

## **Determinants of Work Motivation in Generation Z: Leadership & Compensation \*\***

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### ***ABSTRACT***

The purpose of this research is to examine and analyze the influence of leadership style and compensation on the work motivation of Generation Z. This study is an empirical research and based on its explanatory level, it falls into the category of cause-effect research. The research instrument was measured using a Likert scale with five alternative answers. Data collection was conducted using a questionnaire through Google Forms. The total number of respondents was 104 people, but there were 18 individuals who did not meet the criteria (not including Generation Z and not yet employed). Data analysis was performed using the Statistical Package for Research and Teaching (SPSS). The results of this study indicate that leadership does not significantly influence work motivation, while the compensation variable has a positive and significant effect on the work motivation of Generation Z. The implication of this research is the importance of companies providing competitive compensation for Generation Z to motivate them in the workplace. Companies can review their compensation policies and improve recruitment and retention strategies that consider the preferences and values of Generation Z.

**Keywords:** Leadership, Compensation, Motivation.

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## **INTRODUCTION**

Generation Z is typically defined as those born between the mid-1990s and the 2010s. They possess several characteristics that set them apart from previous generations (such as the Baby Boomers, Generation X, and Millennials). Growing up in the digital era, where technology like the internet, social media, and smartphones are not only present but also advanced, distinguishes them. They are accustomed to the internet and comfortable with new technology. In contrast, previous generations had to adapt to technology. Generation Z is highly familiar with platforms like Instagram, WhatsApp, TikTok, and YouTube as means of communication, socialization, and content consumption. Millennials are also active users, but Generation Z is more intensive in their usage and quicker to adapt to new social media trends.



**Figure 1.** Population of Generations in Indonesia

Source: data.goodstats.id

Figure 1 depicts that Generation Z is the largest generation currently, followed by Millennials as the second largest population. The next largest populations are seen in Generation X, Baby Boomers, and other generations. Due to the fact that Generation Z constitutes the largest population currently and has entered the productive age as the workforce, this research is focused on Generation Z. Generation Z possesses unique characteristics as they belong to an era of rapid internet and digitization development.

In the workplace, Generation Z leadership tends to emphasize transparency, authenticity, and support for their overall well-being, whereas Baby Boomers' leadership leans towards more traditional and hierarchical approaches, Generation X tends to be more flexible and pragmatic, and Millennial leadership is often collaborative and participatory. Studies by Mahendra and Brahmasari [1], Rego et al. [2], Harahap and Khair [3], Syahrul [4], Tabrani [5], Hernitasari & Andrias [6], & Al-Baidhani & Alsaqqaf [7] have found that leadership style significantly and positively influences employee work motivation. The better the leadership style displayed by a leader, the more it motivates employees to perform better. However, Huda and Abdullah [8] found different results, indicating that leadership does not significantly affect employee work motivation.

In terms of compensation, Generation Z emphasizes competitive salaries with comprehensive benefits and equal opportunities for career development, prioritizing recognition and acknowledgment of achievements in the workplace. Conversely, previous generations value financial security, job stability, and performance-based reward programs with formal recognition. Millennials share similarities with Generation Z in desiring competitive salaries and valuing financial security, as well as appreciating opportunities for career development. For Millennials, achieving a balance between work and personal life is important,

thus they appreciate flexibility in terms of work hours and location. Wulansari et al. [9], Haryani et al. [10], and Hernitasari & Andrias [6] found a positive and significant relationship between compensation and employee work motivation. This finding was also supported by Mubaroq and Zulkarnaen [11], indicating that motivation has a strong influence on employee work motivation. The better the compensation provided by the company, the more it enhances employee work motivation. Conversely, Pradita [12] found that compensation has a negative and significant effect on work motivation. This implies that the better the compensation provided by the company, the more it decreases employee work motivation.

