



**The Effect of Hybrid working on Millennial Employee Engagement  
and its' Effect on Turnover Intention  
A case study of Indonesian Financial non-Bank company**

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**ABSTRACT**

The COVID-19 pandemic has brought significant changes in every aspect of human behavior. Over the last few years, our behavior has needed to adapt to new habits or in the popular term what we called the new normal. Sihombing (2020) mentioned that COVID-19 impacted everyone to behave beyond normal limits as usual, including the habits related to working experience. Due to COVID-19, organizations need to work to handle disruptions that had the power to remake their workforces, or even challenge their very existence (Delloite 2022). Employee well-being and safety first have been regulated by law in many economies and have even been set as the corporate goals for many organizations (Liu, 2019)

During COVID-19, many people have adapted and become more comfortable with their non-office work style. This phenomenon has created the opinion that combining working in the office and working from anywhere—called Hybrid working is remain relevant in the post-COVID-19 era. Technology improvements were one of the basic steps in setting the first pillar of teleworking, later described as a hybrid working model (Radonic 2021). After the effect of COVID-19 is diminished, some peoples or workers are more comfortable to have Hybrid working. This phenomenon becomes a game changer for the company to manage their employee satisfaction and turnover rate, especially their key people and future leader. Therefore, the company must embrace the benefits and opportunities of a hybrid work world to get larger pools of talent, the ability to retain workers through life changes, and have more productive employees (Galub 2022). The company is also needed to define its strategy to manage the millennial employees. With their range age, they can be considered as short -long future leaders for the company. The millennials have a unique character compared with the previous generation. Gallup (2016) described millennials as a group without attachments and tend to change jobs more often than those of any older generation. Companies need to

in key positions at the righttime is important, as it affects sales, creativity, and organizational effectiveness. Company strategies for implementing Hybrid working may become one of the key points to managing millennial employee engagement and their intention to stay in the company

**Keywords:** Hybrid Working, Millennials, Employee Engagement; Turnover Organizational Culture, Organizational behavior, Job Satisfaction, Employee Retention, Post COVID-19



## INTRODUCTION

The COVID-19 pandemic has brought tremendous upheavals to the company's working arrangement. As the government enacted lockdown policies to avoid the possible prolonged impact, companies cannot implement on-site physical presence and as an outcome, employees had to work remotely from home, which resulted in curtailing organization activities (Daraba et al. 2021). Most companies have difficulty for them to begin restructuring their existing model and begin adopting new business models that are adapting to working at Home. After 2 years, people are adapting well to working at home, and this creates an opinion that combining working in the office and working from anywhere—called Hybrid working is relevant in the post-COVID-19 era or even the best option for the way of working. Based on the survey by Deloitte in 2022, a lot of companies adopting Hybrid working.

The phenomena have been happened also in the Financial non-Bank sector in Indonesia, including in Life Insurance companies. Life Insurance is part of Financial sectors/industries that supervise and are regulated by the Indonesia Financial Service Authority (Otoritas Jasa Keuangan – OJK). There are around 60 Life insurance companies in Indonesia, of which 82% market share is owned by 15 companies only.

In overall industries, including Life Insurance companies, the millennial generation has dominated the composition of employees. According to The Indonesia Central Bureau of Statistics, it is estimated that Indonesia's millennial's citizen is around approximately 65.1 million of those. As a result, millennials are a key driver of Indonesia's economic growth as they are dominating the current workforce.

Therefore, Companies need to figure out how to interact with millennial workers in the most effective way possible in order to understand their needs, assure long-term retention, and decrease excessive turnover. As millennials are dominating the current workforce and replacing the retiring boomer employees, attracting the best of these millennial workers is crucial to the company's success. Their professional goals, work attitudes, and understanding of new technology will shape the workplace culture.

Therefore, the purpose of this study is to examine factors that influence millennial's employee engagement and the turnover intention in life insurance Companies based in Indonesia

## 1. LITERATURE REVIEW

### 1.1 Millenials

Gallup (2016) described millennials as a group without attachments. Millennials change jobs more often than do those older More and more companies are investing in employee engagement as they believe that employee is the greatest asset of the company, especially in a service company. Finding the right talent in key positions at the right time is important, as it affects sales, creativity, and organizational effectiveness. Employees, who are personally invested in their company and are deeply interested in their work, have a high level of passion

for it. (Markos, Sridevi, 2010). Doug Conant, former Campbell's Soup CEO, once said "To win in the marketplace, you must first win in the workplace". Employers are recognizing that concentrating on employee engagement will result in a more effective and profitable workforce. Any strategies taken by management would be ineffective unless workers are willing to participate and engage.

