

THE INFLUENCE OF HUMAN RESOURCE POLICIES AND PRACTICES ON JOB PERFORMANCE OF GEN Z MEDIATED BY PERCEIVED ORGANIZATIONAL SUPPORT

Firmansyah Romadhoni¹, Reny Nadlifatin²

School of Interdisciplinary Management and Technology, Institut Teknologi Sepuluh Nopember, Indonesia¹

Department of Information Systems, Institut Teknologi Sepuluh Nopember, Indonesia²

E-mail: firmansyahr219@gmail.com¹, reny@its.ac.id²

Abstract:

This study investigates the influence of Human Resource (HR) policies and practices on Generation Z's job performance within the manufacturing sector under significant economic pressure, using Social Exchange Theory (SET) as the guiding framework. A quantitative research design was employed, collecting data from 150 Generation Z workers in Pasuruan Regency's labor-intensive sub-sectors, with data analyzed via Partial Least Squares Structural Equation Modeling (PLS-SEM) and validated through HTMT for discriminant validity, alongside SRMR and Q² for structural integrity and predictive relevance. The empirical results reveal that while Compensation & Benefits and Equality & Diversity significantly enhance job performance, factors such as Training & Development, Career Development, and Reward & Recognition show no significant effects in this constrained context. Furthermore, Perceived Organizational Support (POS) was confirmed as a critical psychological mediator in these relationships. These findings imply that during economic distress, firms should prioritize basic rights and inclusive environments over long-term development programs to sustain productivity. This study contributes to the SET literature by identifying boundary conditions for the norm of reciprocity and offering unique insights into how non-financial social investments drive performance among Generation Z during economic contraction.

Keywords: HR Policy & Practice, Job Performance, Perception of Organizational Support, Social Exchange Theory, Generation Z

INTRODUCTION

The manufacturing industry is a cornerstone of Indonesia's economic growth, contributing significantly to Gross Domestic Product (GDP) and serving as a primary source of employment in major industrial hubs. However, the sector currently faces substantial pressure, with growth in the national manufacturing production index declining sharply from 7.52% in 2021 to 2.41% in 2023. This downturn is most pronounced in East Java Province,

where the manufacturing sector experienced a contraction of -5.30% in the third quarter of 2023 (Badan Pusat Statistik Indonesia, 2024). In industrial centers like Pasuruan Regency, this decline has forced labor-intensive firms particularly in textiles, footwear, furniture, and wood processing to implement severe operational cost adjustments, including wage payments that fall below the Regency Minimum Wage (UMK).

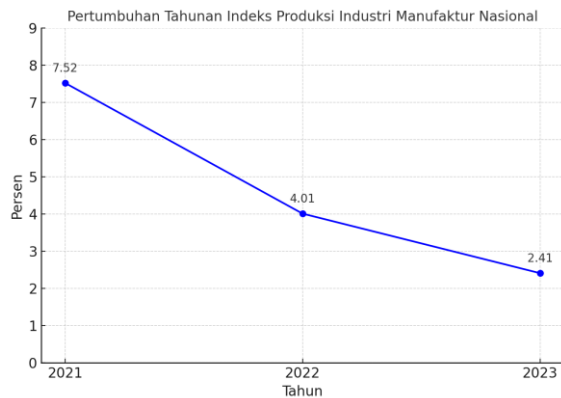


Figure 1. Manufacturing Production Performance in Indonesia (Badan Pusat Statistik Indonesia, 2024)

