Inclusive Leadership as the Key to Generation Z Talent Retention in Semarang City

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ARTICLE INFO

ABSTRACT

Generation Z, as a digital native generation, has unique characteristics that affect the dynamics of the world of work. This study aims to analyze the influence of inclusive leadership, work engagement, and turnover intention on generation Z who have worked for at least one year in Semarang City. The research sample amounted to 277 respondents who were selected through purposive sampling. The data was collected using an online questionnaire through Google Form and analyzed using Structural Equation Modeling (SEM) with the help of AMOS 22.0.

The results of the study show that inclusive leadership has a significant negative influence on the turnover intention. This means that the higher the implementation of inclusive leadership in the organization, the lower the employee's intention to leave the job. In addition, inclusive leadership also has a significant positive influence on work engagement. This indicates that inclusive leadership can increase employee engagement at work. Furthermore, the results of the study also showed that work involvement had a significant negative influence on the intention to resign. These findings confirm that employees who have high work engagement tend to have lower intentions to leave the organization.

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INTRODUCTION

The high turnover rate of employees is the main challenge faced by companies. This is due to the crucial role of employees as a valuable asset that significantly affects the effectiveness and efficiency of the organization. Losing employees through turnover can have a negative impact on various aspects, such as finances, resources, and other employee motivations. When turnover occurs, companies not only lose employees, but also have to spend large costs to recruit and train new employees (Zeng et al., 2023). These costs include the process of recruiting, training, and developing new employees so that they can work optimally.

According to data from the Bureau of Labor Statistics (2023), the highest average turnover rate in Indonesia between sectors occurred in 2023. Almost every industrial sector increased by a few percentage points. This shows that employees have lost trust in the job market and many choose to do turnover. So, companies or organizations need to start increasing their engagement efforts. Kompas (2019), shows the level of loyalty of employees from various generations. The survey results show that 42.5% of generation X employees (over 35 years old) have worked in the company for more than 5 years. Generation Y (21-35 years old) has the largest loyalty rate, which is 46.5%, with a 2-year service period. Generation Z, defined as individuals with a maximum age of 20 years, shows the highest employment retention rate among all demographic groups. This is evidenced by the percentage of 57.3% of Gen Z employees who stay at their workplace for only 1 year. The declining level of loyalty in each generation can be attributed to the level of commitment of employees at work, which is influenced by the characteristics of each generation.

Generation Z is also faced with various challenges. One of the most talked about is mental health issues. Academic pressure, social media, and future uncertainty can trigger stress, anxiety, and depression in this generation. According to Jakpat (2022), generation Z is the generation most vulnerable to mental health disorders, with a prevalence rate of 59.1%. From here, it can be seen that generation Z is a beautiful strawberry generation, but it is vulnerable and easily fragile when there is a lot of pressure. The formulation of the problem in this study is "How does inclusive leadership affect work engagement and turnover intention with a case study of generation Z?.

LITERATURE REVIEW

Turnover Intention

Turnover is a subject-specific term for quitting a job (Jensen, 2019). Turnover intention is related to a person's attitude in leaving his or her job and it is considered the worst strongest predictor of actual job termination (Yin, et al., 2018). The concept of turnover is related to actual behavior, namely quitting work, while the intention to change is more related to employee behavior to quit work (Jensen, 2019). Furthermore, it indicates that employees are looking for alternative job opportunities. According to Chen

& Francesco (2000), there are three components of turnover intention including (1) Thoughts to quit the current job; (2) Desire to find job vacancies; (3) There is a desire to leave the organization in the coming months.

Work Engagement

Larasati et al., (2022) define work engagement as the involvement of individuals in the work environment, where they involve all their potential, both physical, mental, and emotional, in carrying out tasks, working, and expressing themselves. Engaged employees show high enthusiasm, dedication, and commitment to their work, have strong mental energy and stamina, and are ready to work hard despite facing obstacles. This involvement brings many benefits to individuals and companies. Engaged employees gain more knowledge and skills, thereby improving their performance and success. Therefore, it is important for companies to foster a conducive work culture and motivate active participation of workers. According to Schaufeli & Bakker (2003), there are three components of work engagement, including (1) Vigor; (2) Dedication; (3) Absorption.

