

FACTORS INFLUENCING EMPLOYEE LOYALTY AMONG GENERATION Z AND MILLENNIALS: A HUMAN RESOURCE MANAGEMENT LITERATURE REVIEW

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Abstract

Employee loyalty has become a critical focus in human resource management, particularly among Generation Z and Millennials, who dominate today's workforce. This study aims to explore various factors influencing loyalty within these two generations. Human Resource Management (HRM) significantly impacts factors such as job meaningfulness, compensation, work-life balance, and work environment, which are essential for fostering employee loyalty. Through a literature review approach, this study consolidates data from relevant sources. The findings indicate that job meaningfulness strongly influences the loyalty of Generation Z employees, while compensation and work-life balance significantly impact Millennials' loyalty. Moreover, a conducive work environment enhances loyalty across both generations. Organizations must consider these factors to create a supportive work environment that encourages employee loyalty.

Keywords: *Employee Loyalty, Millennials, Generation Z, Work Environment, Human Resource Management*

Introduction

In recent years, the workforce demographic has undergone a significant shift, dominated by Generation Z (born between 1995 and 2010) and Millennials (born between 1981 and 1994). These two generations represent a large majority of the global workforce and present both challenges and opportunities for organizations, particularly in terms of employee loyalty (Priyono & Tampubolon, 2023). Employee loyalty, defined as the faithfulness and emotional attachment of employees to an organization, must be a primary focus for companies. This loyalty is reflected in the high commitment employees demonstrate in performing their tasks and their desire to remain with the organization. Generation Z and Millennials have unique characteristics that distinguish them from previous generations, as they have been shaped by life experiences and shifting values in modern society (Valentino & Haryadi, 2016).

However, as competition in the workforce increases, both of these generations show a higher tendency to change jobs compared to previous generations. Millennials and Generation Z have a dynamic lifestyle and a strong desire to try new things, influenced by personal characteristics that often lead to dissatisfaction and boredom. Millennials are frequently categorized as the modern generation that grew up during the turn of the millennium. The Millennial Generation, often referred to as digital natives, was born in the digital era, allowing them to access information from all over the world in seconds. Their habit of acquiring information instantly makes them less inclined to tolerate waiting, including in their work lives (Nindyati, 2017). The characteristics of Millennials and Generation Z often drive turnover intention, which refers to the desire to move from one company to another (Priyono & Tampubolon, 2023). According to Mobley (1986), turnover is defined as an individual's departure from an organization accompanied by financial compensation provided by that organization.

The flexibility in choosing jobs and their orientation toward more dynamic career development pose challenges for organizations in retaining them. Therefore, increasing employee loyalty should be a management priority. By analyzing several factors that influence employee loyalty, companies can prepare strategies to retain their best human resources. Understanding employee loyalty within a company is crucial, as it is an essential aspect that every organization must strive for. This not only relates to increasing overall company productivity but also impacts broader aspects such as the sustainability of the organization. Employee loyalty allows companies to acquire potential candidates for future leadership succession (Nindyati, 2017).

Employees with high loyalty can have a positive impact on the company and optimize all their capabilities for organizational advancement. Loyalty reflects employees' commitment to the company they work for, and employees with strong loyalty tend to perform at their best due to their joy in their work and strong teamwork spirit. Conversely, if employee loyalty is low, they will struggle to cooperate,

lose enthusiasm, and be less motivated to contribute more. Employee loyalty affects company success, and the level of loyalty influences how employees perform. If the company fails to build strong loyalty among its employees, the company's performance may be hindered. Efforts to increase loyalty are part of human resource management, which affects employee work stability. One factor that influences this is the quality of the employees. Employee development within an organization is essential for the company's continuity and sustainability (Juniartika et al., 2023).

Sinambela (2016) explains that human resource management is the management of human resources as the primary asset of an organization. This management is carried out through the application of managerial and operational functions to achieve the organization's targets effectively. Employees are one of the most important elements, serving as a significant competitive advantage, especially in the face of economic dynamics in the globalization era. Thus, employees are the company's greatest asset.

