

# The Effect of Work Life Balance and Compensations on Employee Engagement with Employee Motivation as Intervening Variable for Y Millenials Generations in Java, Indonesia

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**Keywords:** Compensations, Work Life Balance, Employee Motivation, Employee Engagement, Millenial Generations, SEM, AMOS.

**Abstract:** The important point of this research is to analyze the impact of compensations and work life balance on employee engagement with employee motivation as an intervening variable. The respondents of this study are Y millennial generations in Indonesia. The type of research is quantitative with the survey method. Respondents of research were 285 people of millennial generations from Java, Indonesia. The data were analyzed using Structural Equation Model - Analisis of Moment Structures (SEM AMOS). The results show that there is an influence of compensations on employee engagement, but the work-life balance has not to influence on employee engagement. Employee motivation has the effect of mediating of compensations but not for work-life balance. The new things of this research are the respondents of this study from millennial generations in Java Island, Indonesia.

## 1 INTRODUCTION

Most business leaders implicitly understand that employee engagement is an important thing of performance and productivity. Mercer I Sirota said that assessing employee involvement can be done by measuring employees' level of pride, motivation, and commitment to the organization they work for. The following are the results of the "2017 Trends in Global Employee Engagement", employee engagement survey released by Aon Hewitt in 2017

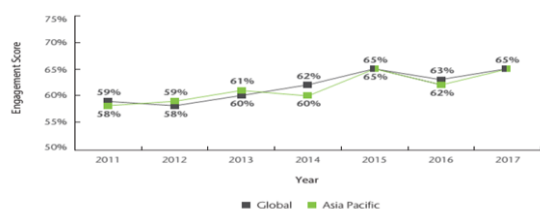


Figure 1: Trends in Global Employee Engagement 2017.

The engagement score graph is still fluctuating, so further research needs to be done on what factors cause the rise in the engagement score. Whether with

the emergence of Y millennial generations which began to enter the workforce a lot of causes and how practitioners of Human Resource (HR) respond to it, it is something that must be analyzed more deeply. This study aims to see whether compensation and work-life balance programs affect employee engagement. And also see whether employee motivation has the effect of mediating between compensation and work-life balance and also have an influence on employee engagement.

## 2 LITERATURE REVIEW

### 2.1 Millenials Generations

William Strauss and Neil Howe collaborated in the late 1980s when they began writing their first book, Generations. These two historians developed their theory further in the next book, The fourth turning, which focused on the cycle of four types of generations and the atmosphere of the era in US history, (Nugroho, 2016). Generation Y (Millennials) is a generation born around 1982 - 2004. Millennials are born in very rapid technological developments.

Having different behavior because of the more advanced technology. Their knowledge of the digital world is far greater than their parents (Wong & Chin, 2018). Characteristics of Genes suggest that they want work-life balance. They need a relaxed and flexible work environment (Brown et al., 2015)

## 2.2 Employee Engagement (EE)

There are so many scientists who define employee involvement. Kahn, W.A. 1990, began research on employee engagement and defining it as harnessing the potential of employees for their work roles so that they are involved physically, cognitively and emotionally for the benefit of the organization. According to (Muthike, 2017), employee engagement can be explained as the readiness of workers to work extra, trust the company and what they stand for in an attempt to help the success of the organization. Employee engagement is a work area approach deliberated to confirm that workers will be committed to the targets and values of their organization, encourage to support to the success of the organization, and at the same chance able to increase their own feeling of prosperity (Dash & Mishra, 2014).

## 2.3 Employee Motivation (EM)

The term "motivation" comes from the Latin word "movere". "Movere" imply about a move. Accordingly, it makes a description of something that will increase, maintain us to working and helping the company to reach our purpose (Korth 2007 on Nguyen 2019). "Motivation is psychological forces that determine the direction of a person's behavior in an organization, a person's level of effort and a person's level of persistence" (Jones & George 2008 on Nguyen, 2017). Motivation in community has an important key of the part to play for the viability and competitiveness of businesses in the environment of economic recession (Cardoso et al., 2015). All indicator in this study refers to Maslow theory that consisting of physiological, security, affiliation, esteem, and self-actualization.

