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THE EFFECT OF MOTIVATION, AND ORGANIZATIONAL
COMMITMENT THROUGH JOB SATISFACTION AND ITS
IMPLICATION TO TURNOVER INTENTION IN INSURANCE INDUSTRY

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Abstract

Reducing the high turnover rate of Generation Y in the labor market proven to be crucial for the company in 2028-2030 when demographic bonus happens in Indonesia. Insurance Industry in DKI Jakarta sees the importance of keeping the employee to maintain their sustainability when demographic bonus happens. The objective of the research was to know the influence of intrinsic motivation, extrinsic motivation, and organization commitment through job satisfaction and its implementation to turnover intention in insurance industry in DKI Jakarta. In conducting this research the data is collected by using questionnaires distributed to 66 Permanent Employee, which is Generation Y, who works in the insurance industry in DKI Jakarta, by using Partial Least Square – Structural Equation Model in SMARTPLS. The research result showed that there is a significant influence of Extrinsic Motivation towards Turnover Intention through Job Satisfaction.

INTRODUCTION

Human resource is the most precious asset in every organization (Eneh & Awara, 2016), either profits or non-profit. As a human being, they will get older until they reach the retirement age. This issue forces the organization to do regeneration and pass their positions to the next generation worker. (Wan Yusoff, Queiri, Zakaria, & Raja Hisham, 2013). Similarity in insurance industry, human research hold a key position in determining company competitiveness. As time goes by, then the key position that currently occupied by the X generation could be moved to Y generation. To maintain and improve performance, then the insurance industry had to maintain the transition between generation could work well.

Talking about generation according to the age distribution, we could categorize people from 1900 until 2025 into six generations, the

Traditionalist, Baby Boomers, Generation X, Generation Y or Millennial, and Generation Z or the Post-Millennial (Berkup, 2014). While The New York Times stated that the next generation after Generation Z is Generation Alpha (Williams, 2015). Living in the same period of time with certain conditions and experiences will lead people to have the similar characteristics (Berkup, 2014). Therefore, in different regions people will have slightly different characteristic depend on the major event happening at that time.

According to Catalyst - Changing workplaces, changing lives by the year of 2025, Millennial and Post-Millennial will occupy three-quarter of the global workforce (Catalyst, 2015). As Millennial operating in labor market, their turnover rate is deemed to be the highest in Malaysia (Wan Yusoff et al., 2013), higher turnover than previous generation while in Turkey due to the different characteristic affecting their motivation (Berkup, 2014). The condition in Indonesia according by Arjanti (2017) was generation X tends to stay in the organization for about five years or more, the loyalty of Generation Y is lower than X and it makes them tend to stay in the organization for about one until two years, lastly Generation Z have the worst loyalty level and it makes them only stay for about a year in the organization. Based on it then could be concluded that as high turnover rate of Generation Y and Z who has entered the labor market shows that there will be a huge problem when demographic bonus happens in Indonesia specifically in 2020-2030.

Indonesia as one of the country in Asia with the 3rd largest population will also face the generation change in several years (Worldometers, 2017). Indonesia will face demographic bonus in 2012-2045; at that time the productive population (15-64 years old) in Indonesia is about 50-70% of the total population and will reach the highest point in 2028-2031. Hence the company really needs to solve the problem of both generation as their turnover affect the organization goals attainment negatively (Ampomah & Cudjor, 2015).

Currently the insurance industry in Indonesia growing very rapidly according to the Financial Service Authority (Indonesia) until the end of 2017, the insurance industry total assets reached Rp.628,68 trillion. This number means the insurance industry had grown 27,6% compared to December 2016 (year to date) of Rp.534,57 trillion.

The insurance industry growth in Indonesia was supported by Y generation human resource; on other hand Y generation has loyalty to organizations that relative low, therefore maintain Y generation to keep working is the main priority. In order to maintain the Y generation turnover intention then insurance industry companies must to encourage the intrinsic and extrinsic motivation and organization commitment to reach the employee satisfaction.