Inclusive Leadership

Inclusive leadership signifies the presence of a leader who is democratic and transparent, upholding the principles of equality and justice in all aspects of his leadership. With an attitude of empathy and deep understanding, inclusive leaders seek to understand the viewpoints and perspectives of others in solving various problems (Arasli et al., 2019). Leadership applied in this organization has shown its effectiveness in increasing employees' positive perception of the organization. Leaders who are insightful and build engagement show respect for the input and opinions of others, building mutual trust and engagement in the organization. According to Carmeli, A. et al., (2010), there are three components of inclusive leadership, including (1) Openness; (2) Availability; (3) Accessibility.

A comprehensive study by Yasin, R., et al. (2023) reveals the significant influence of leadership on employee intention to leave the company (turnover intention). This finding is reinforced by the research of Khan and Nazir (2021) which shows that inclusive leadership has a positive effect in reducing employee turnover intention intention. The higher the quality of inclusive leadership that the company implements, the more likely it is that employee turnover intention will decrease, creating a stable and conducive work environment. Referring to the previous presentation, this study proposes the following hypotheses:

H1 : Inclusive leadership has a negative effect on turnover intention.

The influence of inclusive leadership on work engagement is supported by research conducted by Jaleel, A. and Sarmad, M. (2024) and Vakira, E., et al. (2023) which states that inclusive leadership has a positive and significant effect on work engagement. In line with the findings of Bao, P., et al. (2021), inclusive leadership has been shown to have a

positive effect on work engagement rates. The implementation of superior inclusive leadership in a company contributes positively to increasing the work engagement of its employees.

H2 : Inclusive leadership has a positive effect on work engagement.

The findings of research by Kissi, E., et al. (2024) and Islam, M.S., et al. (2023) reveal the important role of work engagement in reducing turnover intention. This is reinforced by the research of Aman, A., et al. (2023) which shows a positive influence of work engagement on decreasing turnover intention. The increase in work engagement provided by the company is like a solid fortress that prevents employees from leaving the company.

H3 : Work engagement berpengaruh negative terhadap turnover intention.

Figure 1. Research Model
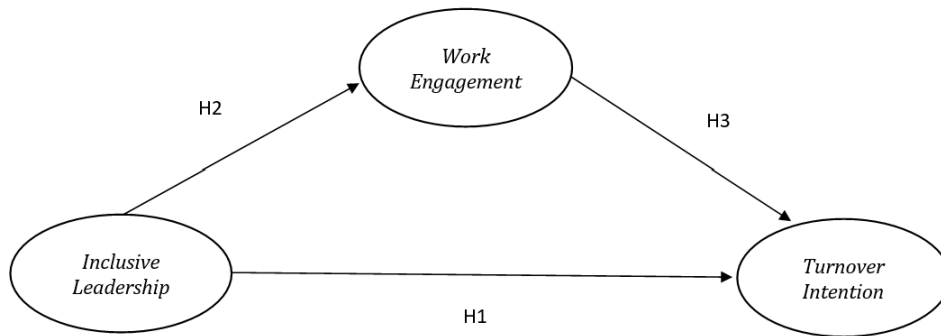
METHODOLOGY

Sampling

The population of this study includes all generation Z workers who live in Semarang City with a minimum working period of one year. Considering that the purpose of this study is to explore the experience of Generation Z workers in organizations that implement inclusive leadership, the researcher chose a purposive sample or a sample that aims subjectively, because the researcher can already determine a certain target group (A. Ferdinand, 2014). The sample will be deliberately selected from companies in Semarang City that have implemented inclusive leadership programs.

Data Collection

The data collection method in this study is using a questionnaire. Questionnaire is a data collection technique that is carried out by giving a set of questions or written statements to respondents (Sugiyono, 2009). In this study, the questionnaire distributed

to a number of respondents consisted of a part of the identity or history of the respondents and a part of the questions related to the variables studied, namely: inclusive leadership, work engagement and turnover intention which each consisted of closed questionnaire questions.

In this study, the questionnaire was distributed online through social media, such as Line, Whatsapp, and Instagram. The online questionnaire was distributed to generation Z (born between 1997-2012). The questionnaire was distributed online for one week and received 277 respondents. The scale used to measure the answers of the respondents in this study is the Likert scale. The scale of the likert scale used consists of 5 levels of answer preference indicated by the number 1 (strongly disagree), to the number 5 (strongly agree).

