

CHAPTER I

INTRODUCTION

1.1 Overview of Research Object

Born between 1997 and 2012, Generation Z was raised in the digital age and, compared to previous generations, has different personality traits and motivations for work (Putri, 2024). Generation Z has grown up immersed in technology and recognized its benefits from an early age. This generation stands out significantly from others, primarily due to their strong proficiency in information and technology Berkup (2014). Technology is deeply ingrained in the lives of Generation Z, as they were born during a time when internet access and information availability became widespread globally. This exposure has shaped their values, outlooks, and aspirations (Putra, 2016).

Faiza and Firda (as cited in Arum et al. (2023) revealed that weaknesses of Generation Z include; they easily say one thing and change their mind because they expect things to happen immediately; they get easily lazy and; they have low self-control because they are likely to act in a certain way without thinking of the surrounding factors. The unique traits of Generation Z will significantly affect their economic decisions in the future as explained by (Arum et al., 2023). While these characteristics can lead to impulsive actions, they also offer opportunities. With the right guidance, these challenges can be turned into strengths, helping Generation Z make better and more informed economic choices.

More than a third of all people on the planet identify as Gen Z, they will soon overtake Millennials as the most populous generation in history. As Gen Z enters the global scene, they will have a direct and significant impact on retail consumption, politics, technology, the workplace and culture. This generation, which is very different from the Millennial generation, has a very different idea of what constitutes success in life and the workplace (Deloitte, 2024). Generation Z plays an important role today as they are the individuals who drive organizations and companies. As a group that is in their productive years, they are the main workforce. Therefore, a leader needs to apply various approaches in order to

exercise effective leadership in dealing with and motivating this generation (Febrianty & Muhammad, 2022).

1.2 Research Background

Human Resource Management (HRM) is an activity that aims to manage people in an organization. HRM plays an important role because every company activity always involves human resources as the main driver. HRM itself is the art of managing and maintaining employees humanely so that their potential can be maximized for the achievement of company goals (Siagian, 2023). Nurramadhan (2023) emphasizes that in an era of evolving technology and rapid change, organizations need to ensure that their people remain relevant and productive. Implementing good people management practices will increase the organization's productivity and competitiveness, leading to long-term success.

Organizational success is strongly influenced by the performance of human resources with optimal quality and quantity. HR who can complete tasks on time shows optimal performance. Thus, the balanced quality and quantity of human resources are expected to help companies achieve a competitive advantage (Budiasa, 2021, as cited in Ramadhan & Rachmadsyah, 2023). In a changing business world, organizations need to be able to retain employees who have high potential and competence (Basuki, 2023). Without clear human resource planning, organizations will face challenges in meeting the need for quality employees suited to key position (Ramadhan & Rachmadsyah, 2023).

Based on data from Zurich in Noor (2024), Generation Z currently accounts for 30% of the population and is expected to reach 27% of the global workforce by 2025. Generation Z has great potential to become superior human resources (HR) in realizing a more advanced Indonesia. One of their main characteristics is their ability to adapt to digital technology from an early age, which is a distinct advantage for this generation. Generation Z was born between the mid-1990s and 2012, which means that based on this birth span, individuals belonging to Generation Z are currently aged between 12-27 years old. At this age, several individuals are still in education, while others are just entering the workforce or have already started

working (Sawitri, 2023). Nowadays, organizations are starting to recruit Generation Z to fill vacant positions, as a strategic step in dealing with the dynamics of changing times. In the coming years, Generation Z is projected to take over roles previously held by millennials and previous generations in the workforce (Febrianty & Muhammad, 2022).



Figure 1. 1 Population Census Results

Source: Badan Pusat Statistik (2020)

Based on the survey conducted by (BPS, 2020), Gen Z is currently the largest population group in Indonesia, with approximately 75 million people. Their numbers surpass those of Millennials (69,38 million), Gen X (58,65 million), Baby Boomers (31,01 million), Post-Gen Z (29,17 million), and Pre-Boomers (5,03 million). Furthermore, based on the table below, Bandung City, located in West Java, has the highest Gen Z population compared to other generations.