Job satisfaction influenced turnover intention (Lee, Yang, & Li, 2017). Job satisfaction as variable that influence turnover has several variables affecting it, in this research we are going to measure the influence of Intrinsic, Extrinsic Motivation and Organizational Commitment. As stated by (Zafar , Ishaq, Shoukat, & Rizwan, 2014) employee will be satisfied if they are motivated, this same statement also been mentioned by Jonathan as well as Robbins & Coulter.

Based on Jonathan's explanation, Herzberg's Two Factor Theory had been chosen as motivation that can be divided into two: hygiene or Extrinsic factors and motivators or Intrinsic factors, that could lead to either job satisfaction or job dissatisfaction (Westover, 2014; Robbins & Coulter, 2014). The root of Intrinsic and Extrinsic Motivation are also different, the writers then separate them into two different variables (Emami, Moradi, Idrus, & Almutairi, 2012). Mentioned by Yun, Hwang, and Lynch (2015), Demir, Guney, Akyurek, Ugural, and Aslan (2017), and Xiong, Wang, and Ye (2017), the other variable that affects job satisfaction is organizational commitment. Meyer & Allen in Dogar (2014) organizational said that commitment consist of three types of commitment, which are affective commitment, continuance commitment, and normative commitment.

To know the influence of intrinsic motivation, extrinsic motivation, and organization commitment through job satisfaction and its implementation to turnover intention in insurance industry in DKI Jakarta, this research used Partial Least Square – Structural Equation Model in SMARTPLS. Hair, Hult, Ringle, & Sarstedt (2014) mentioned that SEM-PLS is able to work efficiently in small size and complex model. SEM-PLS is also able to analyze a reflective and formative measurement model and also latent variable with one indicator without creating an identification problem. The research could be concluded that the turnover of Generation Y Permanent Employee in Insurance Industry in DKI Jakarta is indeed increasing. This condition is because of the Millennials and the company's older members characteristics gap resulting in job hopping phenomenon due to the incompatibility.

LITERATURE REVIEW

Generation Y

Also called as Millennium Generation, Generation Y really connected with technology and is qualified and get along with things technologically, such as doing their work, handling something, and even getting friends virtually. They really focus on their own world and the activities on that day, but have an open mindset. They often described as “multitasking”, focus on success, and money oriented. Reaching their goals and get much money has become a motivation for them while working in their work field. They are keeping changing, and avoiding working on the same task repeatedly. (Andrea , Gabriella, & Tímea , 2016).

It will be better if there is a competition in the company, so Generation Y can work effectively. They tend to wait for promotion in their work field; otherwise they will try to find another job opportunity. Creating a balance time between achieving their dream and satisfying their family is an important part of their life (Andrea et al., 2016).

Generation Y is believed to have higher personal traits like self-esteem, assertiveness, and narcissism, compare to previous generation. If there is a person that take them for granted, comment their work, or judge them excessively, they will tend to blame that person, and even worse they can make a decision to leave from the company or organization. This new generational workforce has proven to possess distinctive values compared to other generational workforces due to the exposure to different up bringing and cultural, social and economic environments during their formative years. (Queiri, Wan Yusoff, & Dwaikat, 2015)

Intrinsic Motivation

Herzberg believe that to motivate the employee we need to improve motivators, and it means that there are some factors which can improve or increase both motivation and job satisfaction such as achievements, recognition, work itself, responsibility, advancement and growth (Robbins & Coulter, 2014). While according to Lee and Raschke (2016) achievement and recognition, usually resulting in job satisfaction.

Extrinsic Motivation

Hygiene theory means that the factor that can liven up the job satisfaction but not the motivation such as supervision, company policy, relationship with supervisor, working conditions, relationship with peers, relationship with subordinates, salary, status, security, and personal life (Robbins & Coulter, 2014). The extrinsic factors, consist of job security and salary or payment that usually resulting in job dissatisfaction (Lee & Raschke, 2016).

