent variables at the same time. It can be observed that the significance value is 0.001, which is less than 0.05. Thus, it can be stated that the influence of compensation and the non-physical work environment on employee turnover intention is significant. The obtained F-value (47.930) is greater than the critical F-value (3.09). This implies that H_0 is rejected, and H_1 is accepted. In other words, compensation and the non-physical work environment simultaneously have a significant impact on turnover intention.

Table 3: The Results of the Simultaneous Test (F Test)

ANOVA						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1732.085	2	866.042	47.930	<.001 ^b
	Residual	1752.665	97	18.069		
	Total	3484.750	99			

Table 4 displays the results regarding the partial significance of the relationship between the two independent variables and the dependent variable. If the Sig. Value is less than 0.05, and it is highly probable that pay and the non-physical work environment have an impact on employees' intentions to leave. Additionally, if the t-value is greater than the critical t-value or

if the t-value is less than the critical t-value, then H0 is rejected, and H1 is accepted.

In Table 4, it can be observed that the influence of compensation on turnover intention has a t-value of 7.787, while the critical t-value is 1.66088, with a significance value of 0.001. Thus, the decision is made to reject H0. In the same table, it is evident that the influence of the non-physical work environment on turnover intention has a t-value of 2.933, and the critical t-value is 1.66088, with a significance value of 0.001. Consequently, the decision is made to reject H0 and accept H1, indicating that the non-physical work environment significantly affects turnover intention.

Table 4: The Results of Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error.			
1	(Constant)	10.718	1.488		7.204	<.001
	Compensation	.415	.053	.596	7.787	<.001
	Non-Physical Work Environment	.104	.053	.225	2.933	.004

The results of the path analysis will measure the direct and indirect influences of each independent variable on the dependent variable (Riduwan & Kuncoro, 2021). Table 5 presents these direct and indirect relationships. Based on the table, it is evident that the total influence obtained indicates that compensation has a total influence of 48.9% on turnover intention. In comparison, the non-physical work environment has a total influence of 18.4%. This suggests that both compensation and the non-physical work environment affect the turnover intention variable.

Based on Table 5, it is evident that the total influence obtained, 0.497, is consistent with the R² value in Table 2. Compensation and the non-physical work environment have an impact on turnover intention. The value of 0.497, or 49.7%, indicates that the influence of these two variables is relatively not very strong (below 50%).

Table 5: The Results of Direct and Indirect Influences

Variables	Coef. Beta	Direct Influences	Indirect Influences	Influence Total	Combined Influences (R ² _{y x1x2})
Compensation (X1)	.596	35,5%	13,4%	48,9%	-
Non-Physical Work Environment (X2)	.225	5%	13,4%	18,4%	-
X1, X2 between Y	-	-	-	-	0,497 = 49,7%

IV. CONCLUSION

The conclusions that can be drawn from the previously mentioned discussion are as follows:

- Compensation has a positive and significant effect on the turnover intention of Generation Z employees in Bandung City.
- For employees of Generation Z Bandung City, the non-physical work environment has a positive and significant impact on turnover intention.
- Compensation and non-physical work environment together have a positive and significant influence on employee turnover intention among Generation Z Bandung City.

Based on this study, compensation and non-physical work environments improve compensation with innovative approaches such as pay flexibility and individual performance incentives, explore non-monetary compensation such as skill development and career development opportunities, improve non-physical work environment with good internal communication, strengthen relationships between coworkers, and provide space for new ideas, and conduct data analysis to understand the factors that cause Generation Z employees' turnover intention and take appropriate steps to reduce it through job satisfaction surveys, buddy interviews, and observation of employees who show signs of resignation.

Interest Conflicts

Regarding the publication of this paper, there is no conflict of interest.

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