

Realizing Wellbeing and Engagement of Gen Z Employees through Self-Efficacy, Non-Physical Work Environment, and Leader-Member Exchange

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Abstract

This study analyzes the influence of self-efficacy, non-physical work environment, and leader-member exchange on the well-being and engagement of Generation Z employees in State-Owned Enterprises in Semarang, Indonesia. This study used a quantitative method with an online questionnaire distributed to 96 respondents selected through accidental sampling. The data analysis technique in this study used Partial Least Square (PLS) with SmartPLS 4. This study found that self-efficacy, non-physical work environment, and leader-member exchange have a significant positive influence on employee wellbeing. Employee well-being, self-efficacy, and leader-member exchange have a significant positive influence on the engagement of Generation Z employees.

Keywords

Employee Engagement; Employee Wellbeing; Self-Efficacy; Non-Physical Work Environment; Leader-Member Exchange

INTRODUCTION

Employees are urgent workers in an organization that help create success. Based on age, human resources are divided into several generations, including Generation Z. It is known to have been born between 1996 and 2012. The total population of Indonesia is approximately 75 million people, around 28% of whom are included in Generation Z. According to Singh and Dangmei, Generation Z is a generation that values openness, independence, adaptability, and individual freedom (Fitri et al., 2023). Companies and managers must focus on factors that contribute to organizational success, such as employee welfare and engagement. Employee welfare covers all aspects of an individual's life, including happiness, balance between positive and negative emotions, and overall assessment of work life. Creating the welfare of Generation Z employees in the workplace will help realize employee engagement, which positively influences the company.

The 2022 National Workforce survey results stated that the entire Generation Z comprises around 69% of the workforce in Indonesia. Generation Z is expected to fill the majority of productive age group workers in 2045 in Indonesia. Unlike previous generations, Generation Z tends to be more

likely to experience work stress and feel they do not get mental health support in the workplace, such as a lack of flexibility and balance between work and personal life (Budiman & Pattyranie Tan, 2022). Based on Deloitte's survey of permanent Generation Z employees in the US, it was found that 77% of Generation Z employees have experienced burnout and have experienced it more than once. Almost all over the world, 85% of Generation Z employees think burnout prevents them from carrying out their work and personal duties. The survey conducted by Dunlop, A. & Pankowski (2023) found that 28% of Generation Z workers struggle with mental health because of their leader. Generation Z employees are also more likely to stay at a company for at least two years. While nearly half of Generation Z state that work is an important aspect of their identity, they are unwilling to sacrifice less well-being at work (Parmelee, 2021). Gallup survey in 2022 showed that 54% of Generation Z employees are a generation that finds it challenging to engage with their work. Albert (2023) stated that many Generation Z employees resign because they are not attached to their jobs. On the other hand, Generation Z employees also feel they do not get support to develop in the workplace. According to Dwidienawati and Gandasari

(2018), Generation Z in Indonesia can be more realistic, but it needs security and stability in the workplace.

Generation Z employees' welfare and high involvement in the workplace can be realized through self-efficacy, a non-physical work environment, and a leader-member exchange. Self-efficacy helps employees create higher engagement and performance in the workplace through the ability to complete tasks well. In addition to the individual employee side, Stillman & Stillman stated that Generation Z employees want a good work environment (Nurqamar et al. 2022). In a Hewlett-Packard study at the South by Southwest (SXSW) conference, Generation Z employees were willing to give up much of their salary to gain more flexibility and work-life balance (Riyanto, GP, and Nistanto, 2023). In addition, Generation Z workers value a work environment that encourages career advancement and supports the acceleration of their work (Hanifah and Wardono 2020).

On the other hand, Generation Z workers want a workplace that supports the creation of employee welfare and a company with leaders who support and motivate their subordinates (O'boyle 2021). Through high-quality leader-member exchange relationships, work responsibilities will be completed more efficiently, encouraging employees to be more enthusiastic and energetic while working. This will also increase employee engagement (Santalla-Banderali and Alvarado, 2022).

