

THE EFFECT OF *WORKING CONDITIONS* ON *EMPLOYEE RETENTION* AMONG GEN Z EMPLOYEES IN THE MANUFACTURING INDUSTRY PT WIDIA SAMI NIKI

Oleh :

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ABSTRACT

Indonesia, as a developing country, still relies on the manufacturing industry as a source of national employment. The workforce has characteristics that meet companies' needs, but as time goes by, Generation Z has emerged as a problem for companies that are less effective at retaining their employees. Generation Z, with its unique characteristics, poses a challenge to employee retention for companies. This study uses quantitative methods and questionnaire data. The research was conducted at PT Widia Sami Niki with a sample of 30 respondents. The results indicate that working conditions have a significant positive relationship with employee retention. Working conditions have the greatest contribution to employees' decisions to stay, compared to compensation and career development factors. The greater the organization's efforts to provide comfort for employees, the more likely they are to stay with the organization.

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1. INTRODUCTION

The manufacturing industry is one of the most strategic and vital sectors for the Indonesian economy, as evidenced by its consistent contribution as the backbone of exports and national employment (Central Statistics Agency, 2025). This labor-intensive sector faces the challenge of maintaining production stability amid global market dynamics that demand efficiency and rapid technological adaptation. In terms of human resources (HR), the manufacturing industry is currently undergoing a massive demographic shift as Generation Z (born 1997–2012) enters the workforce. This generation is predicted to dominate the workforce soon, requiring HR management in manufacturing companies to fully adapt to their unique characteristics. Unlike previous generations, who may have prioritized job security or salary alone, Gen Z is known to hold higher values regarding *work-life* balance, flexibility, and a supportive work environment (Shofa, 2024). This fundamental shift in workforce composition has

created significant new challenges, particularly in maintaining employee loyalty and retention in the traditionally rigid manufacturing environment.

One of the most crucial aspects in retaining employees is working conditions, which include all physical and non-physical factors surrounding workers as they perform their duties. In the manufacturing industry, the physical dimensions of working conditions (such as temperature, noise, vibration, lighting, and air circulation) play a very decisive role because they are directly related to Occupational Safety and Health (OSH) and potential hazards in the production environment (Handayani & WahyuHati, 2018). Unideal physical conditions can directly affect productivity and cause discomfort, potentially triggering employees' desire to quit. Furthermore, for Gen Z, non-physical conditions are very sensitive; they expect psychological support, a collaborative environment, and minimal workload and excessive work stress (Wibowo et al., 2024). When these expectations are not met, Gen Z

employees tend to leave rather than work in an environment that does not make them happy or that makes them feel overly burdened (Haq & Noorrizki, 2022). Therefore, Non-Physical aspects such as *work-life balance* and *job stress* have been the main triggers of high *turnover intention* among the youngest generation of workers.

Several previous studies have confirmed the link between working conditions and employee retention, as well as the factors that drive *turnover* among Gen Z. For example, studies show that a positive, conducive work environment has a significant, positive influence on long-term employee retention (Rattu & Tielung, 2018). This finding is supported by research showing that *Working Conditions significantly influence Employee Retention* and can even mediate the relationship between working conditions and employee performance (Anum et al., 2024). On the other hand, research focusing specifically on Gen Z highlights that *job stress* and work-life imbalance are the main triggers of *turnover intention*, thereby reinforcing the importance of non-physical working conditions for this generation (Wibowo et al., 2024). Nevertheless, most of the available literature still tends to focus on the service or retail sectors when discussing Gen Z, or discussing working conditions in general without specializing in Gen Z. Therefore, a significant *research gap* exists in that there has been no comprehensive study examining the specific influence of *working conditions*, including the physical aspects characteristic of manufacturing and the non-physical aspects sensitive to Gen Z, on *employee retention* in the context of the PT Widia Sami Niki case study.