Measurement

The measurements in this study adapted from several indicators of previous research. The variables of inclusive leadership are adapted from research (Carmeli, A., et al., 2010), namely openness, availability and accessibility. Work engagement is adapted from research (Schaufeli & Bakker, 2003), namely vigor, dedication and absorption. Turnover intention is adapted from research (Chen & Francesco, 2000) i.e. the thought of leaving, the desire to look for a vacancy, and the desire to leave the organization within a few months. The total indicators adapted in this study are 20 indicators.

RESULTS AND DISCUSSION

Construct Validity

The reliability test is carried out to determine the extent to which a measuring instrument can provide relatively similar results if measured again on the same object. In conducting reliability tests, there are two ways, namely by calculating construct reliability (CR) and average variance extracted (AVE). The acceptable limit of the construct reliability value is >0.70, while the average variance extracted value is >0.50 (Ghozali 2017). The following are the results of reliability and average variance extracted data processing in this study.

Table 1. Measurement of variables, indicators, validity and reliability

Indicator	Std. loading	Measurement Error	CR	AVE	Reference
X1_1	0.585	0.414			
X1_2	0.619	0.380			
X1_3	0.616	0.383			
X1_4	0.488	0.511	0.932	0.604	(Carmeli, A., et al., 2010)
X1_5	0.487	0.512			
X1_6	0.640	0.360			
X1_7	0.608	0.391			

|					
X1_8	0.703	0.296			
X1_9	0.693	0.306			
Z1	0.729	0.270			
Z2	0.741	0.258			
Z3	0.669	0.330			(Schaufeli & Bakker, 2003)
Z4	0.614	0.385	0.902	0.572	
Z5	0.436	0.563			
Z6	0.396	0.603			
Z7	0.417	0.582			
Y1	0.815	0.184			
Y2	0.876	0.123	0.934	0.781	(Chen & Francesco, 2000)
Y3	0.605	0.394			
Y4	0.829	0.170			

Source : Research data processing results

Based on the table above, it is shown that the calculation results of construct reliability and average variance extracted have met the cut-off value requirements where the resulting construct reliability value is above the significance level of >0.70. Meanwhile, the average variance extracted value produced is above the significance level, which is >0.50. Based on these results, it can be concluded that each indicator used in this study is reliable.

Structural Model Analysis

This analysis has completed the initial stage by testing the fit of each variable (CFA). Furthermore, all research models are thoroughly evaluated using SEM. The goal is to ensure that the model that has been built can explain the data well. Several indicators such as chi-square, CMIN/DF, TLI, CFI, IFI, NFI, and RMSEA are used to assess the suitability of the model. According to Ghozali (2017) and Hair et al. (2019), if the values of this index are within the specified range, then the model is acceptable. The complete results of the SEM test and its visualization are presented as follows:

Figure 2. SEM Full Model Results
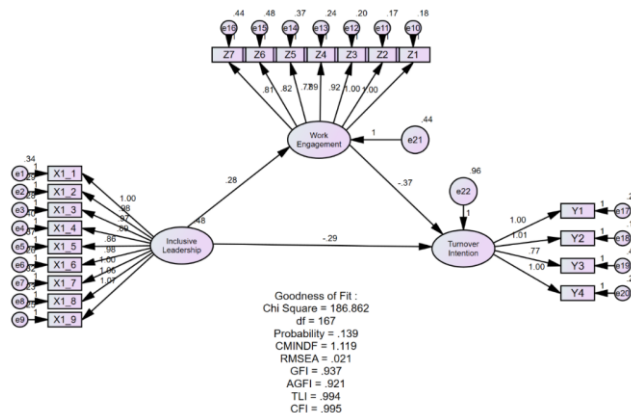
Source: Research data processing results

In the figure above, the results of the full model analysis test show a chi-square value of 186.862, which is smaller than the chisquare of the table (sig.a=0.05 and df=167) of 198.154. The probability value is 0.139 which is greater than 0.05. The values of CMIN/DF, RMSEA, GFI, AGFI, TLI, and CFI have met the goodness of fit criteria. So it can be concluded that the model in this study is feasible and acceptable.

Outlier Data Evaluation

In this study, an outlier evaluation of the data was carried out to detect whether the data used was outlier, which had extreme values that were much different from the centroid values (Ghozali, 2017). The outlier data can be detected by looking at the value of mahalanombis distance and chi-squares at degree of freedom 16 with a significance level of 0.001. The chi-square value of the table obtained is 48.268.

