

# The Effects of Human Resource Practices on Job Satisfaction: The Mediating Role of Affective Organizational Commitment and Organizational Identification (Study on Millennial Generation Employees in Indonesia)

Mohammad Yuswandi Samadi<sup>1</sup>; Elok Savitri Pusparini<sup>2</sup>

{mohammad.yuswandi@ui.ac.id<sup>1</sup>; eloksp@ui.ac.id<sup>2</sup>}

Universitas Indonesia, Salemba Raya 4, 10430, DKI Jakarta, Indonesia<sup>12</sup>

**Abstract.** This study aims to analyze the effect of human resource practices on job satisfaction both directly and through the mediation of affective organizational commitment and organizational identification. This study uses quantitative method with a digital questionnaire to collect data taken through social media. Population of respondents in this study were all millennial generation employees with at least one year's work experience working in Indonesia. Indicators used in measuring the variables in this study were 45 items. Samples were obtained using purposive sampling. Respondents were determined using non probability sampling method, with data collected from 345 millennial employees in Indonesia, not limited to specific work or institution. The results obtained indicate that there is a positive and significant effect of human resource practices on job satisfaction both directly and through mediation from affective organizational commitment and organizational identification. Both mediation variables also have a positive and significant effect on job satisfaction.

**Keywords:** human resource practices, affective organizational commitment, organizational identification, job satisfaction, and millennial generation employees

## 1. Introduction

Starting with the focuses of the study on the millennial employees in Indonesia, who are born between 1981 to 2000[1]. Based on data on labor force participation rates in 2019 obtained from the Central Statistics Agency[2] as of February. Shows that of the total workforce in Indonesia, which reached 136,1 million, 64,2 million or about 50% of them belong to millennials. Current development and globalization that occurred created conditions not only for the worker who compete, but also for the organization/company, the employer who looked for the people they need in their organization. It can be seen how the competition from the side of the organization itself is focused on getting and maintaining quality and rare workforce, commonly referred to as talents[3]. Therefore to attract, develop, and retain them, organization need to determine what is the best interest for them. this millennial generation certainly needs elements related to their preferences that must be determined and managed accordingly. One of these elements comes from job satisfaction. Job satisfaction itself is a picture of a person's attitude that is reflected into his work positively[4]. In the aspect of its own function, job satisfaction can be used as a standard of employee evaluation related to the expectations, desires, and needs within an organization[5]. Thus it is important for every

organization to be able to place job satisfaction as one of the aspects of valuation that is used to look after and retain employees, and to attract interest in the labor market. As the research occurred in Indonesia, job satisfaction is still a challenge for organizations. It can be seen from how the level of job satisfaction of workers in Indonesia is still at 58.6% taken in 2018[6].

Here in this endeavor, aspects that can build up job satisfaction for millennial employees on the organization are needed. It is necessary to determine the components that will have an impact to job satisfaction from millennial generation employees as a whole, one of which is comes from human resource practices in the organization. Human resources (HR) is one of the most important components in the establishment and function of an organization[7]. Making the production process possible and creating the expected development within the organization. There is research that showed more application of HR practices is associated with higher levels of satisfaction and a relationship between HR practices and job satisfaction[8], [9]. Other research on HR practices shown that there are factors which can be mediating to connect with job satisfaction[10]. Where these factors are drawn comes from how the relationship between individuals and their organizations. For this reason, perspectives are needed to support factors between the individual and the organization, such as affective organizational commitment and organizational identification. Affective organizational commitment defined as a bond or relationship owned by individuals to an organization[11]. Organizational identification implies that individuals align membership in their organizations with their self-concept. Where the concept is reflected cognitively (feel part of the organization, internalize organizational values), emotionally (pride in the organization), or both[12].

The objectives of this study were to develop the extent of the effect of human resource practices on job satisfaction of millennial generation employees in Indonesia mediated by affective organizational commitment and organizational identification. Where the millennial employees have a big portion as a workgroup in organization or company in Indonesia, they need to be treated the way the should to grown their job satisfaction. This part brings the difference that comes from the focus of the research, which will provide the better understanding for organization to attracting, developing, and retaining their majority employees. Thus their job satisfaction will be a distinct benefit for each organization in relation to finding and retaining their millennial employees to gain a better competitive advantage.

## **2. Literature Review**

### **2.1 Job Satisfaction**

Job satisfaction is a pleasant or positive emotional condition that results from an assessment of work or individual work experience[13]. It was also stated that the general dimension of job satisfaction concerns matters relating to work, salary, promotion, recognition, benefits, working conditions, supervision, coworkers, companies and management. Job satisfaction also has an impact on employee behavior such as absenteeism, complaints and grievance, general disruption to workers to termination of employment.