The presence of Generation Z in the workplace certainly brings significant changes to their characteristics and expectations. However, if this challenge can be managed and utilized optimally by the company, it can be a potential for the company. Therefore, this study will more specifically examine "How to Realize Wellbeing and Engagement of Generation Z Employees Through Self-Efficacy, Non-Physical Work Environment, and Leader-Member Exchange."

LITERATURE REVIEW AND HYPOTHESIS

Self-Efficacy

According to Trilolita and Ardi (2017), self-efficacy is based on the belief that a person has the necessary abilities to complete a particular task or responsibility to achieve success. Cultivating positive self-confidence in an individual can create mental health, which is very important in influencing a person's acceptance of themselves (Chan et

al. 2017). Hegarty stated that self-efficacy can increase employee productivity and happiness in the workplace (Firnanda and Wijayati 2021). According to (Bandura 1977), the dimensions of self-efficacy are magnitude, generality, and strength. Based on the above understanding, it is concluded that self-efficacy is an employee's perception of their confidence in completing specific tasks that are the responsibility of their job.

Non-Physical Work Environment

The work environment can be suitable for employees if it can help them produce maximum performance and help them feel safe and comfortable when doing their jobs. On the other hand, it can also impact employee morale and be a factor in realizing employee welfare in the workplace. The non-physical work environment is also known as the mental work environment, which means that the non-physical environmental conditions around employees can be felt even though they cannot be recognized directly through the five human senses (Sanjaya 2020). Thus, it can be concluded that the non-physical work environment is the employee's perception of the work environment that cannot be captured directly by the five senses but impacts employees in the workplace.

Leader-Member Exchange

Good performance in the workplace can be produced by subordinates who receive the right form of leadership. The emergence of good relations between employees and superiors makes employees happier and allows them to do their work optimally. According to Liden & Maslyn (1998), the leader-member exchange is a type of leadership with a primary focus on the effectiveness of the relationship between leaders and their members in an organization through attitudes of mutual trust, loyalty, contribution, and respect. According to Graen and Uhl-Bien (1995), there are three dimensions of leader-member exchange: respect, trust, and obligation. Thus, it is concluded that leader-member exchange is the employee's perception of the extent to which the superior emphasizes the effectiveness of the relationship between himself and his employees.

Employee Wellbeing

Well-being is an important factor for every employee in helping maintain their physical and mental health. If happiness in the workplace is difficult to achieve, it can have a negative impact on employee performance and work productivity (Kowalski and Loretto 2017). The emergence of well-being within oneself can help employees carry out their work optimally and peacefully, both psychologically and socially (Simone 2014). According to Page & Vella-Brodrick (2009), employee well-being has three dimensions: life well-being, workplace well-being, and psychological well-being. Thus, it can be concluded that employee well-being is the employee's perception of their mental and physical health conditions so that they can carry out their work well.

Employee Engagement

Employee engagement occurs when employees are genuinely involved with their work and organization. Employees with high levels of involvement tend to be more enthusiastic and energetic and feel proud of their work (Fazlurrahman 2020). Simon stated that employees will feel "engaged" if they feel meaning and ambition in their work, receive encouragement from others, work in a positive environment, are involved in the decision-making process, and have the opportunity to channel their ideas. High engagement shows that the organization values the health and well-being of employees in the workplace (Elvis, Santi, and Elita, 2022). According to Schaufeli and Bakker (2010), the dimensions of employee engagement include vigor, dedication, and absorption. Hence, employee engagement is the employee's attitude regarding their attachment to their work and their efforts to do their work optimally.