## 2.4 Compensations (CP)

Compensation theory according to Dessler (1997), states that compensation is one form of payment or compensation given to employees because the employee is employed by the organization. Which

includes the dimensions of compensation according to Dessler include:

1. Financial compensation: Included in financial compensation, include wages or incentives, commissions, and bonuses
2. Non-financial compensation: those who enter the non-financial category include health benefits or health insurance, entertainment, and all that is given is not in the form of money. The compensation dimension can also refer to the applicable laws and regulations in Indonesia, in this case referring to Labor Law No. 13 of 2003

## 2.5 Work Life Balance (WLB)

In a study conducted by Fisher, Bulger & Smith (2009), there are four parts of work life balance including:

### A. Work Interference with Personal Life (WIPL).

This dimension explains how big the effect of the work can disturb with one's private life, for example the work can make the person becomes difficult to manage time with his activities.

### B. Personal Life Interference with Work (PLIW).

This dimension is the opposite of the previous dimension where this dimension analyzes the extent to which an employee's private life can disturb with his work. An example that we often encounter every day is when an employee is having a personal problem, sometimes to impact his work. Work lazily or become out of focus

### C. Personal Life Enhancement of Work (PLEW).

This dimension can illustrate how personal life can improve the performance of individuals in the world of work. For example, an individual has a good religion or level of faith so he can rely on work because of his honesty at work.

### D. Work Enhancement of Personal Life (WEPL).

The point of WEPL refers to the extent to which work can increase the quality of the individual's private life. We can give an example, someone who acquires the skills and knowledge of the world of work (for example getting knowledge of 5R), then this knowledge can be applied in his personal life every day at home.

### 3 HYPOTHESIS

By referring to the conceptual framework above, the author formulates

- H1: There is an influence of compensations on employee motivation
- H2: There is an influence of compensations on employee engagement
- H3: There is an effect of work life balance on employee motivation
- H4: There is an effect of work life balance on employee engagement
- H5: There is an influence of compensations on employee engagement through employee motivation
- H6: There is an effect of work life balance on employee engagement through employee motivation
- H7: There is an influence of employee motivation on employee engagement

### 4 RESEARCH METHODS

This research uses quantitative methods with a survey to respondents conducted on Y millenials generations in Java, Indonesia. Total of the respondents are 285 people. To measure the result in the study, we are using scale of Likert with range 1-5.

### 5 RESULTS AND DISCUSSION

#### 5.1 Statistical Analysis

Statistical Analysis in this research using Structural Equation Model - Analisis of Moment Structures (SEM - AMOS)

#### 5.2 Goodness of Fit Model

The Goodness of Fit test used to analysis the accuracy regression of the sample to evaluate the real value. Statistically, the Goodness of Fit test can be done by measuring the coefficient of determination, the F statistic value and the statistical t value, according to Ghozali (2011). The compatibility test of the structural model in SEM analysis was carried out by looking at several goodnesses of fit model criteria such as Chi-Square, probability, df, GFI, AGFI, TLI, CFI dan RMSEA.

Absolute Fit Test if it meets the criteria :

- Chi-Square and P-value: the size of the model suitability test based on maximum likelihood (ML). It is expected that the value is low so that a high P-value (probability) that exceeds 0.05 is obtained.
- The goodness of Fit Index (GFI): descriptive assess of model suitability. The value is expected to be greater than 0.90.
- Root Mean Square Error of Approximation (RMSEA): the approximate value of the average square root error. It is expected that the low value is approximately equal to 0.08.