Based on the background of the problem, urgency, and research gaps described, this study aims primarily to analyze and demonstrate the extent of the influence of *working conditions* on *employee retention among Generation Z employees* at PT Widia Sami Niki. This study is expected to provide two main benefits: practical and theoretical. In practice, the results of this study will serve as valuable policy recommendations for PT Widia Sami Niki's human resource management, particularly for formulating effective and adaptive *Employee Retention* strategies to retain competent Gen Z talent. This benefit allows the company to reduce the costs incurred by high employee *turnover*. Meanwhile, theoretically, this research is expected to enrich knowledge of Human Resource Management, particularly by developing a retention model relevant to the intergenerational workforce in a labor-intensive manufacturing environment. Thus, this research has high academic urgency and strong relevance for implementation.

Chapter II Literature Review

Working Conditions

Working conditions are an important aspect of human resource management, directly related to the

comfort, safety, and well-being of employees while performing their duties. Working conditions relate to the tasks performed by workers, how work is organized, the physical and chemical work environment, ergonomic aspects, the psychosocial work environment, and the technology used (Randhawa and Chaudhry, 2020). In general, working conditions encompass all environmental factors that affect individual behavior, performance, and job satisfaction, both physical factors such as lighting, temperature, cleanliness, and work safety, as well as non-physical factors such as social relationships, communication, and organizational climate. A well-designed work environment can increase productivity and encourage employee loyalty to the company. According to Wibisono in Sinaga and Sihombing (2021), working conditions can be assessed through three main components: the work environment, job challenges, and risks. An unsupportive work environment can lead to health problems, increased stress levels, reduced concentration, and lower employee productivity. On the other hand, job challenges describe the extent to which a job can generate employee interest and engagement in performing it. Job risks are related to the level of safety individuals feel while working, and this sense of security plays an important role in fostering comfort and peace of mind as they carry out their professional responsibilities.

Employee Retention

Employee retention is a strategy implemented by management to ensure that competent workers remain and work in the company for the expected period (Hakim et al., 2023). This concept focuses on strategies and policies to minimize turnover and ensure the continuity of a high-quality workforce. In practice, employee retention reflects the extent to which a company is able to meet economic, social, and emotional needs, so that employees have strong reasons to stay. In this study, the *employee retention* variable (Y) is measured using five main indicators: rewards, organizational components, career opportunities, work relationships, and job design and tasks (Ratnawati and Subudi, 2018). Rewards include financial aspects and non-material forms of recognition, while organizational components consist of structural and cultural elements inherent in the company.

Career opportunities highlight aspects of self-development, while work relationships focus on the quality of interactions between employees and their superiors and colleagues. Job design reflects clarity of responsibilities and a proportional level of difficulty. In the context of Generation Z (Gen Z), a group of individuals born between 1997 and 2012, the issue of employee retention is of particular concern, given that the characteristics of this generation, which tend to be adaptive to technological advances, have a critical mindset and place a high value on flexibility and innovation in the

work environment. On the other hand, the manufacturing sector, which plays a vital role in the economy by producing finished goods, faces a major challenge in balancing productivity, workplace safety, and employee welfare. These efforts are key to retaining a quality workforce, especially from the dynamic Generation Z, who have high expectations for meaningful work experience.

Research Framework

The research framework is a theoretical relationship connecting research variables, particularly independent and dependent variables, as seen in the research to be conducted. Based on similar research studies, this research includes one independent variable and one dependent variable. This research aims to better understand the influence of the variable "The Influence of *Working Conditions* on *Employee Retention* among Gen Z Employees in the Manufacturing Industry (Case Study of PT Widia Sami Niki)." Therefore, the following research model was created:

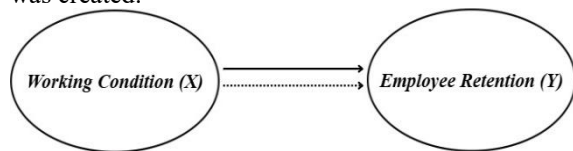


Figure 1. Research Framework

Explanation:

————→: The direct effect of independent variables on dependent variables.

.....→: The indirect effect of independent variables on dependent variables.