The framework in this study was formulated as follows:

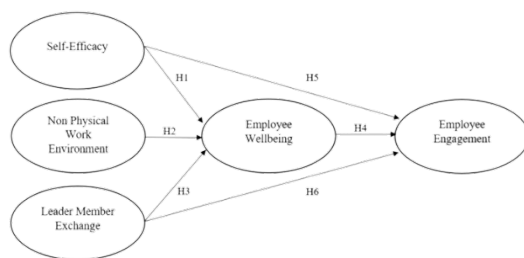


Figure 1. Research Framework

Based on the research framework and operational definition of each variable, research hypotheses can be determined, including:

H1: Self-efficacy has a significant positive influence on employee well-being.

H2: A non-physical work environment has a significant positive influence on employee well-being.

H3: Leader-member exchange has a significant positive influence on employee well-being.

H4: Employee well-being has a significant positive influence on employee engagement.

H5: Self-efficacy has a significant positive influence on employee engagement.

H6: Leader-member exchange has a significant positive influence on employee engagement.

METHODS

This study used analytical techniques in data collection and analysis, including quantitative methods, to measure the relationship between variables and test the proposed hypotheses (Sugiyono 2021).

The research population is Generation Z employees in state-owned companies in Semarang City. The selection of research conducted in state-owned companies is based on a survey conducted by Dzulfikar (2022). Regarding Generation Z's work expectations, it was found that being a state-owned enterprise employee is their dream job. Therefore, researchers are interested in identifying how much welfare and engagement Generation Z employees have in state-owned enterprises. Based on the Cochran formula by Sugiyono (2021), the research sample needed in this study is 96 respondents, using an accidental sampling technique. The characteristics in this study are Generation Z, permanent employees at state-owned enterprises in Semarang, Indonesia, with a minimum work period of one year.

The questionnaire in this study was distributed online via Google Forms. The self-efficacy variable was analyzed through six indicators, namely: (1) Self-ability, (2) Self-potential, (3) Mastery of technological developments, (4) Confidence in improving the quality of work, (5) Ability to overcome problems, and (6) Self-development (Bandura 1977; Bijl and Baggett 2001). The non-physical work environment variables were analyzed using five indicators according to Pambudi et al. (2023), including (1) Work

structure, (2) Work responsibility, (3) Leader attention and support, (4) Cooperation between groups, and (5) Smooth communication. The leader-member exchange variable is analyzed through eight indicators, namely: (1) Understanding employee needs and problems, (2) Recognizing member potential, (3) Taking each other's side, (4) Trusting member performance, (5) Helping each other, (6) Having guarantees, (7) Supporting leader decisions, and (8) Effective working relationships (Graen and Uhl-Bien 1995). The employee well-being variable is analyzed through four indicators: (1) Life satisfaction, (2) Enjoying work, (3) Quality of work, and (4) Self-development (Page and Vella-Brodrick 2009). Meanwhile, the employee engagement variable is analyzed through 10 indicators describing Schaufeli and Bakker (2010), including (1) Energy and endurance levels, (2) Seriousness in working, (3) Tenacity and perseverance, (4) Sacrifice of energy, thoughts, and time, (5) A sense of meaning, (6) Enthusiasm, (7) Pride, (8) Concentration, (9) Seriousness, and (10) Enjoying the work.

Through a Likert scale with a range of 1 to 5, the following descriptions are given for the variable indicators discussed in this study: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. SmartPLS software version 4.1.0.6 was used for data analysis in this study.

RESULTS AND DISCUSSION

Through the distribution of research questionnaires, data were obtained from 96 respondents of Generation Z employees in state-owned companies in Semarang City. The characteristics needed in the study are gender, company sector, age, and length of service. Based on these data, most respondents are women (74%) from several company sectors, namely telecommunications, energy, and banking. It was found that most female respondents work in the telecommunications company sector (PT. Telkom Indonesia), followed by the banking sector (Bank BRI and Bank Mandiri). Meanwhile, male respondents dominate the energy company sector (PT. Pertamina). Most respondents are 24-26 years old and have a relatively short work period, namely 1 year less than 2 years.