Employee loyalty plays a key role in determining company performance. Therefore, companies need to focus on efforts to retain and enhance employee loyalty, including creating job satisfaction so that employees remain loyal and committed to the company. As part of a strategic function, Human Resource Management (HRM) faces the need to identify and understand the factors influencing employee loyalty in these generations. Therefore, this study aims to examine and evaluate the various factors contributing to the loyalty of Generation Z and Millennial employees through a comprehensive literature review. This study is expected to provide valuable insights for organizations in designing more effective retention strategies that align with the dynamic characteristics of the workforce (Pitoy et al., 2020).

The problem formulation in this study includes three main aspects that focus on understanding employee loyalty from Generation Z and Millennial employees. First, this study aims to identify the factors that influence employee loyalty in these two generations. Second, it will analyze how the differences in characteristics between Generation Z and Millennials affect their loyalty to the organization. Third, this research also aims to formulate strategies that companies can apply to increase the loyalty of Generation Z and Millennial employees, so that companies can more effectively retain employees amid the current dynamics of the labor market.

Methods

This study uses a literature review method to analyze and summarize the results of various previous studies from 10 selected sources, which were examined over approximately two months using relevant references on the topic of employee loyalty in Generation Z and Millennials.

Work loyalty refers to the efforts demonstrated by employees as a manifestation of their loyalty to the company and commitment to defend the company. In general, loyalty can be understood as a form of allegiance, dedication, and trust given to an organization or individual, reflected through responsibility, service, and optimal behavior. To measure work loyalty, a modified work loyalty scale from previous studies can be used, based on indicators of work loyalty (Juniartika et al., 2023).

The sources used include journal articles, research reports, and other literature discussing the factors influencing employee loyalty. Through this approach, it is hoped that a deeper understanding of employee loyalty dynamics and its implications for human resource management in organizations can be achieved.

Results and Discussion

Work-Life Balance

Work-life balance can be defined as the effort of employees to give equal attention, time, and commitment to both their work responsibilities and personal life. In this way, a balance between these two aspects can be achieved (Köse et al., 2021).

Each individual *has a different perception of work-life balance, making this concept subjective and varying among individuals*. What one person considers balanced may be viewed as unbalanced by another. For example, a worker who prioritizes family life may experience role tension when facing high work demands, as these conflict with their view of work-life balance. Conversely, a worker who prioritizes their job and pays less attention to family life is not necessarily seen as being out of balance. In this case, balance is achieved through a primary focus on work, and the situation is not considered imbalanced as it aligns with their desires (Köse et al., 2021).

According to Moore et al. (2018), work-life balance refers to a condition where an employee feels capable of managing and balancing the demands of work with personal life or other commitments. In this situation, individuals can fulfill their professional duties without sacrificing time and attention to other aspects of life, such as family, health, and social activities. This concept reflects the importance of

effective time management, allowing work and personal life to coexist in a balanced manner, supporting overall employee well-being.

Work-life balance is significantly related to employees' loyalty. This indicates that the better the balance, the higher the employee loyalty to the company. Conversely, when work-life balance is low, employee loyalty tends to decrease. A good balance between work and personal life is a critical factor in achieving high commitment to the company (Nirmala et al., 2020).

Research shows that work-life balance greatly affects employee loyalty, especially among Generation Z and Millennials. Employees who are satisfied with their balance are more likely to remain loyal to the company because they feel their personal and professional needs are valued. This aligns with the balance theory, which states that work-life balance is important for supporting employee motivation and engagement. However, dissatisfaction often arises due to conflicts between work and family responsibilities, which hinder employee loyalty (Priyono & Tampubolon, 2023).

Work Environment

The work environment includes all physical and non-physical aspects that can affect an individual's comfort or discomfort in carrying out their tasks and responsibilities within an organization or company (Waskito & Sari, 2022).

A conducive work environment is also an important factor in increasing employee loyalty. Employees who feel comfortable with organizational support and good interpersonal relationships show higher loyalty. This research supports the view that a supportive work environment can enhance job satisfaction and emotional attachment to the organization (Valentino & Haryadi, 2016).