Hypothesis determination in research is based on theory, previous research results, and statements relevant to the variables being studied. According to Randhawa and Chaudhry's (2020) theory, good working conditions create a sense of comfort, safety, and health for employees, which ultimately increases their satisfaction and loyalty to the company. Previous studies have also shown that positive working conditions greatly influence employees' desire to remain with a company, as a comfortable, safe work environment makes them more likely to stay with the organization. Therefore, this study proposes the hypothesis that working conditions have a positive and significant effect on employee retention at PT Widia Sami Niki, as better perceived working conditions are associated with a higher desire to remain with the company.

H1: *Working Conditions* have a positive and significant effect on *Employee Retention*

On Gen Z Employees in the Manufacturing Industry (Case Study of PT Widia Sami Niki)

2. METHODS

This study is a quantitative study involving 30 employees in the manufacturing industry at PT Widia Sami Niki, with sampling conducted using a saturated sample. This study involves the

independent variable, *Working Conditions*, and the dependent variable *Employee Retention*. This research focuses on employees working in the manufacturing industry at PT Widia Sami Niki, who are the main subjects to be measured and analyzed for their impact. Primary data was collected by distributing questionnaires to a sample of employees in the predetermined industry.

3. RESULTS AND DISCUSSION

Table 1. Description of Respondent Characteristics

Respondent Data	Description	Number	Percentage
Gender	Male	16	55
	Female	14	45
Years of employment	< 1 year	13	43.33
	1-2 years	7	23.33%
	More than 2 years	10	33.33%
Age	18-21 years	5	16.67
	22-24 years old	12	40
	25-28 years old	9	30
	> 28 years old	4	13.33%

Source: Processed Data, 2025

Based on respondent characteristics, 55% are male, and 45% are female. The frequency of employee tenure is balanced, with 33.33% having worked for more than 3 years, 43.33% for less than 1 year, and 23.3% for 1-3 years. Employee age also varies greatly, with 40% being between 22 and 24 years old.

Data instrument test

Statements with validity test results.

Table 2. Results of the Validity Test for the Working Condition Variable

No	Statement	Item correlation	R table	Description
1	The work environment at this company supports me in working comfortably and with focus.	0.704		Valid
2	Physical facilities such as lighting, ventilation, and workplace cleanliness are adequate.	0.754		Valid
3	I feel safe from potential workplace accidents while performing my duties.	0.821		Valid
4	My job has a level of challenge that matches my abilities.	0.74		Valid
5	I receive support from my colleagues and superiors in completing difficult tasks.	0.671		Valid
6	My workload is balanced and does not cause excessive stress.	0.805		Valid
7	The company pays attention to the balance between my work and personal life	0.88		valid

Table 3. Results of the Validity Test of the Employee Retention Variable

No	Statement	Item correlation	R table	Description
1	I feel that the company provides fair compensation for my work.	0.79		
2	The systems and policies of this company make me feel	0.8		

	valued and secure. in terms of career.		
3	I have the opportunity to develop my skills and career at this company.	0.68	
4	My relationship with my coworkers is good and supportive.	0.77	
5	My supervisor provides guidance and direction that helps my development.	0.73	
6	My duties and responsibilities are clear and in line with my abilities.	0.87	
7	I am eager to continue working at this company in the long term.	0.68	Valid

The formula for the table r is $df = N - 2$, so $30 - 2 = 28$; therefore, the table r = 0.361. From the validity calculation results in the table above, it can be seen that $r_{count} > r_{table}$, so 14 questionnaires are declared valid. The validity test results show that all questionnaire items have a coefficient correlation (r), indicating that all research statement items in the questionnaire are valid. The validity test in this study has a value above the R table, with the lowest item correlation of $0.67 > 0.36$, so the validity test is considered passed and can proceed to the reliability test.