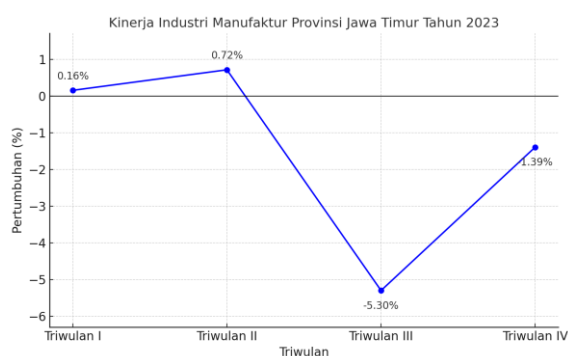


Figure 2. Manufacturing Industry Performance in East Java Province

Amidst this economic distress, the labor market has undergone a significant demographic shift as Generation Z has emerged as the largest cohort in the workforce, increasingly dominant in entry-level and production-operator roles. Unlike previous generations, Generation Z workers exhibit distinct characteristics, placing a high premium on fairness, personal development, and supportive work environments (Deloitte, 2024). Consequently, when firms are unable to provide optimal financial compensation due to economic constraints, maintaining the job performance and productivity of these young workers becomes a critical managerial challenge.

This study addresses the existing gap as previous Human Resource Management (HRM) and performance studies have mostly focused on stable

economic environments or general employee populations (Agbaeze et al., 2019; Muslimat, 2020; Niati et al., 2021; Tulasee Naidu & Satyanarayana, 2018). There is a notable lack of empirical evidence regarding how HR practices operate when basic economic rights, such as minimum wage standards, are constrained within labor-intensive sectors. Specifically, existing literature has not sufficiently addressed which HR dimensions truly activate reciprocal performance mechanisms among Generation Z workers facing the dual challenges of contract-based employment (PKWT) and financial instability.

Furthermore, current HRM often overlooks the specific psychological triggers of Generation Z in high-pressure manufacturing contexts. While traditional studies emphasize formal development and financial rewards, it remains unclear how non-financial social investments, such as equality and diversity, can substitute for limited financial capacity to sustain motivation. This study addresses this gap by examining how specific HR policies, when perceived as genuine organizational support, can leverage Social Exchange Theory (SET) to foster a sense of moral obligation and reciprocity among Gen Z workers despite suboptimal wage levels.

By incorporating Perceived Organizational Support (POS) as a mediating variable, this research provides essential insights into realistic and adaptive HR strategies for firms facing economic crises. The findings are expected to identify how HR practices, strengthened by perceived support, can maintain and enhance Generation Z's job performance without relying solely on a firm's financial capacity. Ultimately, this study aims to inform the development of sustainable, workforce-aligned HR policies tailored to

the youngest generation in Indonesia's manufacturing industry.

LITERATURE REVIEW

The relationship between employees and organizations is fundamentally governed by the principle of reciprocity, as conceptualized in Social Exchange Theory (SET) (Blau et al., 1964). Within this framework, human resource policies and practices are not merely administrative functions; they represent "organizational social investments" that signal the degree of care and fairness the organization extends to its members (Cropanzano & Mitchell, 2005). When employees, especially Generation Z, who prioritize an ethical and supportive work climate, perceive these investments as worthwhile, they develop a sense of obligation to reciprocate through improved performance and positive work behaviors. This reciprocal process is critically mediated by Perceived Organizational Support (POS), which functions as a psychological bridge that validates that the organization values employee contributions and well-being (Eisenberger et al., 1986). In contexts of economic contraction where financial rewards are limited, SET suggests that non-financial support becomes the primary currency of exchange, maintaining productivity through socio-emotional bonds rather than purely economic transactions.

As the tangible delivery system for organizational social exchange, HR practices must be inclusive and transparent to foster trust and engagement among the youngest workforce cohort (Aggarwal et al., 2022). Collectively, these practices cultivate a productive work culture and strengthen employee loyalty, which becomes particularly salient under challenging economic conditions (Paais & Pattiruhu, 2020). While Compensation and Benefits

provide the foundational motivation for contribution through financial and welfare support (Matriadi et al., 2019; Puspita Sari & Maharani, 2024), Their effectiveness is maximized when aligned with employee expectations for fairness and transparency (Purba & Sudibjo, 2020). When financial capacity is constrained, dimensions such as Equality and Diversity take on a strategic role, as equitable environments enhance psychological safety and resource allocation efficiency, which are recognized as key drivers of productivity in competitive or contracting markets (Smulowitz et al., 2019; Taamneh et al., 2024).