If managers require successful organizations, they must learn how to attract and retain millennial employees (Sujansky and Ferri-Reed, 2009). Business leaders and companies must find out how to create an environment in which millennials will be pulled in and stay in long-term employment for at least three years or more because of the recruitment investment made and the commitments they can make to the organization. (Loudenback, 2016). Companies must figure out how to interact with millennial workers in the most effective way possible to understand their needs, assure long-term retention, and decrease excessive turnover.

Millennials are commonly used to characterize a generation that seeks quick gratification through technology, spends excessive time on social media, and is sluggish on the job. They are characterized as an adventurous age that prefers to travel rather than pay for housing, dine out rather than cook at home, and spend money on the latest smartphone rather than save it (IDN Research Institute, 2020). While there are numerous stereotypes and myths about millennials, most of them are likely based on assumptions, which will prevent us from genuinely understanding and fully addressing millennials' needs.

## **1.2 Turnover intention**

Employee retention is critical to the organization's long-term viability and success (Cloutier, Felusiak, Hill, & Pemberton-Jones, 2015). Understanding the variables that influence an employee's decision to leave a company is critical for addressing the economic and social consequences of a business (Qazi & Shafique, 2015).

When employees have the intention to resign because they are losing motivation and attention on the job, organizations' productivity and efficiency would suffer. According to certain literature and research, engaged workers are less likely to leave and stay longer in the business. As a result, by providing excellent employee engagement, employee intent to resign and turnover may be decreased. Employees that are engaged are more likely to be attached to their job and the company, and as a result, they are less likely to resign and lower tendency to leave their organization (Schaufeli and Bakker, 2004).

### **1. Hybrid Working**

Because traditional work methods necessitate on-site physical presence, it has been difficult for them to begin restructuring their existing model and begin adopting new business models that are adapting to remote working models by establishing appropriate infrastructure and technology required for employees to be able to survive in these unpredictable circumstances (Radonic et al. 2021).

Research from Microsoft (2021) found that remote working has depleted their time and energy. It was found that time spent on the meeting has 2.5 times higher and 62% of meetings were unscheduled increasing working time and reducing work-life balance leading to

exhaustion. Compared to the pre-pandemic situation, a net employee productivity reduction from 3% to 6%, and even more were found due to inefficiency in collaboration and working practices added with a decrease in employee engagement as most companies failed to minimize wasted time and kept employees focused (Garton and Mankins 2020) which can be the reason why it was investigated that 44% Millennials feel stress all the time (Deloitte 2021). Responding to the situation, Microsoft (2021) found that 73% of employees want flexible remote work options whereas McKinsey & Company's study shows that almost 50% of Millennials and Generation Z employees prefer hybrid working for the post-pandemic era (McMenamin 2021). Supporting the arguments, flexibility is also seen by Millennials and Generation Z as the number one characteristic that will lead to successful businesses (Deloitte 2021).

These terms are consistent with New Ways of Working (NWW) introduced by Demerouti et al. (2014) who claimed that, as today's work has been integrated with technologies, it has resulted in the shifting from traditional work to modern work nature, and hybrid working arrangement has been examined as new work design in the modern work life (Radonić et al. 2021). It was argued that hybrid work will serve as a cultural space to facilitate connections, learning, and unplanned innovative collaboration (Fayard et al. 2021). Referring to the hybrid working demanded by Millennials and Generation Z, such characteristics might be one possessed in the new work design they are expecting in the future.

A suggestion on adopting a hybrid working arrangement to solve emotional exhaustion issues to generate innovative work behavior would be an interesting topic to cover as limited studies have been discussing this topic widely beyond the findings from Xie et al. (2018). Some studies confirmed a significant effect of boundarylessness, multitasking, and non-work-related interruptions on emotional exhaustion (Xie et al. 2018; Pikos 2017; Leroy et al. 2021; Cheng et al. 2020; Derks et al. 2021) while demand for constant learning was found insignificant (Xie et al. 2018; Nikolova 2019). However, working with constantly updated knowledge and technology has been leading to demand employees to continuously learn which can be stressful for them and therefore must be investigated further to test the relationship (LePine et al. 2015; Wu et al. 2020).