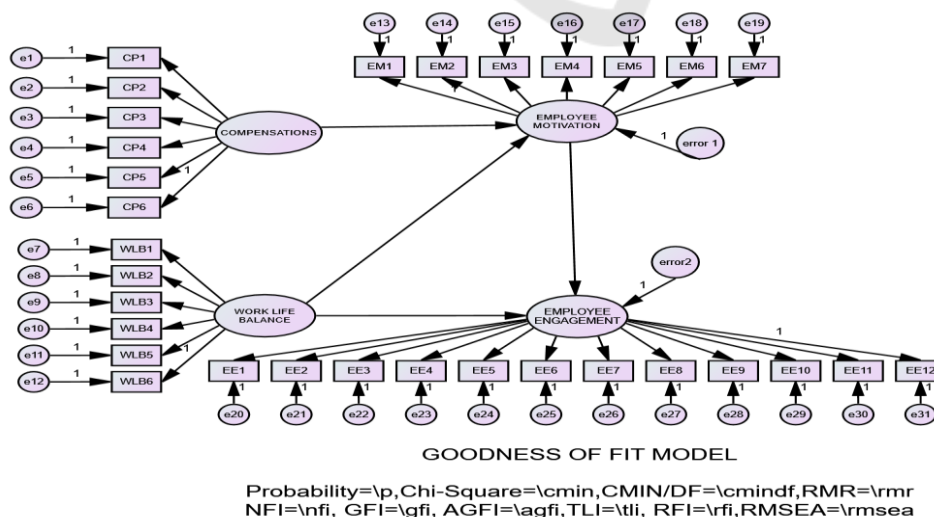


Figure 2: Complete Structure of the Variables to be analysed.

The estimation results of the structural model are the results of the goodness of fit test, we can see in the picture of the model. The figure 2 above is a complete structure of variables and indicators that are used in this research.

After analyzing the data, we obtain a structure that has a goodness of fit Meeting the SEM AMOS prerequisites are as figure 3.

Based on the picture above, after modifying with re-calculation, the model has a likelihood above 0.05 (probability = 0.146), RMSEA is 0.02 (Specifications: 0.02 - 0.08) so, the model can use to test the hypothesis in this research.

### 5.3 Significance Test

Significance test aims to test whether there is a significant effect of exogenous variables on endogenous variables. The hypotheses built in this test are as follows:

Ho: There is no significant effect of exogenous variables on endogenous variables.

Ha: There is a significant impact of independent variables on dependent variables.

With a significant level of 0.05, Ho will be rejected if the significant value (P) < 0.05 and cr > 1.96, whereas if the value is significant (P) > 0.05 and cr < 1.96 then Ho is accepted.

The table 1 is the results of the model significance test.

### 5.4 Sobel Test

In this study, the employee motivation variable acts as an intervening variable, to test whether the employee motivation variable can mediate the impact of compensations and work life balance on the employee engagement so that the Sobel test can be conducted as in table 2.