Organizational Commitment

Organizational commitment defines an approach between employee towards an organization that consists of a strong conviction and approval of the values and objections. It is an eagerness to give a huge effort for the organization and it is a strong willingness to keep be a member of an organization (Fernández-Mesa, Llopis-Córcoles, García-Granero, Olmos-Peñuela, & Martínez-Sanchis, 2017)

Job Satisfaction

Job satisfaction is the acts that show how enjoy and happy the employee with their current job. It is a positive and pleased mood that affects their judgment of their work experiences. Job satisfaction is a phase of being joyful and happy that include behavioral dimension of employee related to their work. It is not only earning the money, but feeling of individual happiness caused by being in the social environment and build through producing product or service. A highly motivated individual caused by a long-term happiness that could achieve the organizational goals (Demir et al., 2017)

Turnover Intention

Turnover intention is basically the most common sign of turnover. Turnover described as the point of employee’s motion out of social system boundary. It is the willingness of employee to quit from the company, move to another organization, or completely quit from the labor market. move to another organization, or completely quit from the labor market. (Emami et al., 2012) Turnover intention also described as the possibility that an employee would like to quit from the organization for certain period of time (Lu et al., 2017).

Framework of Thinking

This research is entitled “The Effect of Intrinsic Motivation, Extrinsic Motivation, and Organizational Commitment Through Job Satisfaction and Its Implication to Turnover Intention of Generation Y at Insurance Industry in DKI Jakarta” in order to measure the relationship of Intrinsic Motivation (X1), Extrinsic Motivation (X2), and Organizational Commitment (X3) as independent variables towards Turnover Intention (Z) as dependent variable through Job Satisfaction (Y) as mediating variable, as shown in Figure 1.

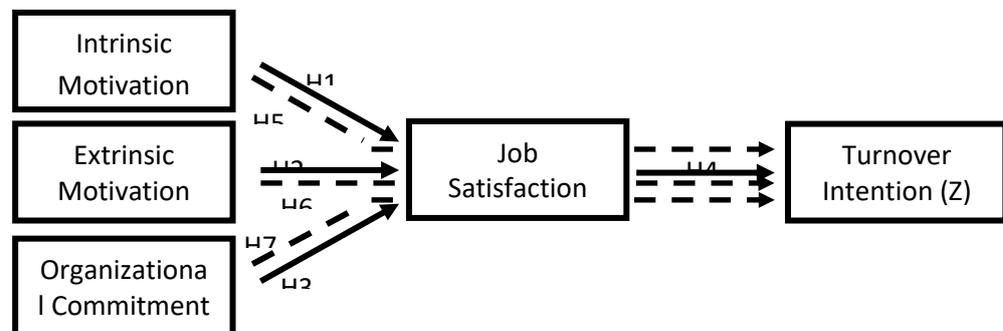


Figure 1. Framework of Thinking

MATERIALS AND METHODS

This research is a quantitative research with Insurance Industry in DKI Jakarta as the unit of analysis and the individual-permanent employee as unit of observation. The research was using causal study involving five types of variables. The data collection method used in this research is questionnaire. As questionnaires are designed for quantitative data collection, which is less expensive compare to interview and observation as well as less time consuming. The data is collected one time only involving the permanent employee of Insurance Industry in DKI Jakarta with 66 sample people of

generation Y permanent employee, which then analyze using SmartPls Software with 10% significance level.

Based on Hair et al (2014) that SEM-PLS can be worked efficiently in small sample size, then the questioners were distributed to 66 Permanent Employee, which is Generation Y, who works in the insurance industry in DKI Jakarta.

RESULTS AND DISCUSSIONS

Referred to the research objective it is founded that there is a positive strong influence and significant of Intrinsic Motivation as well as a negative strong significant influence of Extrinsic Motivation towards Job Satisfaction in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta with 39,9% and 36,4%.contribution. This findings are supported by Herzberg (in Robbins & Coulter, 2014) and Lee and Raschke (2016).

There is also a negative moderate no significant influence of Organizational Commitment towards Job Satisfaction in Generation Y of Permanent Employee in Industry Insurance in DKI Jakarta, with of 15,5% contribution. Reviewing the contradict research finding from to Demir et al. (2017), we can take into consideration the Maslow Hierarchy of needs, which consist of physiological needs, safety needs, social needs, esteem needs, and self actualization. Physiological needs can be considered as the lowest level and the most basic needs of a person (Kaur, 2013). Relating this level of needs to our research it can be considered as the salary and benefit that enable them to fulfill their basic needs. While safety needs or the second level of needs can only be fulfilled if the first level is already been realized, the same concept also applied to other higher levels of needs (Kaur, 2013).