The developmental aspects of HRM, specifically Training and Career Development, are further perceived by employees as long-term investments in their personal capital. These initiatives not only improve immediate job-specific skills but also build long-term adaptivity and strengthen organizational attachment (Niati et al., 2021; Noe, 2020). By providing clear growth pathways, mentoring, and professional support, organizations offer a sense of "career certainty" that serves as a powerful motivational tool. This transformation of professional growth into a reason for sustained performance is further reinforced when such development is supported by a conducive work environment and high work motivation (Aliyyah et al., 2021; Lis et al., 2022; Muslimat, 2020).

Ultimately, job performance represents the fulfillment of the employee's side of the social exchange, yet this outcome is predominantly mediated by the psychological state of POS (Eisenberger et al., 2019). High levels of POS convert organizational "social investments," such as inclusive management and professional development, into active participation and

innovative behavior (Qi et al., 2019). Current research suggests that POS provides the psychological safety and stability necessary for employees to remain productive during periods of economic uncertainty, strengthening the link between intrinsic motivation and overall productivity (Alshaabani et al., 2021; Chen et al., 2020). This holistic ecosystem, where supportive environments, effective job design, and leadership competence intersect, ensures that job performance is not merely a task completion but a reciprocal response to a supportive organizational culture (Hajiali et al., 2022; Kalogiannidis, 2021).

Hypothesis Development

HR Policies & Practices and Job Performance

The relationship between HR policies and job performance is anchored in the signaling function of organizational practices. According to Social Exchange Theory (SET), HR policies are not merely operational tools but are "social investments" that communicate the organization's commitment to its workforce (Cropanzano & Mitchell, 2005). When Gen Z workers perceive fair Compensation and Benefits, it fulfills their baseline economic expectations, allowing them to focus their cognitive and physical resources on task execution (Tulasee Naidu & Satyanarayana, 2018). Furthermore, Training Development and Career Development Pathing act as critical enablers, they don't just improve skills but also signal to the employee that the organization views them as a long-term asset, thereby increasing their competence and confidence to perform (Agboola et al., 2018; Muslimat, 2020; Niati et al., 2021; Younas et al., 2018). In labor-intensive sectors where work can be repetitive, Reward & Recognition and Equality &

Diversity serve as vital psychological catalysts. For Generation Z, a cohort that highly values social justice and individual validation, inclusive and appreciative policies transform a standard job into a meaningful contribution, fostering the high engagement levels necessary for superior job performance (Manzoor et al., 2021; Shrestha, 2021; Taamneh et al., 2024). Consequently, these resources (financial, developmental, and social) provide both the "ability" and the "willingness" for employees to achieve optimal performance.

- **H1:** Compensation and Benefits have a significant effect on Job Performance.
- **H2:** Training and Development have a significant effect on Job Performance.
- **H3:** Career Development has a significant effect on Job Performance.
- **H4:** Reward and Recognition have a significant effect on Job Performance.
- **H5:** Equality and Diversity have a significant effect on Job Performance.

Human Resource Policies & Practices and Perceived Organizational Support

Within the SET framework, HR policies act as the primary evidence through which employees judge the organization's "character" and "intent." This study argues that POS results from a cognitive evaluation process in which employees interpret HR actions as reflecting how much the organization cares about them (Djatkiko et al., 2020; Eisenberger et al., 1986; Mayes et al., 2017). Even when economic conditions are harsh, such as in Pasuruan's manufacturing sector, where wages may hit the UMK floor, fair Compensation and Rewards are seen as a sign that the firm is doing its best to honor the social contract. Moreover, non-financial investments like Training and the Equality Act act as powerful "support signals" that are less susceptible to economic fluctuations; they

show that the organization values the employee's personhood, not just their labor (Barak, 2022). For Gen Z, who seek authenticity and inclusion, a workplace that promotes diversity and growth pathways creates a deep-seated belief that the organization is "on their side," thereby strengthening POS (Danish & Usman, 2010). Thus, every HR policy serves as a building block for the employee's global perception of organizational support.