Previous research on the influence of leadership and compensation on motivation has shown diverse results and has been conducted on different respondent groups. However, this topic has not been studied specifically within the context of Generation Z. Therefore, it remains intriguing to reexamine this topic, particularly to understand the effects of leadership and compensation on work motivation among working Generation Z individuals. The aim of this research is to examine and analyze the influence of leadership and compensation on work motivation among Generation Z. It is hoped that this study will provide insights and considerations for company management regarding leadership and compensation factors that influence the work motivation of Generation Z. By conducting this research, we aim to contribute to the understanding of how leadership styles and compensation packages impact the motivation of Generation Z employees. This knowledge can assist organizations in tailoring their leadership approaches and compensation strategies to better engage and motivate their Generation Z workforce.

## **THEORETICAL REVIEW**

According to Robbins & Stephen [13], leadership is the ability to influence a group towards the achievement of a vision or goal. Leadership can be translated as an individual's ability to influence, motivate, and direct individuals or groups towards specific goals. Leadership is one of the crucial factors in achieving organizational goals. Effective leadership plays a significant role in shaping and enhancing employee work motivation. Leadership is a way of influencing and motivating other employees [14]. Effective leadership can significantly increase employee work motivation through various mechanisms. Effective leaders are able to communicate the organization's vision and goals clearly. When employees understand the direction the organization is heading and their role in achieving it, they tend to be more motivated to work. Good leaders provide recognition and appreciation, both verbally, formally,

and in other forms, to employees for their achievements, thereby encouraging them to continue to perform. Leadership with a clear vision, supportive of growth, building a positive work environment, and setting challenging goals can significantly enhance individual work motivation within the organization. The results of the research by Mahendra and Brahmasari [1], Rego et al. [2], Harahap and Khair [3], Syahrul [4], Tabrani [5], Hernitasari & Andrias [6], & Al-Baidhani & Alsaqqaf [7] indicate that leadership has a positive and significant effect on employee work motivation. Thus, the first hypothesis proposed in this study is:

H1: Leadership has a positive and significant effect on work motivation among Generation Z.

According to Marwansyah [15], compensation refers to direct rewards, indirect rewards in the form of additional benefits, and the provision of additional services and incentives aimed at motivating employees to achieve higher productivity. Victor Vroom's Expectancy Theory states that employee motivation is influenced by three factors: expectancy, instrumentality, and valence [16]. Attractive and competitive compensation can enhance instrumentality, which is the belief of employees that their efforts will result in the expected rewards. When an employee believes that their hard work will lead to appropriate compensation, it will increase their work motivation.

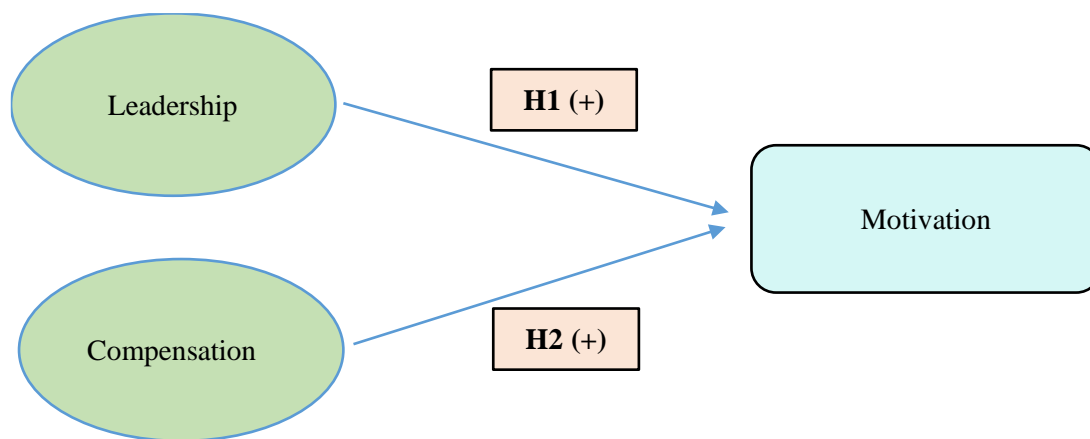
The Equity Theory by John Stacey Adams states that employees are motivated when they are treated fairly [16]. Compensation is one aspect that they perceive as fair value. When employees believe that the compensation they receive is fair and commensurate with their contributions, it tends to motivate them to perform better. The Two-Factor Theory by Frederick Herzberg proposes a theory dividing work motivation factors into two categories: motivator and hygiene factors [17]. Compensation falls under hygiene factors, meaning that while compensation may not always enhance work motivation, poor compensation can lead to dissatisfaction that hinders an individual's work motivation. This indicates that adequate compensation is a prerequisite for achieving high work motivation.