Looking at the result from job satisfaction variables, it can be concluded that most of the respondent do not feel satisfied with their salary, as seen from the four questions the money and benefit indicator score only 2,5 and 2,59 respectively. Where we can conclude that with most of the respondent physiological needs yet to be fully realized, hence they can not fulfill the next level of needs as Organizational Commitment itself mostly represent the social, safety, and self-esteem needs. The reason why Intrinsic Motivation is significant but Organizational Commitment is not while Intrinsic Motivation is a higher level of need compare to Organizational Commitment is because Intrinsic Motivation is originating from the employee itself (what they want), while Organizational Commitment is a sense of belonging and commitment toward the organization that need time to be built. Thus this reason resulting in a not significant relation between Organizational Commitment and Job Satisfaction while Intrinsic Motivation and Job Satisfaction is significant. In addition to that Job Satisfaction towards Turnover Intention is founded having a negative strong significant influence in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta with 26,9% contribution. This finding is supported by Lee et al. (2017) in their research that job satisfaction influence turnover intention.

As for Intinsic Motivation, Extrinsic Motivation and Organizational Commitment influence towards Turnover Intention through Job Satisfaction, only Extrinsic Motivation has significant influence. Where Extrinsic Motivation have a positive stronger contribution towards Turnover Intention by involving Job Satisfaction. This is due to Extrinsic Motivation is the only

variable involving first level of need which is the first most important factor the employee need to fulfill first, and Extrinsic Motivation also have more intangible higher level of need aspect (Supervision, Company Policy, Interpersonal Relationship, Working Conditions, Personal Life, and Security) rather than the tangible lower level of need aspect (Salary). Where if they keep giving more intangible or higher level of needs dimension but not give the tangible lower or basic level of needs dimension it will make them more dissatisfied rather than satisfied.

In Organizational Commitment towards Turnover Intention through Job Satisfaction case there is a positive moderate no significant influence. This is due to the lowest level of needs in Maslow' Hierarchy is yet to be fulfilled, hence there is also no significant influence of Organizational Commitment towards Turnover Intention through Job Satisfaction in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta. For the Intrinsic Motivation towards Turnover Intention through Job Satisfaction there is a negative moderate no significant influence. Based on the direct influence, the Intrinsic Motivation do significantly influence Job Satisfaction because when it is fulfilled it will increase their satisfaction level. But, when it is applied towards Turnover Intention through Job Satisfaction, it has different meaning. As Intrinsic Motivation mostly imply safety, social, and self-esteem level of needs, it is not considered as the main reason why the respondent is working if we consideration the Maslow theory first level of need that is not fully realize yet.

CONCLUSIONS

From analyzing Intrinsic Motivation, Extrinsic Motivation, Organizational Commitment towards Turnover Intention through Job Satisfaction of Generation Y Permanent Employee in Insurance Industry in DKI Jakarta can be concluded that Intrinsic Motivation do has positive strong and significantly influence Job Satisfaction in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta, which means to increase their permanent employee Job Satisfaction they need to fulfill their Intrinsic Motivation. While Extrinsic Motivation do has negative strong and significantly influence Job Satisfaction which means to increase their permanent employee Job Satisfaction they need to decrease their Extrinsic Motivation. As for Organizational Commitment it do has negative moderate and not significantly influence Job Satisfaction in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta.

Due to Job Satisfaction do has negative strong and significantly influence Turnover Intention in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta, which means to decrease their permanent employee Turnover Intention they need to increase their Job Satisfaction. In addition to that Intrinsic Motivation do has negative moderate and not significantly influence Turnover Intention through Job Satisfaction, while Organizational Commitment do has positive moderate and not significantly influence Turnover Intention through Job Satisfaction. Therefore only Extrinsic Motivation do has positive moderate and significantly influence Turnover Intention through Job Satisfaction in Generation Y of Permanent Employee in Insurance Industry in DKI Jakarta, which means by fulfilling the

permanent employee Extrinsic Motivation they will increase the Turnover Intention of the employee.

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