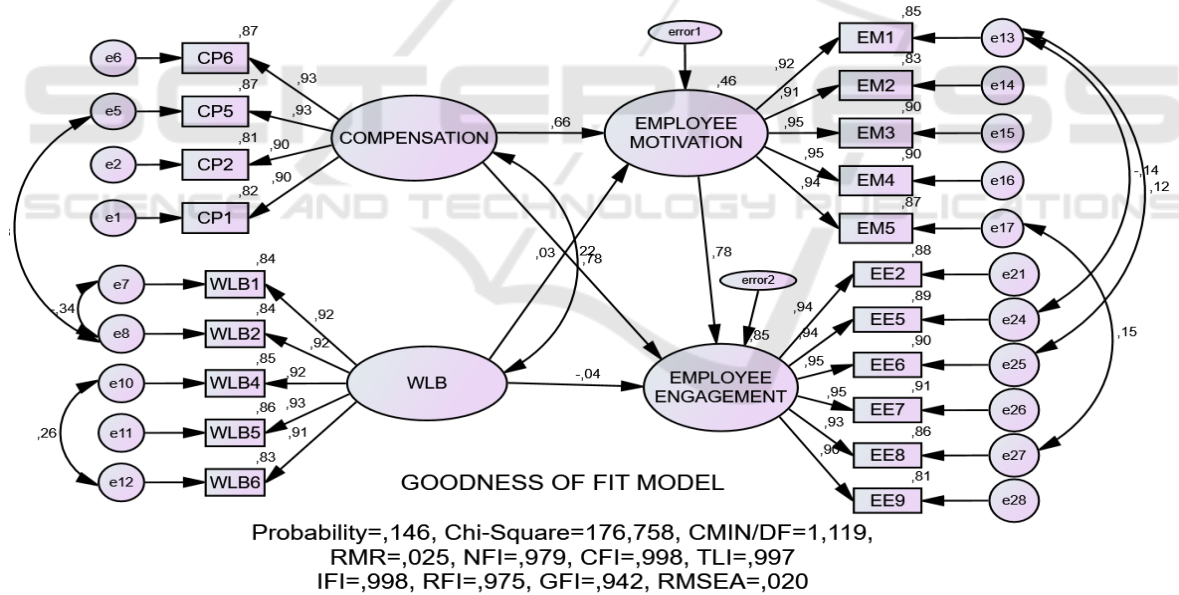


Figure 3: Result of Goodness Fit Model.

Table 1: Result of Significance Test Regression Weights: (Group number 1 - Default model).

			Estimate	S.E.	C.R.	P	Label
EMPL_MOTIV	<---	COMPENSATION	,641	,080	7,998	***	par_17
EMPL_MOTIV	<---	WLB	,029	,081	,361	,718	par_18
EMPL_ENGAGE	<---	COMPENSATION	,222	,053	4,161	***	par_19
EMPL_ENGAGE	<---	WLB	-,041	,048	-,845	,398	par_20
EMPL_ENGAGE	<---	EMPL_MOTIVATION	,794	,045	17,530	***	par_21

Tabel 2: Result of Sobel Test.

Variable	Correlance	P Value	Result
Compensations	CP-EM-EE	0.0000	Has an effect mediating
Work Life Balance	WLB-EM-EE	0.71178	Not effect mediating

The hypotheses used in the Sobel test are as follows:  
 Ho: Employee motivation can mediate the effect of compensations on employee engagement variable.

Ha: Employee motivation can not mediate the influence of work life balance on employee engagement variables.

With a significance level of 0.05, Ho is rejected if the p-value of the Sobel test results is  $> 0.05$ , while if the p-value is  $< 0.05$  Ho is accepted. It is mean that employee motivation has a mediating effect.

### 5.5 The Result of Hypothesis Testing

Based on the results of SEM analysis in the table above, some results are obtained as follows:

**1. H1: There are Influences of Compensations on Employee Motivation => accepted**

The result of the p-value influence of the compensation variable on employee motivation is very significant ( $p = ***$ ) with c.r marked positive at 7.998. Because the p-value obtained is  $< 0.05$  and cr is positive and  $> 1.96$ , H1 is accepted, summarize that the compensations have a positive and significant impact on the employee motivation variable, the higher the compensation variable, the higher the employee motivation variable, vice versa.

**2. H2: There is an Influence of Compensations on Employee Engagement => Accepted**

The result of the p-value of the effect of the compensation variable on employee engagement is significant ( $P = ***$ ) with c.r marked positive at 4.161. Because the value of p-value obtained  $< 0.05$  and c.r is positive and  $> 1.96$ , H2 is accepted, and it is concluded that compensation variable positive influence and significant on employee engagement.

**3. H3: There is an effect of Work life Balance on Employee Motivation => Not Accepted**

The value of the p-value influence of the work life balance variable on employee motivation is 0.718 with c.r marked positive at 0.361. Because the p-value

obtained is  $> 0.05$  and cr is positive and  $< 1.96$ , it is mean that work life balance has not to influence on employee motivation.