The non-physical work environment plays a significant role in shaping employee loyalty. Building a comfortable, inclusive, and supportive work environment can be an effective strategy for increasing employee loyalty to the company. Positive relationships between employees, as well as good relationships between employees and supervisors, are crucial for creating a conducive work environment. These elements not only improve work comfort but also provide emotional and psychosocial support, positively impacting employee loyalty (Panggabean & Satwika, 2024).

To enhance employee loyalty, companies need to consider policies that support work flexibility, strengthen social relationships in the workplace, and utilize relevant technologies. This strategic approach can help companies retain a competent workforce. Further research can explore other factors affecting work loyalty, such as cultural backgrounds, education, or work sectors. A deeper understanding of employee needs and preferences will allow companies to design more effective and sustainable management strategies (Panggabean & Satwika, 2024).

Compensation

According to Sudaryo (2018), compensation represents a two-way relationship between employees and companies, where employees provide their services or labor, while companies provide compensation in the form of salary or other benefits. Compensation is any form of reward or return received by employees as a result of their work at the company, which can be provided through money or goods, either directly or indirectly (Waskito & Sari, 2022).

Generation Z and Millennials often seek jobs that offer salaries and benefits in line with market standards. They are also more likely to stay at companies that reward their performance with fair compensation. Good compensation can strengthen employees' emotional attachment to the company, leading to higher loyalty (Valentino & Haryadi, 2016).

However, while financial compensation is important, other factors such as non-financial rewards and recognition of individual contributions also play a role in fostering long-term loyalty. Therefore, companies need to balance financial and non-financial compensation to maintain employee loyalty (Pitoy et al., 2020).

Non-financial rewards can include training and skill development, recognition of achievements, work flexibility, and a supportive work environment. Employees who feel valued not only through salary but also through attention to their personal and professional development are more likely to have a higher attachment to the company. This strengthens employee commitment to the organization, while also enhancing productivity and job satisfaction. By providing various forms of reward, companies can create a positive work environment that motivates employees to contribute their best (Pitoy et al., 2020).

Additionally, organizational culture factors such as transparency, effective communication, and a sense of fairness also play an important role. When employees feel that their contributions are fairly recognized and they have opportunities for growth, loyalty to the company will naturally increase. Therefore, strategies to enhance employee loyalty should be designed comprehensively, covering both material and emotional aspects, so that employees feel personally and professionally connected to the organization's vision and mission (Pitoy et al., 2020).

Conclusion and Recommendations

The results of this study underscore the importance of work-life balance and a conducive non-physical work environment in building employee loyalty, particularly for Millennials and Generation Z. This study shows that employees who have a good work-life balance and feel comfortable in their work environment tend to exhibit higher loyalty levels. The challenge of strengthening employees' sense of responsibility towards the company highlights the importance of further approaches to foster the emotional bond between employees and the organization.

Increasing work flexibility by providing remote work options or flexible working hours can help employees achieve a balance between work and personal life. Developing employee welfare programs, such as counseling or mental health programs, is also recommended to support employees' psychological needs.

Expanding research to include larger samples from various sectors and regions will enhance understanding of the loyalty of younger generations of employees from diverse backgrounds. This research could also incorporate additional factors such as job satisfaction, work autonomy, or leadership structure to deepen the analysis of Millennial and Generation Z employee loyalty.

Based on the findings, it can be concluded that the loyalty of Generation Z and Millennial employees is influenced by several key factors: work-life balance, work environment, and compensation. Employees from these two generations are more likely to stay with companies that can provide a balance between work and personal life and create a supportive and comfortable work environment. In addition, compensation aligned with market standards and recognition of individual contributions also strengthen employees' emotional attachment to the company. Dissatisfaction in these aspects can trigger turnover intentions, which are higher in these generations compared to previous ones.

Therefore, companies should consider several measures to increase employee loyalty. First, companies need to develop work-life balance policies, such as flexible working hours or remote work options, to enhance employee well-being. Second, companies must create a conducive work environment, both physically and nonphysically, to increase employee comfort and satisfaction. Third, in addition to offering competitive financial compensation, companies should also provide non-financial rewards, such as recognition for achievements and opportunities for career development. Finally, companies must design retention strategies that better suit the characteristics and needs of Generation Z and Millennials to reduce turnover rates and retain the best employees.

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