- **H6:** Compensation and Benefits have a significant effect on Perceived Organizational Support.
- **H7:** Training and Development have a significant effect on Perceived Organizational Support.
- **H8:** Career Development has a significant effect on Perceived Organizational Support.
- **H9:** Reward and Recognition have a significant effect on Perceived Organizational Support.
- **H10:** Equality and Diversity have a significant effect on Perceived Organizational Support.

Perceived Organizational Support and Job Performance

The final link in this social exchange is the norm of reciprocity. When employees have high POS, they feel a "psychological debt" toward the organization, which they strive to repay through improved work attitudes and outcomes (Eisenberger et al., 2019). This is not merely a transactional exchange but a socio-emotional one. High POS enhances affective commitment, making employees want to perform well because they feel a sense of belonging and loyalty (Rhoades & Eisenberger, 2002). In manufacturing environments characterized by economic pressure, POS acts as a motivational buffer; it provides the psychological safety that prevents burnout and keeps

employees engaged even when financial rewards are scarce (Ridwan et al., 2020). For the youngest workforce cohort, who prioritize supportive leadership and workplace well-being, POS serves as the bridge that converts perceived organizational care into tangible productivity, innovative behavior, and task efficiency (Sabir et al., 2022).

- **H11:** Perceived Organizational Support has a significant effect on Job Performance.

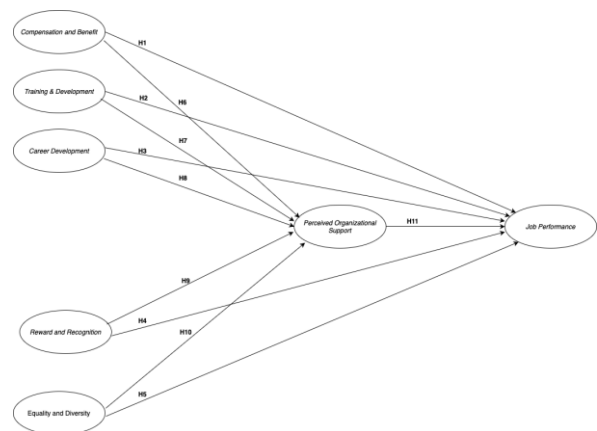


Figure 3. Hypothesis

METHODOLOGY

This study employed a quantitative research design utilizing primary data collected through structured questionnaires and secondary data from relevant academic literature to support theoretical development. The research population comprised Generation Z workers (born between 1997 and 2012) in the labor-intensive manufacturing sectors of Pasuruan Regency, Indonesia, specifically within the wood processing, furniture, textile, and footwear subsectors. A non-probability purposive sampling technique was applied with strict criteria: respondents were required to be Generation Z production operators or staff in contract-based employment (PKWT), working in firms with wage levels at or below the Regency Minimum

Wage (UMK), and to have at least 6 months of tenure. While the minimum sample size required by the "10-times rule" was 60 respondents given the six structural paths directed at the Job Performance construct (Hair et al., 2012). This study utilized 150 respondents to enhance statistical power and ensure the robustness of the structural model.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. The selection of PLS-SEM was justified by its superior predictive capability in explaining complex relationships and mediating effects, such as the role of Perceived Organizational Support (POS), without requiring a normal distribution of data (Hair et al., 2014). The measurement instrument was developed by adapting validated scales from established scholarly sources to ensure robust face and content validity. The constructs were measured using dimensions adapted from (Aggarwal et al., 2022; Djatmiko et al., 2020; Taamneh et al., 2024). All items were evaluated on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Demographic Characteristic

The questionnaire development followed a systematic process to ensure both contextual and cultural appropriateness. First, the original scales were translated into Indonesian and adapted to the specific manufacturing environment in Pasuruan, ensuring clarity for production-level workers. A pilot study was subsequently conducted with 30 respondents matching the target criteria to assess the instrument's initial performance. The reliability of the instrument was confirmed, as all constructs yielded Cronbach's Alpha values greater than 0.70.