Understanding the effect of emotional exhaustion on innovative work behavior also has limited studies and the result was only found significant by Rai & Kim (2021) which showed a negative effect. Therefore, it provides a wide gap for these problems to be researched further, especially in Indonesia where either remote or hybrid working arrangement is still new for most employees. While the same phenomenon occurred in Indonesia as surveyed by Microsoft (2021), supported by the findings that Indonesia remains at the top in terms of power distance and is a collectivist society with a restraint culture (Hofstede Insights 2021), possessing these characteristics hence questioning the effectiveness of adopting the hybrid work approach to Millennials and employees in Indonesia in the future.

#### **1.4. Employee Engagement**

Employee engagement is a phenomenon that has received a great deal of attention due to the numerous desired positive outcomes of employee engagement that benefit the businesses

that employ workers (Kolvereid & Isaksen, 2006), and impact organizational success (Macey and Schneider, 2008). Kahn's (1990) study uses a grounded theory method, and researchers have utilized it in practical application by human resource managers and practitioners (B. Shuck & Wollard, 2010).

According to Ibrahim and Falasi (2014), managers should address the importance and benefits of employee engagement because it improves employee performance, increases job satisfaction, and helps the organization achieve its goals. As a result, employee engagement is a critical issue for organizational leaders because employees are a company's most valuable asset (Lockwood, 2007).

According to MacLeod and Clarke (2011), employee engagement has emerged as a critical driver of business success in today's competitive marketplace because employees provide a competitive advantage and a valuable asset to enhancing productivity in the organization. Researchers and human resource specialists have discovered over the years that enthusiastic employees are a productive asset to the organization.

## **2. CONCEPTUAL FRAMEWORK**

### **2.1. Research Problem**

- Does the Hybrid Working policy impact positively millennial employee engagement in Life Insurance Companies?
- Does a Hybrid Working policy impact positively millennial turnover intention levels in Life Insurance Companies?

### **2.2 Research Question**

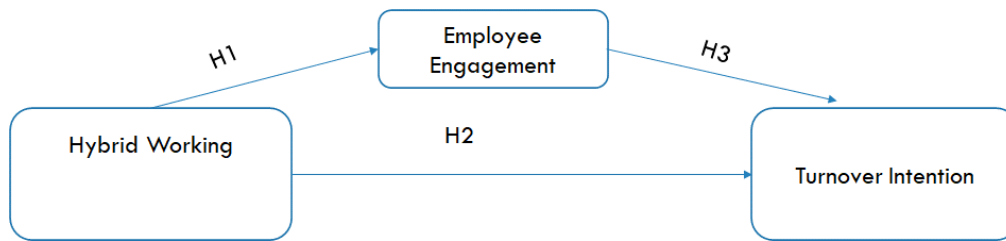
- What effect does Hybrid Working has on millennial employee Engagement in Life Insurance Companies?
- What effect does Hybrid Working has on millennial employee Turnover Intention in Life Insurance Companies?
- What effect does millennial employee Engagement has on their turnover Intention in Life Insurance Companies

### **2.3 Research Objectives**

- To analyze the effect Hybrid Working has on millennial employee Engagement in Life Insurance Companies
- To analyze the effect Hybrid Working has on millennial employee Turnover Intention in Life Insurance Companies
- To analyze the effect millennial Employee Engagement has on turnover Intention in Life Insurance Companies

### **2.4 Research Framework**

In this study, there is one independent variable, which is Hybrid Working with Employee Engagement as an intervening/mediating variable towards Turnover Intention as a dependent variable.



Source: Author, 2022

## 2.2. Research Hypothesis

Based on the framework of Figure 2.4, below is the research hypothesized:

- H1: Hybrid Working has an effect on millennial employee engagement
- H2: Hybrid Working has a direct effect on millennial turnover Intention
- H3: Employee engagement has a direct effect on millennial turnover Intention

## 3. METHOD

This paper is a conceptual paper developing a research framework based on the result of previous studies. The methodology used Quantitative data with primary and secondary data. For primary data, respondents responded to questionnaires employees in the company that applied Hybrid Working, which was collected using questionnaires, through simple randomized sampling to come up with the final sample, while for Secondary Data, will looking for and collecting materials from others, journal Books, reports and other previous collected by others. To assess the relationship between independent and dependent variables, the Structural Equation Model (SEM) is utilized. The prediction of the left variable towards the right variable is shown by the model developed above Hybrid Working is the independent variable, Employee engagement is mediating variable, while the turnover intention is a dependent variable. The data analysis technique will be using PLS-SEM.