**4. H4: There is an effect of work life balance on employee engagement => Not accepted**

The value of the p-value influence of the work life balance variable on employee engagement is not significant (0.398) with c.r marked negative at 0.845. Because the p-value obtained  $> 0.05$  and c.r is negative and  $< 1.96$ , it is mean that work life balance has not to influence on employee engagement.

**5. H5: There is an influence of compensations on Employee Engagement through Employee Motivation => Accepted**

From the Sobel test result, we can see that the p-value to the correlation of compensations on employee engagement through employee motivation is 0.0000. The value  $< 0.05$ , it's mean that employee motivation affects mediator of compensation on employee engagement

**6. H6: There is an effect of work life balance on employee engagement through employee motivation => Not accepted**

From the Sobel test result, we can see that the p-value to the correlation of work life balance on employee engagement through employee motivation is 0.71178. The value  $> 0.05$ , it is mean that employee motivation does not affect mediator of work life balance on employee engagement

**7. H7: There is an Influence of Employee Motivation on Employee Engagement => Accepted**

The worth of p-value of the Employee Motivation variable on Employee Engagement is very significant ( $p = ***$ ) with c.r marked positive at 17,530. Because the p-value obtained is  $< 0.05$  and cr is positive and  $> 1.96$ , it is concluded that the employee motivation variable has a positive and significant effect on the employee engagement variable, the higher the employee motivation variable, the higher the employee engagement, and vice versa.



## 6 MANAGEMENT IMPLICATIONS

From 285 data collected, compensation is very important to increase employee motivation while work life balance programs are not very popular among the millennial generation. In addition to compensation, communication is also considered to be a factor that supports an employee to be able to survive in a company. With good communication, fellow supervisors and subordinates and fellow employees will create a good work culture and a conducive work environment.

A conducive work environment can be created from many factors, including good cooperation between teams. Besides that, the safety factor is also support for someone who will work comfortably in one environment in the company

Whereas flexible working hours are indeed currently very much favored by millennials, but not all companies can implement them. Especially for manufacturing companies that produce mass production with goods that are fast moving will be very dependent on the discipline of employee working hours. Every line in production is usually determined by how many people work in that area. So that if there are several employees who arrive late, it can greatly disrupt the productivity of work on the line. Employer branding is one of the considerations of a millennial retainer or not in the company. In the current disruptive era, many millennials views are shifting where the fame of a company has its value in their hearts. They feel proud if they can work in a company that is classy or known to the public. So management must also think about this, how to complete a company branding so that millennials are interested in joining and working together and also those who have worked will stay at the company.

So, management needs to make a strategy on how to provide clear information regarding compensation programs to increase employee motivation, thus increasing employee engagement.

## 7 CONCLUSION

The results of this study can be summarized as follows:

1. Compensation influences employee motivation. This means that good compensation can

improve employee motivation for Y millennials generations

2. Compensation have a direct influence on employee engagement. This means that good compensation can improve employee engagement for Y millennials generations.
3. Employee motivation has the effect of mediating the relationship between compensations on employee engagement
4. Work Life balance has not influence on employee motivation and employee engagement.
5. Employee motivations have not to effect mediating the connection between work life balance on employee engagement

## 8 LIMITATION OF THIS RESEARCH

Limitations of this research are :

- 1 This study only takes samples on the island of Java; there are still other islands in Indonesia that have not been studied about how the behavior of the millennial generation in another Island in Indonesia.
- 2 The variables studied were only compensations and work life balance, which were seen to be related to employee motivation and employee engagement, other researcher can explore many variables that it can improve employee engagement

## 9 DIRECTION FOR FURTHER STUDY

It recommended to explore more variable that can influence employee motivation and employee engagement, So management has a clear strategy, how to maintain the millennial generation to stay in the company and not move to another company. The sample for future study must increase to get results that represent the millennial generation in Indonesia

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