Convergent Validity Test

Table 1. Outer Loadings

	Employee Engagement	Employee Wellbeing	Leader Member Exchange	Non-physical Work Environment	Self Efficacy
EE 1	0,741				
EE 2	0,850				
EE 3	0,821				
EE 4	0,809				
EE 5	0,797				
EE 6	0,802				
EE 7	0,847				
EE 8	0,814				
EE 9	0,796				
EE 10	0,805				
EWB 1		0,904			
EWB 2		0,910			
EWB 3		0,917			
EWB 4		0,904			
LMX 1			0,790		
LMX 2			0,817		
LMX 3			0,730		
LMX 4			0,751		
LMX 5			0,784		
LMX 6			0,714		
LMX 7			0,745		
LMX 8			0,778		
NWE 1				0,880	
NWE 2				0,883	
NWE 3				0,847	
NWE 4				0,811	
NWE 5				0,825	
SE 1					0,862
SE 2					0,831
SE 3					0,819
SE 4					0,862
SE 5					0,861
SE 6					0,868

Sumber: Data Primer yang Diolah, 2024

The validity test results are used to measure the validity of a questionnaire. The validity test can be explained by the outer loadings value >0.7 and the average variance extracted (AVE) value of >0.5 (Ghozali, I., & Latan 2015). Based on Table 1, the outer loadings value in each variable indicator is at a value of >0.7 and the AVE value of >0.5 , which means the research data is valid.

Discriminant Validity Test

Table 2. Fornell-Larcker Criterion

Variabel	EE	EWB	LMX	NWE	SE
EE	0,809				
EWB	0,715	0,909			
LMX	0,725	0,664	0,764		
NWE	0,747	0,659	0,646	0,850	
SE	0,717	0,692	0,691	0,647	0,851

Sumber: Data Primer yang Diolah, 2024

The Fornell-Larcker Criterion test was used to assess discriminant validity. Based on Table 2, the AVE root value in each variable is higher than its correlation value with other variables, so the research data can be accepted.

Table 3. Heterotrait Monotrait Ratio

Variabel	EE	EWB	LMX	NWE	SE
EE					
EWB	0,761				
LMX	0,772	0,718			
NWE	0,806	0,711	0,701		
SE	0,766	0,742	0,751	0,701	

Sumber: Data Primer yang Diolah, 2024

A good discriminant validity test on the construct can also be shown through an HTMT value of less than 0.90 (Hair et al. 2019).

Through Table 3, each variable is at a value of <0.9, which means this study has good discriminant validity.

Reliability Test

Table 4. Composite Reliability

	Cronbach's alpha	Composite reliability	AVE
Employee Engagement	0,941	0,950	0,654
Employee Wellbeing	0,930	0,950	0,826
Leader-Member Exchange	0,898	0,918	0,584
Non-Physical Work Environment	0,904	0,928	0,722
Self-Efficacy	0,924	0,940	0,724

Sumber: Data Primer yang Diolah, 2024

If Cronbach's Alpha and composite reliability values are greater than 0.7, research variables are reliable (Ghozali, I., & Latan 2015). Based on Table 4, this study has a Cronbach's Alpha value and composite reliability of >0.7, which means that the variables in this study can be said to be reliable.

R-Square

Table 5. R-Square

Variabel	R-Square	R-Square Adjusted
Employee engagement	0,657	0,645
Employee wellbeing	0,584	0,470

Sumber : Data Primer yang Diolah, 2024

The better the regression model explains the variance of the dependent variable, the higher the r-square value (Hair et al., 2019)The table above shows that self-efficacy, employee wellbeing, and leader-member exchange influence employee engagement by 65.7%. In comparison, self-efficacy, non-physical work environment, and leader-member exchange influence employee well-being by 58.4%.