## **2.2 Human Resource Practices**

Conceptually, human resource practices are a form of application and implementation of strategic human resource management that is applied in an organization. Where human resource management itself refers to the forms of policies, practices, and systems that affect the behavior, attitude, and performance of each employee[14]. Human resource practices include analyzing and designing jobs, HR planning, recruiting, selection, training and development, compensation, performance management, and employee relations[14].

## **2.3 Organizational Commitment**

Organizational commitment identified with three different concepts, namely affective commitment, continuance commitment, and normative commitment[15]. Affective commitment is considered as an attitude focused on the organization, which represents an emotional bond between employees and their organizations[16]. Affective commitment has shown a strong correlation with desired outcomes and the organization generally fosters this affective commitment among employees they have in organization[15].

## **2.4 Organizational Identification**

For individual to identify oneself with an organization, one must have an identity as a member of the organization[17]. Identity places people in certain contexts, limiting a series of cognitions, influences, and behaviors. Organizational identification involves the collaboration of aspects between what individuals consider to be the essence and elements of the organization and individual identities[18].

## **2.5 Generation Y (Millennial)**

Generation is a group or a group that is categorized into the year of birth and events in life that have an influence on preferences[19]. The obvious similarity is the personality characteristics of each individual in the generation formed through culture, history, social experience, and the events they experience in their lives. This form of equality has its own uniqueness for each generation and has a great influence on a person's attitudes and emotions. Each generation has a different valuation by being formed through the social environment at the beginning of their growth[20]. Generation Y is also known as millennial generation categorizing those born between 1981-2000[1]. Growing up in the era of the development of internet technology and social media, also categorized as a generation that is very familiar and expert in using technology[21].

# **3. Method**

## **3.1 Overview**

This study wants to determine the effect of human resource practices as the independent variable on job satisfaction of millennial employees in Indonesia as the dependent variable, also the effect of affective organizational commitment and organizational identification as the mediating variables. By knowing the obvious research problems, researchers can use the basis of various theories to answer these questions. The answer to a new problem formulation using

theory is called a hypothesis. Hypotheses take the form of questions and relate one variable to another in general and in particular. The research model that has been listed previously explains the hypotheses and derived hypotheses which will be the focus of this study where this research intends to find out more about human resource practices (independent variables), job satisfaction (dependent variable), affective organizational commitment and organizational identification (mediating variable).

This research using part of the research model conducted before that uses the variable of human resource practices on job satisfaction[10]. Furthermore, this research model is in accordance with the research model of human resource practices effect to affective organizational commitment[22], also with the research conduct before that observe the effect of organizational identification to job satisfaction[23]. This study will correlate with previous research to gain a better understanding of millennial generation employee job satisfaction, a scope that is not their main focus. Thus the hypothesis in this research are follow: (1)H1: Human resource practices have a positive and significant effect on job satisfaction of millennial workers in Indonesia. (2)H2: Human resource practices have a positive and significant effect on affective organizational commitment. (3)H3: Human resource practices have a positive and significant effect on organizational identification. (4)H4: Affective organizational commitment have a positive and significant effect on job satisfaction of millennial workers in Indonesia. (5)H5: Organizational identification have a positive and significant effect on job satisfaction of millennial workers in Indonesia. (6)H6: Human resource practices have a positive and significant effect on job satisfaction of millennial generation employees with affective organizational commitment as a mediator. (7)H7: Human resource practices have a positive and significant influence on job satisfaction of millennial generation employees with organizational identification as a mediator.

### **3.2 Research Method and Analysis**

This is a quantitative research, which mean that all observed symptoms can be measured and changed in the form of numbers thus that statistical analysis can be proceed. The population in this study are employees who are born in 1981-2000, who work in Indonesia with the minimum experience in an organization or company at least one year. To generate this study, a sample of 345 respondents was used for the study from the population, based on the minimum number of sample have to be at least five times from indicator used[24]. Thus by using the minimum sample conditions, obtained a determined number of samples of at least 225 respondents. In this study the questionnaire was used as a primary data by distributing questionnaires with digital form with a list of questions to the sample from population. The measurement of this questionnaire was carried out using a seven Likert scale to determine the value of each question in the questionnaire. This research uses Structural Equation Model (SEM) with AMOS program.

### **3.3 Measures**

The total statements formulated into the questionnaire consisted of 45 items and divided into four section. Human resource practices assessed with 28 items based on training, performance review, policy, hiring, and job description, which adapted from the human resource practices questionnaire[25]. Organizational commitment assessed with eight items which based on affective commitment only in affective commitment questionnaire instrument[26]. Organizational identification assessed with six items organizational identification questionnaire instrument[27]. Job satisfaction assessed with three items from the

Michigan Organizational Assessment Questionnaire Job Satisfaction Subscale (MOAQ-JSS)[28].

#### 4. Results And Discussion

The test that conducted at this stage is a hypothesis test, used to determine the influence between these variables used which consist of job satisfaction, human resource practices, affective organizational commitment, and organizational identification. The suitability value of the model can be determined from the critical ratio (C.R) >1,645 and the p-value with  $p < 0,05$ . The following are overall model estimates based on these value.