Table 1. 1 Population Number Based on Generation in Bandung City

No	Generation	Total Population
1	Gen Z	645.903 people
2	Gen Y	630.045 people
3	Gen X	563.138 people
4	Pre Boomer + Baby Boomer	344.862 people
5	Post Gen Z	343.906 people

Source: BPS (2021), Processed by Author (2025)

Based on the survey conducted by BPS (2021), Gen Z has the highest population in Bandung City, with a total of 645,903 people, making it the dominant

generation in the region. This surpasses Gen Y (630,045 people) and Gen X (563,138 people), indicating a strong presence of young individuals in the city. The significant number of Gen Z residents suggests a youthful demographic structure, which could shape various sectors such as education, technology, employment, and consumer trends in Bandung. Meanwhile, the Pre-Boomer and Baby Boomer generation (344,862 people) and Post-Gen Z (343,906 people) have the lowest populations, further emphasizing the dominance of Gen Z in Bandung. This generation has unlimited access to a wide range of information through the internet, making them the most connected generation ever (Berkup, 2014). Sakitri (2021) explains that as the youngest generation in the current workforce, Generation Z shows a strong interest in work that has meaning and value. They feel self-actualized when they can make a significant contribution to the organization they work for.

However, based on the survey conducted by Disnaker (2024) the unemployment rate in Bandung City has reached 116,000 people, with Generation Z accounting for 40% of this figure. This is highly concerning, considering that Generation Z is expected to dominate the workforce in the coming years and is already the most prevalent generation in Bandung. Given their significant presence, ensuring higher work engagement among Gen Z employees is crucial to reducing unemployment and fostering a more stable labor market. A previous study conducted by (J. J. Hakanen et al., 2021) found that work engagement reduces the likelihood of future unemployment. Our research supports this finding, highlighting work engagement as a career resource that can serve as a protective factor against threats such as job loss. This does not imply that engaged employees are never laid off; rather, it suggests that they are more likely to remain employed and retain their current jobs compared to their less engaged colleagues. This study is further supported by another article written by (J. Hakanen, 2021), which states that work engagement is linked to a lower likelihood of early disability pension and a reduced risk of unemployment. Generation Z and younger millennials tend to exhibit ambivalent attitudes towards their work environment, characterized by lower levels of engagement compared to their more senior colleagues (Gallup, 2022).

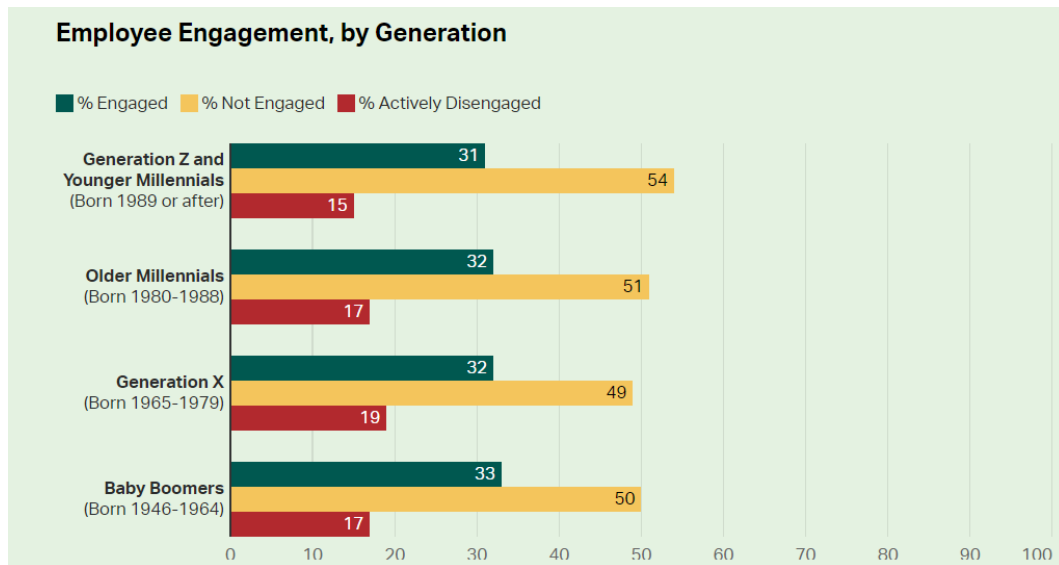


Figure 1. 2 Employee Engagement by Generation

Source: Gallup 2022

Based on figure 1.2, a survey conducted by Gallup (2022) on Employee Engagement, shows that Generation Z and Young Millennials (born 1989 or later) have the highest rate of not being engaged at work, at 54%, compared to other generations. This indicates that more than half of Gen Z in the workforce do not feel fully engaged or actively participating in their work. In addition, only 31% of this generation is engaged, which is the lowest compared to other generations such as Baby Boomers, Generation X, and older Millennials. A total of 15% of Gen Z is also not actively disengaged, indicating significant challenges in engaging Gen Z in the workplace.