RESULT AND DISCUSSION

This section presents and discusses the study's empirical findings on the relationships between human resource policies and practices, perceived organizational support (POS), and job performance among Generation Z workers in labor-intensive manufacturing industries in Pasuruan Regency. The results are derived from Partial Least Squares Structural Equation Modeling (PLS-SEM) and are interpreted by integrating statistical evidence with Social Exchange Theory (SET):

Table 1. Characteristics of the respondent

Charateristic		Frequency	Percentage (%)
Gender	Male	67	44.7%
	Female	83	55.3%
	Total	150	100.0%
Age	17-20 years	37	24.7%
	21 - 24 years	69	46.0%
	25-28 years	44	29.3%
	Total	150	100%
Highest Education Level	Diploma (D1/D2/D3)	20	13.3%
	Bachelor's Degree/Diploma IV (S1/D4)	36	24.0%
	Senior High School/Vocational High School	94	62.7%
	Total	150	100.0%

Charateristic		Frequency	Percentage (%)
Position Level	Production operators	103	68.7%
	Staff	47	31.3%
	Total	150	100.0%
Experience	< 1 years	22	14.7%
	1 years	31	20.7%
	2 years	45	30.0%
	3 years	25	16.7%
	4 years	8	5.3%
	> 4 years	19	12.7%
	Total	150	100%
Sub-Sector	Footwear	36	24.0%
	Wood processing	68	45.3%
	Furniture	16	10.7%
	Textile	30	20.0%
	Total	150	100%

Source: Processed Data (2025)

Table 1 presents characteristics of the respondents. In terms of gender, the sample is relatively balanced, with female respondents accounting for 55.3% and male respondents 44.7%. The age distribution indicates that most respondents fall within the 21–24 age group (46.0%), followed by those aged 25–28 (29.3%) and 17–20 (24.7%). This distribution confirms that the respondents predominantly represent early-career Generation Z workers.

Regarding educational background, most respondents have completed Senior High School or Vocational High School (62.7%), while 24.0% hold a Bachelor's Degree or Diploma IV, and 13.3% possess a Diploma (D1/D2/D3). This educational profile aligns with the characteristics of labor-intensive manufacturing sectors, in which entry-level positions are largely held by secondary-level graduates. In terms of job position, most respondents are production

operators (68.7%), with the remaining 31.3% employed as staff, reflecting the operational nature of the sampled industries.

With respect to work experience, most respondents report relatively short tenure: 30.0% have two years of experience, followed by one year (20.7%) and three years (16.7%). Respondents with less than one year of experience account for 14.7%, while those with more than four years represent 12.7% of the sample. This pattern indicates a workforce dominated by early-tenure employees. Finally, the sub-sector distribution shows that wood processing accounts for the largest share of respondents (45.3%), followed by footwear (24.0%), textiles (20.0%), and furniture (10.7%). Overall, these characteristics suggest that the sample appropriately represents Generation Z workers in labor-intensive manufacturing industries in Pasuruan Regency.

Measurement Assesment

Table 2. Measurement Assessment

Variable	Items	Outer Loading	AVE	Cronbach's alpha	Composite reliability
Compensation & Benefits	X1.1.1	0.883	0.763	0.961	0.962
	X1.1.2	0.842			
	X1.1.3	0.872			
	X1.2.1	0.882			
	X1.2.2	0.876			
	X1.2.3	0.875			
	X1.3.1	0.880			
	X1.3.2	0.880			
	X1.3.3	0.872			
Training & Development	X2.1.1	0.858	0.745	0.957	0.959
	X2.1.2	0.885			
	X2.1.3	0.896			
	X2.2.1	0.852			
	X2.2.2	0.848			
	X2.2.3	0.834			
	X2.3.1	0.851			
	X2.3.2	0.868			
	X2.3.3	0.873			
Career Development	X3.1.1	0.824	0.718	0.951	0.957
	X3.1.2	0.838			
	X3.1.3	0.900			
	X3.2.1	0.849			
	X3.2.2	0.865			
	X3.2.3	0.879			
	X3.3.1	0.836			
	X3.3.2	0.824			
	X3.3.3	0.806			
Reward & Recognition	X4.1.1	0.774	0.625	0.925	0.929
	X4.1.2	0.750			
	X4.1.3	0.781			
	X4.2.1	0.785			
	X4.2.2	0.789			
	X4.2.3	0.791			
	X4.3.1	0.828			
	X4.3.2	0.785			
	X4.3.3	0.832			