Hypothesis Testing

Table 6. Hypothesis Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV)	P values
SE -> EWB	0,341	0,347	0,114	3,002	0,003
NWE -> EWB	0,277	0,275	0,122	2,280	0,023
LMX -> EWB	0,332	0,333	0,119	2,790	0,005
EWB -> EE	0,302	0,294	0,116	2,596	0,009
SE -> EE	0,278	0,286	0,127	2,200	0,028
LMX -> EE	0,249	0,247	0,122	2,047	0,041

Sumber : Data Primer yang Diolah, 2024

Through the hypothesis test above, the results of the first hypothesis test (H1) show that self-efficacy has a positive and significant effect on employee wellbeing (t-statistic 3.002 > 1.96 or p-value 0.003 < 0.05) and is positive

(β is 0.341). This research aligns with research by Trilolita & Ardi (2017) on employees of PT Telekomunikasi Indonesia in Surabaya, which proves that when employees can carry out their work responsibilities, organize work schedules, and prioritize work, they feel happier and enjoy their work. From the results of the second hypothesis test (H2), non-physical work environment on employee wellbeing has a significant positive effect (t-statistic 2.280 > 1.96 or p-value 0.023 < 0.05) and is positive (β is 0.277). These results are in accordance with the research by Noorainy (2017) that a non-physical work environment created with a family atmosphere, smooth communication, and good self-control can reduce tension in each individual in the workplace. The results of the third hypothesis test (H3) show that leader-member exchange on employee wellbeing has a significant positive effect (t-statistic 2.790 > 1.96 or p-value 0.005 < 0.05) and are positive (β is 0.332). These results are in accordance with the statement of Gregory & Osmonbekov (2019) superiors who monitor their subordinates' development and provide social support can effectively improve employee well-being in the workplace.

The results of the fourth hypothesis test (H4), employee well-being has a significant positive effect on employee engagement (t-statistic 2.596 > 1.96 or p-value 0.009 < 0.05) and is positive (β is 0.302). These results support research by Rasool et al. (2021) that when employees work in good condition, they can spread positive attitudes and feelings among co-workers and those around them. The results of the fifth hypothesis test (H5), self-efficacy on employee engagement, have a significant positive effect (t-statistic 2.200 > 1.96 or p-value 0.028 < 0.05) and are positive (β is 0.278). This result is supported by the statement of Musenze et al., (2021) that the belief in individual employees is expected to predict the individual's state of mind to be positive, such as feeling happy and enjoying their work so that it can lead to higher employee work engagement. The results of the sixth hypothesis test (H6), leader-member exchange on employee engagement, have a significant positive effect (t-statistic 2.047 > 1.96 or p-value 0.041 < 0.05) and are positive (β is 0.249). These results align with research by Mustafa et al. (2023), which found that optimistic leaders who empower their employees well and allow them to innovate

with their work can increase engagement and high performance.

CONCLUSION

The results of this study show self-efficacy has a significant positive effect on employee well-being, which means that the higher the confidence of Generation Z employees in being able to carry out specific tasks in their work, the more it improves the mental and physical health of Generation Z employees in the workplace. The non-physical work environment has a significant positive effect on employee wellbeing, which means employee wellbeing. This means that the better the non-physical work environment in the workplace impacts Generation Z employees, the more it can improve their mental and physical health. Leader-member exchange has a significant positive effect on employee well-being, which means that the more superiors emphasize the effectiveness of relationships with Generation Z employees, the more it improves their mental and physical condition. Employee wellbeing has a significant positive effect on employee engagement, which means that the better the psychological and physical condition of Generation Z employees, the greater their attachment to work. Self-efficacy has a significant positive effect on employee engagement, which means that the higher the confidence of Generation Z employees to complete specific tasks in their work, the more it can increase the engagement of Generation Z employees with their work. Likewise, the leader-member exchange has a significant positive influence on employee engagement, which means that the more superiors emphasize the effectiveness of relationships with Generation Z employees, the greater the engagement of Generation Z employees with their work.