Table 1. 2 Gen Z Employee Engagement Survey

Generation	Engaged Employees	Actively Disengaged Employees	Engagement Ratio
Previously	40%	13%	3.1%
Currently	35%	14%	2.5%
Change	-5 points	+1 point	-0.6%

Source: Martinez (2024), Processed by Author (2024)

Another phenomenon is mentioned in an article written by Martinez (2024), which refers to a survey conducted by Gallup (2024), concerns have been raised about the significant decline in Gen Z employee engagement since March 2020. According to the data above, the percentage of actively engaged employees has

dropped five points, reaching 35%, while the percentage of actively disengaged employees has increased from 13% to 14%. For both Millennials and Gen Z, the employee engagement ratio decreased from 3.1% to 2.5%. These surveys and explanation show that even once-engaged employees are losing focus and motivation to stay committed to their organizations, which is a worrying sign for companies and the wider industry. Given that this generation will dominate the workforce in the coming years, change is essential to improve engagement levels in the future, especially in Bandung City. To address this issue, further research is needed to analyze the current state of work engagement among Gen Z employees in Bandung. Such research would be a valuable reference for workforce planning, helping companies develop strategies to increase employee engagement and even reduce unemployment.

Based on the above phenomenon, work engagement by Satata (2021) refers to the physical and psychological state of an individual concerning their work, encompassing cognitive, emotional, and behavioural aspects aimed at achieving organizational objectives. Whereas according to Dewi (2024) work engagement refers to the extent to which an employee feels connected to their job, actively participates, and regards work accomplishments as personally important. Engaged employees show an increase in attendance and performance, physically, cognitively, and emotionally, which enables them to work actively and fully contribute to performance outcomes. According to previous research, factors such as leadership support, teamwork, communication, and career development opportunities are important elements that play a role in influencing employee engagement, regardless of differences in generational characteristics (Foci et al., 2024). In the research conducted by Wijaya (2023) it is explained that to achieve high performance from employees and companies, ethical leadership is needed to shape work engagement. Employees led by individuals who apply ethical principles in their leadership tend to be more engaged in their work, have greater motivation, and have higher levels of job satisfaction.

Ethical leadership refers to demonstrating morally appropriate behaviour in actions and interactions while fostering the same behaviour in others through

transparent communication, positive feedback, and careful decision-making (Brown et al., 2005). Ethical leaders create an environment that offers their followers both the opportunities and the motivation needed for effective knowledge sharing (Bavik et al., 2018). Leaders who adopt an ethical leadership style are more inclined to create an environment that enhances the behaviour and attitudes of their followers (Prastio et al., 2020). This definition highlights two key characteristics of ethical leaders, as mentioned by Brown et al. (2005) and Hansen et al. (2013) as cited in (Prastio et al., 2020). Firstly, individuals who practice ethical leadership possess strong ethical values, such as honesty, motivation, trustworthiness, integrity, and justice. Secondly, ethical leaders influence the behaviour and attitudes of their followers through their leadership actions.

Generation Z, which will make up 25% of the workforce by 2025, demands a higher leadership ethic compared to previous generations (Kirk, 2024). According to research by Deloitte and NEW, 77% of Gen Z respondents indicated that they no longer judge companies solely based on the quality of their products or services. Instead, they now also consider the company's ethics, business practices, and social impact when forming their opinions (Hopkins, 2023). It can also be seen from Table 1.2 below, that the table illustrates the proportion of Gen Z and Millennial respondents who turned down job offers due to ethical concerns, based on a survey conducted by Deloitte (2023). It shows that 44% of Gen Z respondents declined job opportunities because of ethical issues, compared to 37% of Millennials (Parmelee, 2023).

Table 1. 3 Gen Z and Millennial Job Rejection Due to Ethical Concerns Survey

Generation	Percentage of Respondents
Z	44%
Millennials	37%

Source: Deloitte (2023), Processed by Author (2024)

Lim & Lianto (2024) concluded that the ethical leadership desired by Gen Z includes several core values, such as integrity, which emphasizes openness and responsibility, as well as altruism, with a focus on helping others and putting others' interests above personal ones. In addition, Gen Z values humility, with leaders

recognizing their limitations and valuing the contributions of others, as well as empathy that helps resolve conflicts and promote diversity. Leaders are also expected to encourage personal growth, support fairness, and provide appropriate freedom and autonomy for their subordinates. These values reflect the type of leadership desired by this generation.