The Reinforcement Theory by B.F. Skinner states that employee behavior can be shaped by the consequences following that behavior [18]. Compensation, including salary, bonuses, and other incentives, can be used as tools to encourage desired attitudes and behaviors. When employees receive compensation commensurate with their hard work, their behavior is likely to repeat, thus maintaining their hard work. Appropriate and fair compensation will incentivize (motivate) employees to work better. Organizations capable of providing adequate compensation will be more effective in motivating their employees. Research results from

Wulansari et al. [9], Haryani et al. [10], and Mubaroq and Zulkarnaen [11] demonstrate that compensation has a positive and significant influence on employee work motivation. Therefore, the second hypothesis proposed in this study is:

H2: Compensation has a positive and significant effect on work motivation among Generation Z.

According to Imelda Andayani and Satria Tirtayasa [19], motivation is a process that describes how strong, where, and how diligent someone is in their efforts to achieve their goals. Meanwhile, according to Sutrisno [20], motivation is a factor that drives someone to perform a specific activity; therefore, motivation is often interpreted as a driving factor behind someone's behavior. Every activity carried out by someone inevitably has a motivating factor behind it. This involves individual impulses, needs, or goals to achieve personal satisfaction, achievement, recognition, or self-development through the work performed. Work motivation can stem from internal factors, such as a sense of achievement or intrinsic satisfaction, or from external factors, such as financial rewards, recognition, or support from the work environment. Understanding and managing work motivation is essential for organizations to maintain productivity and employee satisfaction and to achieve their business goals.



**Figure 2.** Theoretical Framework

## RESEARCH METHODS

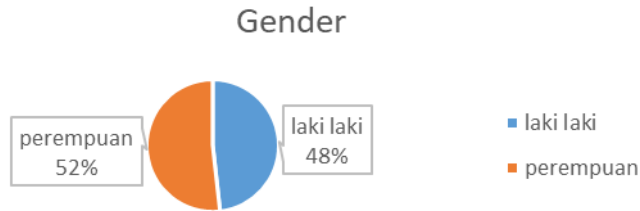
This study is an empirical research involving statistical testing and quantitative evaluation of results. Based on its explanatory level, this research falls into the category of causal research. The main variables under investigation are Leadership (X1), Compensation (X2), and Work Motivation (Y). Measurement of research variables utilizes an interval scale, namely the Likert scale consisting of five response options: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree. The Leadership variable consists of 10 statement

indicators, reflecting Generation Z's responses regarding workplace leaders who possess clear and realistic strategies, are trusted to bring about positive changes, communicate effectively about strategies to be implemented, prioritize the comfort and well-being of all employees, provide appropriate guidance and attention to employees' issues, motivate employees to work diligently, foster teamwork, encourage determination in task completion, stimulate self-improvement, and promote respect for differences among members. The Compensation variable consists of 11 statement indicators, providing insights into the adequacy of salary to support family needs, additional incentives beyond salary, incentives based on work performance, allowances commensurate with position or rank, holiday bonuses, health insurance facilities, meal allowances, office uniforms, safe and convenient parking facilities, and adequate office equipment. The Motivation variable consists of 7 statement indicators, depicting Generation Z's responses regarding their ability to utilize their potential, work independently, fulfill responsibilities, willingness to work overtime, ability to complete tasks assigned by leaders, preference for career advancement opportunities, enjoyment of work challenges, and motivation to perform tasks efficiently according to company targets..