Managerial Implications

Based on the analysis and discussion, the variables of self-efficacy, leader-member exchange, and employee well-being need to be a greater focus for managers to improve the welfare and engagement of Generation Z employees in state-owned enterprises in Semarang, Indonesia. Strategies that can be carried out include: 1) The company can provide opportunities for Generation Z employees to channel ideas and opinions and

be involved in decision-making so that employees feel motivated and always try to improve the quality of their work, 2) The company can facilitate and support a digitally literate work culture by using technological devices in carrying out work in the workplace, 3) Superiors can empower Generation Z employees through learning and development programs to improve quality and create more skilled employees, 4) Superiors can act as mentors or innovators who help in developing Generation Z employees' ideas in the workplace, 5) The company can provide work flexibility and work-life balance to Generation Z employees to avoid work stress, and 6) The company can provide opportunities for Generation Z employees to develop themselves through work by taking on greater responsibilities, handling challenging projects, or having job rotations.

Limitations

The limitations of this study lie in the design of the research questionnaire, which is not specific enough. For example, respondents' characteristics, such as their level of education and field of work, were not added, and no open questions for each research variable.

Suggestion

Future research is expected to be able to present a more specific research questionnaire for a more detailed description of respondents, such as asking about the respondent's last education and field of work at the company where they work, as well as providing open-ended questions that respondents can answer regarding their understanding of each variable. Future research is expected to be able to present a crosstabulation test on the analysis of respondent descriptions that link each variable. This can be used to conclude which companies have the highest level of welfare and engagement of Generation Z employees.

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Table 1. Outer Loadings

	Employee Engagement	Employee Wellbeing	Leader Member Exchange	Non-physical Work Environment	Self Efficacy
EE 1	0.741				
EE 2	0.850				
EE 3	0.821				
EE 4	0.809				
EE 5	0.797				
EE 6	0.802				
EE 7	0.847				
EE 8	0.814				
EE 9	0.796				
EE 10	0.805				
EWB 1		0.904			
EWB 2		0.910			
EWB 3		0.917			
EWB 4		0.904			
LMX 1			0.790		
LMX 2			0.817		
LMX 3			0.730		
LMX 4			0.751		
LMX 5			0.784		
LMX 6			0.714		
LMX 7			0.745		
LMX 8			0.778		
NWE 1				0.880	
NWE 2				0.883	
NWE 3				0.847	
NWE 4				0.811	
NWE 5				0.825	
SE 1					0.862
SE 2					0.831
SE 3					0.819
SE 4					0.862
SE 5					0.861
SE 6					0.868

Table 2. Fornell-Larcker Criterion

Variables	EE	EWB	LMX	NWE	SE
EE	0.809				
EWB	0.715	0.909			
LMX	0.725	0.664	0.764		
NWE	0.747	0.659	0.646	0.850	
SE	0.717	0.692	0.691	0.647	0.851

Table 3. Heterotrait-Monotrait Ratio

Variables	EE	EWB	LMX	NWE	SE
EE					
EWB	0.761				
LMX	0.772	0.718			
NWE	0.806	0.711	0.701		
SE	0.766	0.742	0.751	0.701	

Table 4. Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	AVE
<i>Employee engagement</i>	0.941	0.950	0.654
<i>Employee wellbeing</i>	0.930	0.950	0.826
<i>Leader-member exchange</i>	0.898	0.918	0.584
<i>Non-physical work environment</i>	0.904	0.928	0.722
<i>Self-efficacy</i>	0.924	0.940	0.724

Table 5. R-Square

Variables	R-Square	R-Square Adjusted
<i>Employee engagement</i>	0.657	0.645
<i>Employee wellbeing</i>	0.584	0.470

Table 6. Hypothesis Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
SE -> EWB	0.341	0.347	0.114	3,002	0.003
NWE -> EWB	0.277	0.275	0.122	2,280	0.023
LMX -> EWB	0.332	0.333	0.119	2,790	0.005
EWB -> EE	0.302	0.294	0.116	2,596	0.009
SE -> EE	0.278	0.286	0.127	2,200	0.028
LMX -> EE	0.249	0.247	0.122	2,047	0.041

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Figure 1. Research Framework