Ethical Leadership based on research results from Prastio et al. (2020) can enhance trust in leaders, which encourages employees to actively engage in their work. Trust in leaders refers to employees' willingness to be vulnerable, grounded in a positive perception of the leader's intentions. This finding is supported by research conducted by Huang et al. (2021) which shows that employees who perceive high levels of ethical leadership tend to have greater trust in their superiors or managers. Trust by Guinalíu & Jordán (2016) is essential for social and economic relationships and is a major factor in organizational performance. Leaders should prioritize fostering trust-based relationships within their teams.

Table 1. 4 What Gen Z Indonesians Want in a Leader Survey

Name of Data	Percentage
Vision and mission	80%
Integrity	78%
Political experience	73%
Background	63%
Religion	43%
Popularity	33%
Political party	29%

Source: Databoks (2022), Processed by Nabilah (2022)

Based on the survey conducted by Databoks (2022) *What Gen Z Indonesians Want in a Leader* processed by Nabilah (2022), integrity ranks highly among the leadership qualities valued by Generation Z, with 78% of respondents emphasizing its importance. This highlights that Gen Z in Indonesia prioritizes honesty, ethical conduct, and transparency in their leaders, seeing integrity as essential for fostering trust. According to Solikin (2017), as cited in Jaya & Ali (2023), a leader must possess a strong sense of integrity, characterized by honesty and trustworthiness, in order to gain the trust of their subordinates. Integrity allows a leader to be seen as credible and worthy of the trust placed in them by their followers. For Gen Z, a

leader's integrity is almost as important as their vision and mission (80%), indicating that ethical leadership is valued more than aspects such as background or political experience.

Zenger & Folkman (2023) also explain that supportive feedback can build a foundation of trust in leaders, as the survey below focuses on the needs of Generation Z who are assumed to need frequent and exclusively positive feedback.

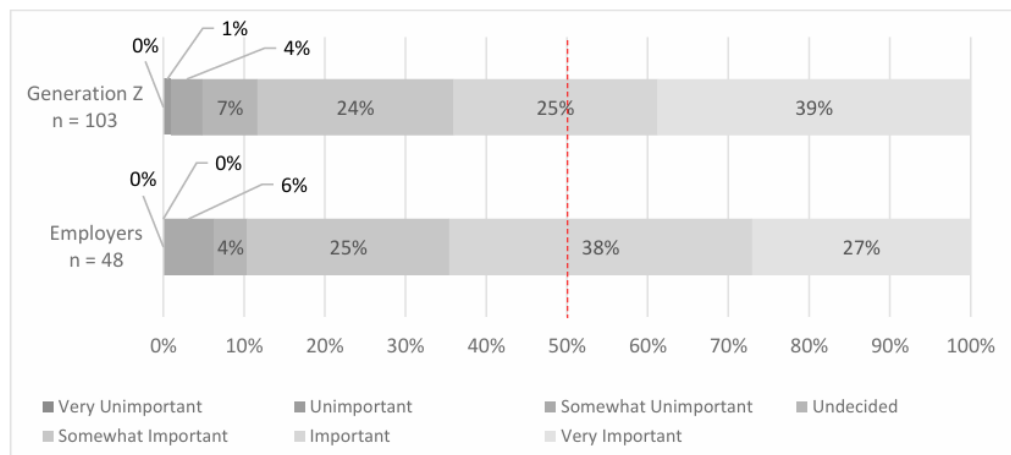


Figure 1. 3 Survey on Feedback in Gen Z

Source: Böhlich & Axmann (2020)

The survey findings suggest that feedback is important for Generation Z employees, with 88% expressing a desire for regular manager feedback. Most Gen Z respondents (60%) prefer monthly assessments, while others favour weekly (20%) or annual (17%) evaluations. This preference is echoed by 90% of employers who also see regular appraisal as valuable for young employees, supporting the assumption that Generation Z seeks frequent and constructive feedback in the workplace. All of the statements above are reinforced by the result of research conducted by Islam et al. (2024) which shows that leader trust, as a mediating variable, significantly influences the relationship between ethical leadership and work engagement. This research focuses on companies employing Generation Z employees and aims to examine the effect of ethical leadership on work engagement through leader trust. The goal is to help companies develop more effective leadership strategies to enhance engagement among Generation Z employees.