**Table 1.** Hypothesis Test for Direct Effect.

Hypothesis	Variable	Estimate	C.R.	P-Value	Findings
H1	HRP→JS	0,132	2,227	0,026	Significant
H2	HRP→OC	0,847	13,921	0,000	Significant
H3	HRP→OI	0,787	12,050	0,000	Significant
H4	OC→JS	0,632	8,715	0,000	Significant
H5	OI→JS	0,254	4,783	0,000	Significant

Based on table 1, H1 which stated human resource practices have a significant positive relationship to the variable job satisfaction due to the p-value generated at 0,026, smaller than 0,05. Other hypotheses have similar results that are significantly positive with the same p-value that is 0,000, smaller than 0,05. With all the hypotheses have C.R >1,645, also prove this significant positive results.

**Table 2.** Hypothesis Test for Indirect Effect.

Hypothesis	Variable	Direct	Standard Error	Indirect	s.e Sobel	C.R		
H6	HRP →OC→JS	0,847	0,632	0,066	0,070	0,535	0,073	7,369
H7	HRP →OI→JS	0,787	0,254	0,059	0,062	0,200	0,051	3,906

To determine the indirect effect of human resource practices on job satisfaction variables through organizational commitment and organizational identification with sobel test. Based on table 2, the influence of human resource practices on job satisfaction through affective organizational commitment shows the C.R value of 7,369. This value is greater than t-table (1,645). The influence of human resource practices on job satisfaction through organizational identification shows the C.R value of 3,906. This value is greater than t table (1,645). This result means that affective organizational commitment and organizational identification has a significant influence in bridging human resource practices towards job satisfaction.

##### 4.1 Discussion

This result is corresponding with the research conducted on human resource practices to job satisfaction of Spanish workers from three sectors (services, education and food manufacture), which shows how the positive influence generated on job satisfaction with the role of human resource practices[10]. As in the research, human resource practices are seen as a signal of how an organization sees and behaves towards the human resources in it. Object of

this study that refers to the millennial generation, which this generation has preferences that are not only based on material alone. Those millennials perceive their organization by looking at how policies and rules that are made can support aspects such as work-life balance, fairness in the workplace and individual career development than the previous generation. Results shown effect of human resource practices on affective organizational commitment is significant. The forms of human resource practices that are carried out with an indication of "siding" with the employees will build these signals and of course will have implications for commitment[22]. Which mean millennial generation employees will have a better affective organizational commitment when organization treat them as they expected. On the other hand, human resource practices shown a positive effect for the organizational identification. As the results are based on the object of research, the millennial generation builds identification with the organization through their membership and participation in the organization. They will increasingly feel the organization as their identity when the organization where they workplace is an organization that has a name or success to be proud of. That way they will feel that the success that occurs in their organization is something they feel as an achievement. They tend to receive higher education, thus pushing them to ambition[29]. Where this will only be obtained from organizations that have a track record of success or achievement that is quite good from their perspectives.

Another result was corresponding with the study that measured the effect of organizational commitment on job satisfaction in elementary and middle school teachers[30]. The results found illustrate that there is a positive effect of affective organizational commitment on job satisfaction, implies that millennial generation workers will tend to have a better satisfaction with an affective attachment. This study also provides results related to research on organizational and job satisfaction of employees working at an industrial company in the southern United States, that organizational identification has a positive relationship with job satisfaction[23]. As predicted by organizational identification theory[18], individuals who strongly identify themselves with organizations tend to experience higher levels of job satisfaction and work to support their superiors[18]. This is according to the result on this study which millennial employees also have a better job satisfaction when they feel more identified with their organization.

#### **4.2 Limitations**

In terms of the time frame, this study is cross-sectional, not longitudinal. This indicates that the results obtained only reflect one particular time, thus the results obtained have different possible outputs when measured at different times. Furthermore, this study did not include the demographic component as a control variable in depth, where the demographic was only a screening to obtain the criteria for the object of research. There's an absence to observe the variables that might have control in determining their preferences based on demographic criteria such as marital status, gender, domicile, and other factors. Lastly, the nature of the data collection technique that uses self-administered surveys which are carried out by distributing digital questionnaires. This implies that the focus of the data obtained tends to be homogeneous, centered on a certain scope, considering that the process of obtaining data is carried out online through social media.

## 5. Conclusions

Millennial generation employees in Indonesia view the element of their job satisfaction is also based on non-material factors. This is marked by how they respond to the forms of human resource practices that form the foundation of their affective commitment and organizational identification. Both of which are elements that drive their job satisfaction in their work place. Thus the organization or company in Indonesia should design their human resource practices, which focus on build the affective organizational commitment and organizational identification in terms of increasing the level of job satisfaction from their millennial generation employees.

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