Data collection was conducted by distributing questionnaires using Google Form with the following link: <https://docs.google.com/forms/d/1HluXyqqhazcIEbGAflGdMNkYckChf0txirfV9byuIMw/edit>. The questionnaire distribution was carried out via WhatsApp groups, some through personal chats, as well as via direct messages on Instagram. Data analysis included validity and reliability tests, as well as classic assumption tests comprising normality test, multicollinearity test, and heteroskedasticity test. The statistical testing was conducted using a multiple linear regression model involving t-tests, where if the calculated t-value has a significance probability below 5%, the alternative hypothesis (H1 or H2) is accepted

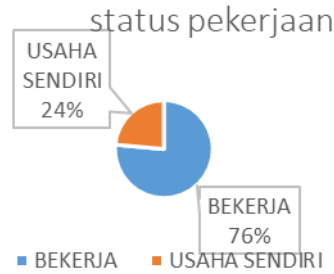
## **RESULT AND DISCUSSION**

Respondents who responded and filled out the questionnaire totaled 103 individuals, but there were some respondents who filled out the questionnaire but did not meet the criteria, namely those who were not yet employed, totaling 11 individuals, and those who were not members of Generation Z, totaling 7 individuals. The total number of respondent data that could be processed and analyzed is 85 respondents. Data testing and hypotheses in this study were conducted using the Statistical Package for the Social Sciences (SPSS) program. Respondent profiles based on gender and employment status can be seen in Figures 3 and 4.



**Figure 3.** Number of respondents based on gender

The majority of respondents are female (54%), while the remaining are male (46%).



**Figure 4.** Number of respondents based on employment status

All respondents are employed, however, some (24%) are employees in family businesses (self-employed) and the rest (76%) work for others.

**Table 1.** Validity Test Results

Variabel Kepemimpinan (KP)											
Indikator	KP1	KP2	KP3	KP4	KP5	KP6	KP7	KP8	KP9	KP10	
Pearson correlation	0,818	0,838	0,818	0,824	0,787	0,742	0,796	0,794	0,784	0,859	
Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	
Variabel Kompensasi (KM)											
Indikator	KM1	KM2	KM3	KM4	KM5	KM6	KM7	KM8	KM9	KM10	KM11
Pearson correlation	0,686	0,709	0,717	0,759	0,787	0,747	0,717	0,595	0,693	0,681	0,666
Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Variabel Motivasi (MT)											
Indikator	MT1	MT2	MT3	MT4	MT5	MT6	MT7				
Pearson correlation	0,771	0,743	0,726	0,658	0,691	0,786	0,821				
Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000				

Table 1 shows significant Pearson correlation values (less than 5%) for the 10 indicators of the Leadership variable, 11 indicators of the Compensation variable, as well as the 7 indicators of the Motivation variable. This indicates that all indicators of the Leadership, Compensation, and Motivation variables are valid. Each indicator is considered valid, meaning that the indicator is accurate and appropriate in measuring the variables of leadership, compensation, and work motivation.

**Table 2.** Reliability Test Results

Variabel	Cronbach's Alpha	Standar
Kepemimpinan	0,94	> 0,8
Kompensasi	0,89	➤ 0,8
Motivasi	0,86	➤ 0,8

Table 2 shows the Cronbach's alpha values for each variable are above 0.8. This result from the data processing obtained through this reliability test indicates that Cronbach's alpha above 0.8, therefore all indicators in each variable are considered reliable. This suggests that the statement indicators in each variable are consistent measuring tools and can be trusted to draw accurate conclusions.

**Table 3.** Results of Multicollinearity Test

Model	Tolerance	VIF
Kepemimpinan	0,58	1,71
Kompensasi	0,58	1,71

Table 3 presents the results of the multicollinearity test, where the tolerance values for the leadership and compensation variables are above 0.1 and the VIF values are close to 1. This indicates that there is no multicollinearity. In other words, there is no correlation between the leadership and compensation variables.

**Table 4.** Results of Normality Test

Unstandardized Residual		
Asymp. Sig (2-tailed)	Sig.	0,74

Table 4 shows the results of the normality test using the one-sample Kolmogorov-Smirnov method. The significance value of the residual is obtained as 0.74 (above 0.05). This means that the residual is normally distributed.

**Table 5.** The results of the Heteroskedasticity Test.

Model	t	Signifikansi
(Constant)	5,50	0,000
TKP (Kepemimpinan)	-0,96	0,338
TKM (Kompensasi)	-2,28	0,025

Explanation: Y = absolute residual

Heteroskedasticity test was conducted using the Glejser test method. The results of the heteroskedasticity test in Table 5 show t-values with significance probabilities above 1%. This indicates that there is no heteroskedasticity in the regression model used, meaning the residuals

are constant across all values of the independent variable. A model with homoscedasticity conditions will provide more reliable predictions. Constant residuals ensure that predictions are not overly influenced by fluctuations not explained by the model.