Therefore, based on this background and the phenomenon that occurred, the purpose of this research is to conduct further exploration related to this matter. **“THE EFFECT OF ETHICAL LEADERSHIP ON WORK ENGAGEMENT THROUGH LEADER TRUST (CASE STUDY ON GENERATION Z EMPLOYEE IN BANDUNG CITY)”**. Hopefully, this research will provide a useful role for organizational management in analyzing and improving Gen Z employee’s work engagement in Bandung City within the scope of the organization as a whole.

1.3 The Problem Formulation

Generation Z has begun to enter the workforce, gen z as the largest population in Bandung city and is expected to fill the company, where these individuals will be the successors in the future. The phenomenon is currently faced quite a lot, regarding the reasons that make Generation Z stay engaged in their current company. Generation Z tends to join or contribute to a company after carefully evaluating various factors, including how ethical leadership demonstrated by leaders can foster trust in them, ultimately enhancing employee work engagement.

Trust in leaders is expected to act as a reinforcing factor that increases work engagement, therefore, there is a need for ongoing studies to identify this, in influencing the work engagement of Generation Z, which is anticipated to play a crucial role in shaping the workforce in the coming years. Reviewing the background that has been described, there are several problem formulations as follows:

1. How is the condition of ethical leadership perceived by Gen Z employees in Bandung City?
2. How is the condition of leader trust of Gen Z employees in Bandung City?
3. How is the condition of work engagement of Gen Z employees in Bandung City?
4. How is the effect of ethical leadership on the work engagement of Gen Z employees in Bandung City?

5. How is the effect of ethical leadership on the leader trust of Gen Z employees in Bandung City?
6. How is the effect of leader trust on the work engagement of Gen Z employees in Bandung City?
7. How is the mediating effect of leader trust on the relationship between ethical leadership and work engagement of Gen Z employees in Bandung City?

1.4 Research Objective

The objectives of this research are as follows:

1. To analyze how ethical leadership practices among Gen Z employees in Bandung City.
2. To determine how leaders trust of Gen Z employees in Bandung City.
3. To determine how work engagement of Gen Z employees in Bandung City.
4. To determine the effect of ethical leadership on the work engagement of Gen Z employees in Bandung City.
5. To determine the effect of ethical leadership on leader trust of Gen Z employees in Bandung City.
6. To determine the effect of leader trust on the work engagement of Gen Z employees in Bandung City.
7. To determine the effect of leader trust mediating the relationship between ethical leadership and work engagement of Gen Z employees in Bandung City.

1.5 Research Benefits

The expected benefits of this research include:

1.5.1 Practical Aspects

This research is expected to provide insights into how ethical leadership, through the lens of leader trust, influences work engagement among Generation Z employees. (for a company that will be recruiting Gen Z, and for Gen Z itself).

1.5.2 Academic Aspects

The author hopes that this research will offer detailed information regarding human resource management and organizational behaviour, specifically relating to

ethical leadership, leader trust, and work engagement. (reference for further research).

1.6 Systematic Writing of Mini-Thesis

The following outlines the structure and brief explanations of the research report, comprising Chapters I to V:

a. CHAPTER I: INTRODUCTION

This chapter offers a concise and comprehensive overview of the research, providing insight into the research's content. It includes a general description of the research subject, the research background, problem formulation, research objectives, research benefits, and the systematic structure of the writing of the mini-thesis.

b. CHAPTER II: LITERATURE REVIEW

This chapter explores theories and previous research related to the research topic, problems, or variables, focusing on established and scientifically validated theories. It elaborates on the logical reasoning (thought process) used to explain the research problem, ultimately forming a conceptual framework that guides the research toward its conclusions. The research hypothesis serves as a provisional answer to the research problem, which must be empirically tested to confirm its validity.

c. CHAPTER III: RESEARCH METHODOLOGY

This chapter explains the approaches, methods, and techniques employed for data collection and analysis to address the research problem. It includes details about the research type, variable operationalization, population and sample, data collection methods, validity and reliability testing, and the techniques used for data analysis.

d. CHAPTER IV: RESULTS AND DISCUSSION

This chapter systematically presents the research findings and their corresponding discussion based on the problem formulation and research objectives. Divided into two sections, it first describes the research results and then provides an analysis or discussion. The discussion begins with the interpretation of data analysis results, followed by conclusions. It is

encouraged to link the discussion with previous studies or relevant theoretical frameworks.

e. CHAPTER V: CONCLUSION

This chapter summarizes the answers to the research questions and provides recommendations that align with the research objectives and benefits.