Variable	Items	Outer Loading	AVE	Cronbach's alpha	Composite reliability
Equality & Diversity	X5.1.1	0.821	0.603	0.918	0.921
	X5.1.2	0.771			
	X5.1.3	0.826			
	X5.2.1	0.756			
	X5.2.2	0.755			
	X5.2.3	0.746			
	X5.3.1	0.741			
	X5.3.2	0.780			
	X5.3.3	0.790			
Job Performance	Y1.1.1	0.773	0.621	0.944	0.945
	Y1.1.2	0.708			
	Y1.1.3	0.818			
	Y1.2.1	0.825			
	Y1.2.2	0.831			
	Y1.2.3	0.792			
	Y1.3.1	0.770			
	Y1.3.2	0.768			
	Y1.3.3	0.773			
	Y1.4.1	0.760			
	Y1.4.2	0.829			
	Y1.4.3	0.798			
Perceived Organizational Support	Z1.1.1	0.720	0.606	0.940	0.942
	Z1.1.2	0.677			
	Z1.1.3	0.765			
	Z1.2.1	0.808			
	Z1.2.2	0.818			
	Z1.2.3	0.781			
	Z1.3.1	0.800			
	Z1.3.2	0.793			
	Z1.3.3	0.819			
	Z1.4.1	0.783			
	Z1.4.2	0.814			
	Z1.4.3	0.750			

Source: Output SmartPLS4 (2025)

Table 2 presents the results of validity and reliability measurements. Convergent validity was assessed using outer loading values and Average Variance Extracted (AVE). The results indicate that all constructs exhibit outer loading values above 0.70 or within the acceptable range of 0.60–0.70. Furthermore, all AVE values exceed the recommended threshold of 0.50, confirming that each construct explains

more than 50% of the variance of its indicators. These results demonstrate that all indicators meet the criteria for convergent validity and are suitable for further analysis.

Internal consistency reliability was evaluated using Cronbach's Alpha and Composite Reliability. The findings show that all constructs have Cronbach's Alpha and Composite Reliability values above 0.90. indicating excellent internal

consistency. Accordingly, all measurement constructs are considered reliable and appropriate for subsequent analyses, including discriminant validity assessment and structural model evaluation.

Table 3: Discriminant Validity (HTMT Values)

Constructs	CB	TD	CD	RR	ED	JP	POS
Compensation & Benefit (CB)							
Training & Development (TD)	0.801						
Career Development (CD)	0.827	0.891					
Reward & Recognition (RR)	0.779	0.862	0.886				
Equality & Diversity (ED)	0.417	0.360	0.416	0.496			
Job Performance (JP)	0.716	0.612	0.656	0.667	0.661		
Perceived Org. Support (POS)	0.613	0.498	0.528	0.51	0.712	0.778	

Source: Output SmartPLS4 (2025)

Discriminant validity was assessed to ensure that each construct in the research model is empirically distinct from others. This study utilized the Heterotrait-Monotrait (HTMT) ratio of correlations, which is considered a more rigorous and accurate criterion compared to traditional methods like the Fornell-Larcker criterion. Discriminant validity is established when the HTMT values for constructs are below the 0.90 threshold.

Based on the results in Table 3, all HTMT values ranged from 0.360 to 0.891. The highest correlation was observed between Training and Development and Career Development (0.891), which remains within the acceptable limit of 0.90. Similarly, all other pairs, such as Job Performance and Perceived Organizational Support (0.778), also fell well below the threshold. These findings indicate that each latent variable represents a distinct concept and that there is no significant overlap among the constructs. Therefore, the measurement model demonstrates strong discriminant validity.