Table 4. Reliability Test

No	Variable	Reliability	Number of Items	Cronbach's Alpha	Description
1	Working Condition	0.885	7	0.7	Reliable
2	Employee Retention	0.877	7	0.7	Reliable

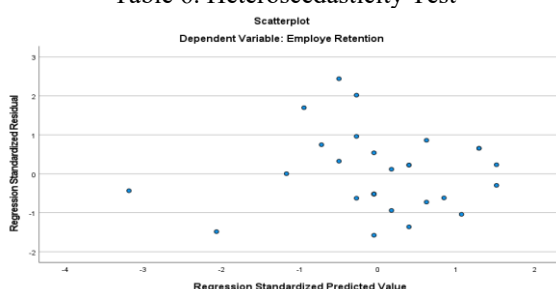
Based on the reliability test results for the independent and dependent variables in Table 5 above, Cronbach's alpha for the Working Condition variable is $0.88 > 0.60$, and Cronbach's alpha for the Employee Retention variable is $0.87 > 0.6$. It can be concluded that the statements in the independent and dependent variables are reliable.

Table 5. Normality Test

N	30
Test Statistic	.137
Asymp. Sig. (2-tailed)	.154

Based on Table 6, the significance value (Asymp. Sig.) of 0.154 is greater than α (0.05). The decision is to accept H_0 , indicating that the distributions of the Working Condition (X) and Employee Retention (Y) variables are normally distributed.

Table 6. Heteroscedasticity Test



This heteroscedasticity test uses the scatterplot test. The graph in the table shows scattered points and no pattern. Therefore, this heteroscedasticity test indicates that there is no heteroscedasticity between the Working Condition (X) and Employee Retention (Y) variables.

Table 7. Simple Linear Analysis

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		Std. Error			
1 (Constant)	6.661	2.244		2,969	.006
Working Condition	0.797	.079	.887	10.152	.000

Source: Processed Data SPSS 2025

Based on the results of the constant (a) of 6.661 and the value of Working Condition of 0.797, it can be interpreted that the regression coefficient value of variable X is 0.797. For every 1% increase in Working Condition, participation increases, and the regression coefficient is positive. Therefore, it can be stated that variable X has a positive relationship with variable Y.

Table 8. F Test

ANOVA

Model	F	Sig.
1 Regression	103.056	.000 ^b
Residual		
Total		

Source: Processed Data SPSS 2025

From Table 10 ANOVA, the calculated F value is 103.056 with a probability of 0.000. The F table value is 4.18. Therefore, $F_{count} > F_{table}$ ($103.056 > 4.18$) or $sig < 5\%$ ($0.00 < 0.05$), so the researcher concludes that the regression model is suitable for understanding the relationship between the Working Condition variable and Employee retention. Based on the simultaneous test, this study shows that the independent variables have a simultaneous effect on the dependent variable

Table 9. Coefficient of Determination Test

Model	R	R Square	Adjusted R Square
1	.887 ^a	.786	.779

Source: Processed Data SPSS 2025

The coefficient of determination (R^2) of 0.659 indicates that 65.9% of the variation in service quality is explained by the SOP variable, while the remaining 34.1% is explained by other factors outside the model.

Based on the results of the coefficient of determination test in Table 11, it is known that the Adjusted R Square value is 0.779 or 77.9%, which means that the independent variable (Working Conditions) can explain the dependent variable (Employee Retention), and the remaining 22.1% is explained by other factors not discussed by the researcher.

Discussion

Human resource research and development has various emphases to ensure employees remain in manufacturing organizations for the long term. The

results of the study show that increased organizational efforts through working conditions have a positive influence on Employee Retention. The greater an organization's efforts to provide employee comfort, the more likely employees are to remain with the organization. In line with the study by Oluwakemi & Olalekan (2020), a study in the Nigerian manufacturing industry found that working conditions make the greatest contribution to employees' decisions to stay, compared to compensation and career development factors. Previous research findings consistent with this study, such as those by Martinius et al. (2024) and Andari et al. (2021), indicate that working conditions positively influence employee retention.

4. CONCLUSION

Research on human resources, focusing on employee retention and influenced by working conditions and Generation Z respondents, shows that working conditions in manufacturing companies have a positive, significant influence on employee retention. The statistical evidence for the research results is supported by the partial test, where the T-table value is greater than the T-count and the Work Condition statistical probability is less than 0.05. Therefore, manufacturing companies with Generation Z employees are more likely to retain them if they offer good working conditions.

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