**Table 6.** Results of t-test

Model	Unstandardized B	t	Signifikansi
Konstanta	14,98	6,18	0,000
Kepemimpinan	0,12	1,61	0,111
Kompensasi	0,22	3,65	0,000
F	20,12		0,000
Adjusted R Square	0,31		

In the results of the multiple linear regression test (Table 6), the regression model formula is as follows:  $Motivation = 14.98 + 0.12 \text{ Leadership} + 0.22 \text{ Compensation} + e$ . When leadership and compensation are considered *ceteris paribus*, the work motivation of employees is 14.98. If leadership is increased by 1 unit, the work motivation of Generation Z will also increase by 0.12. If compensation is increased by 1 unit, the work motivation of Generation Z will increase by 0.22. The t-value for the leadership variable has a significance probability value above 5%, namely 0.111, indicating that leadership does not have a significant effect on the work motivation of Generation Z (the first hypothesis is rejected). The t-value for the compensation variable has a significance probability value below 1%, namely 0.000. This indicates that the compensation variable has a positive and significant effect on the work motivation of Generation Z (the second hypothesis is accepted). The adjusted R-square value of 0.31 means that the influence of the leadership and compensation variables on motivation is 31%, while there are still other variables (69%) outside the research model that also influence work motivation.

### **The Influence of Leadership on Generation Z Work Motivation**

The research findings indicate that the leadership variable does not have a significant effect. The results are not aligned with Pradita's [12] finding of a significant positive correlation between leadership style and work motivation. Research by Mahendra and Brahmasari [1], Rego et al. [2], Harahap and Khair [3], Syahrul [4], Tabrani [5], and Al-Baidhani & Alsaqqaf [7] shows that leadership has a positive and significant effect on employee work motivation. The success rate of leadership styles significantly impacts the increase in work motivation. This means that the more effective the leadership style applied, the greater its influence on increasing individual work motivation. A leader's ability to create a comfortable work environment also

contributes to employee loyalty to the company. The response rate to the questionnaire is still low, requiring more time to obtain more responses. The leadership variable's lack of influence on Generation Z work motivation may be due to the relatively small sample size compared to previous research, thus not fully representing Generation Z as a whole. Ideally, leaders should review the leadership approach used in the organization. This is done to assess the need to adopt a leadership approach more in line with the preferences and values of Generation Z.

### **The Influence of Compensation on Generation Z Work Motivation**

The research results indicate that the compensation variable has a positive and significant effect on the work motivation of Generation Z employees. Competitive compensation for Generation Z can motivate them to work more diligently. These findings support Victor Vroom's Expectancy Theory, which states that employee motivation is influenced by attractive and competitive compensation. The results also support John Stacey Adams' Equity Theory, which states that employees are motivated when treated fairly, and appropriate compensation is one of the benchmarks. Additionally, the research results support Frederick Herzberg's Two-Factor Theory and B.F. Skinner's Reinforcement Theory. Essentially, adequate compensation is crucial for high work motivation. Fair and appropriate compensation will motivate employees to perform better. These findings are consistent with the research of Wulansari et al. [9], Haryani et al. [10], and Mubaroq and Zulkarnaen [11], which found that compensation has a positive and significant influence on employee work motivation.

### **CONCLUSION**

The conclusion of this research is that leadership does not significantly influence the work motivation of Generation Z, while compensation has a positive and significant effect on the work motivation of Generation Z. This study did not differentiate the influence on Generation Z individuals who have their own businesses from those who work for others. The sample size of this study was very limited due to the low response rate to the questionnaire. In future research, more detailed and specific examinations can be conducted, such as analyzing the influence of leadership on work motivation with a gender-based analysis of leaders in the workplace. Additionally, analyzing the influence of leadership and compensation on motivation through a comparison of job fields among Generation Z could be explored. This research implies that companies should pay attention to appropriate and effective compensation as it can enhance the work motivation of their employees.

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