Table 2. Multivariate Outlier Results

Observation number	Mahalanobis d-squared	p1	p2
195	45.434	.001	.234
8	41.761	.003	.199
139	39.856	.005	.177
1	39.767	.005	.063
.	.	.	.
.	.	.	.
.	.	.	.
130	24.123	.237	.000
142	23.870	.248	.000
173	23.820	.250	.000
151	23.789	.252	.000

Source: Research data processing results

Table 3 above is the highest d-squared mahalanobis data. In the table, it shows that there are no cases of multivariate outliers in the data, because the highest value of Mahalanobis d-squared in the data is 45.434 where this value is smaller than 48.268.

Table 3. Results of the Direct Influence Hypothesis Test

	Hypothesis	Estimate	S.E.	C.R.	P	Conclusion
H1	Inclusive leadership → Turnover intention	-.292	.097	-3.021	.003	Signifikan
H2	Inclusive leadership → Work engagement	.281	.065	4.350	***	Signifikan
H3	Work engagement → Turnover intention	-.372	.098	-3.795	***	Signifikan

Source: Research data processing results

Based on the table above, it shows the ability of the indicator to describe its latent variables. The test results can be said to meet the criteria if the Critical Ratio (CR) value is >1.96 and the P value is <0.05. It can be seen that all indicators have qualified by having a CR value above 1.96 and a P value is depicted with *** which means the value is <0.001. Therefore, it can be concluded that the indicators in the model can describe their latent variables.

The influence of inclusive leadership on turnover intention in generation Z shows a coefficient value with a negative direction. The test obtained a value of C.R = -3.021 where this value is smaller than 1.96 and a p-value is much smaller than 0.05. These results show that inclusive leadership has a negative and significant influence on turnover intention in generation Z. Thus, H1 is accepted.

The influence of inclusive leadership on work engagement in generation Z shows a coefficient value with a positive direction. The test obtained a value of C.R = 4,350 where this value is greater than 1.96 and a p-value is much smaller than 0.05. These results show that inclusive leadership has a positive and significant influence on work engagement in generation Z. Thus, H2 is accepted.

The effect of work engagement on turnover intention in generation Z shows a coefficient value with a negative direction. The test obtained a value of C.R = -3,795 where this value is smaller than 1.96 and a p-value is much smaller than 0.05. These results show that work engagement has a negative and significant influence on turnover intention in generation Z. Thus, H3 is accepted.

CONCLUSION

This study succeeded in revealing a significant relationship between inclusive leadership, work engagement, and turnover intention in Generation Z in Semarang City. The results of the analysis showed that inclusive leadership had opposite effects on the two dependent variables studied. First, inclusive leadership significantly reduces turnover intentions. This indicates that when leaders implement an inclusive leadership style, employees feel more valued, engaged, and have a sense of belonging to the organization. As a result, they tend to stay longer in the organization. Second, inclusive leadership also significantly increases employee work engagement. These findings are consistent with the literature showing that inclusive leadership can create a positive and supportive work environment, so that employees feel more motivated and engaged in their work. Furthermore, the results of the study also show that work involvement has a significant negative influence on turnover intention. This means that the higher the level of employee engagement, the lower their intention to leave the organization.

The findings of this study have important implications for organizations, especially in the context of generation Z management. By implementing an inclusive leadership style, organizations can create a positive work culture, increase employee engagement, and ultimately reduce turnover rates.

Limitation and suggestions

This research still has several limitations that are expected to be an input for future research so that it can be improved and perfected. First, most of the respondents are students/students aged 20-25 years, so there is a lack of diversity between generations Z in Semarang. Second, the researcher only used 3 variables, namely inclusive leadership, work engagement, and turnover intention. Therefore, future research is expected to add other variables such as organizational culture, perception of fairness, or something else. Third, the researcher only focuses on the influence of inclusive leadership on Generation Z. Therefore, further research can examine the influence of inclusive leadership on the performance of generation Z employees or compare the influence of inclusive leadership on generation Z with the millennial generation. Then suggestions for companies in Semarang City can hold inclusive leadership training for managers so that they better understand the needs of generation Z and are able to create an inclusive work environment.

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