Structural Model Assessment

Table 4: Assessment of Structural Model (R^2 , Q^2 , and SRMR)

Variabel	R^2	Q^2	SRMR
Job performance	0.682	0.747	-
Perceived organizational support	0.569	0.560	-
Full Model	-	-	0.068

Source: Output SmartPLS4 (2025)

R-Square and Model Fit

Based on Table 4, the R-square (R^2) value for Job Performance is 0.682, indicating that 68.2% of the variance in job performance among Generation Z workers in manufacturing industries in Pasuruan Regency is explained by the independent variables in the research model, namely Human Resource Policies and Practices and Perceived Organizational Support (POS). The remaining 31.8% is attributable to other factors outside the model, such as additional HR-related constructs, individual characteristics, or leadership styles not examined in this study. This R^2 value is considered substantial,

suggesting that the model has strong predictive power.

Furthermore, the R^2 value for Perceived Organizational Support (POS) is 0.569, indicating that 56.9% of the variance in POS can be explained by Human Resource Policies and Practices. The remaining 43.1% is attributable to factors beyond the scope of this study, such as organizational culture and individual work experiences. Overall, the R^2 values indicate that the proposed structural model has strong explanatory power, supporting the Social Exchange Theory (SET) framework, where positive HR practices foster perceived support and enhance performance. To ensure the overall quality of the structural model, the Standardized Root Mean Square Residual (SRMR) was assessed. The model yielded

an SRMR of 0.068, well below the 0.08 threshold. This result confirms a good fit between the hypothesized model and the empirical data, signifying that the model is methodologically sound.

Predictive Relevance (Q^2)

In addition to explanatory power, the model's predictive capability was evaluated through the Stone-Geisser Q^2 test at the Latent Variable (LV) level. As shown in Table 4, the Q^2 values for Job Performance (0.747) and POS (0.560) are both considerably greater than zero. These positive values confirm that the structural model has adequate predictive relevance, reinforcing its reliability in forecasting the impact of HR policies on Generation Z's performance.

Structural Assessment

Table 5: Path Analysis

Hypothesis	Variable	Path coeff	T-statistic	P-values	F ²	Result
H1	CB → JP	0.252	2,829	0.005	0.060	Accepted
H2	TD → JP	-0.016	0.140	0.889	0.000	Rejected
H3	CD → JP	0.068	0.450	0.653	0.002	Rejected
H4	RR → JP	0.132	1,221	0.222	0.013	Rejected
H5	ED → JP	0.191	2,402	0.016	0.058	Accepted
H6	CB → POS	0.383	3,109	0.002	0.115	Accepted
H7	TD → POS	0.057	0.432	0.666	0.001	Rejected
H8	CD → POS	0.077	0.503	0.615	0.002	Rejected
H9	RR → POS	-0.162	1,327	0.185	0.015	Rejected
H10	ED → POS	0.538	7,502	0.000	0.513	Accepted
H11	POS → JP	0.372	4,136	0.000	0.188	Accepted

Source: Output SmartPLS4 (2025)

H1: Compensation and Benefits on Job Performance

The results of H1 are accepted, indicating that Compensation and Benefits have a positive and significant effect on Job Performance ($\beta = 0.252$, $t = 2.828$, $p = 0.005$). The effect size ($f^2 = 0.060$) is categorized as small, suggesting

a limited yet meaningful contribution to performance variation. The results of this study are consistent with the findings of (Tulasee Naidu & Satyanarayana, 2018) and (Setiadi et al., 2016). This finding confirms that even under financial constraints where wages are at or below the Regency Minimum Wage (UMK),

compensation remains a fundamental driver of performance among Generation Z workers. From a Social Exchange Theory (SET) perspective, fair and timely compensation functions as a basic economic exchange that employees reciprocate by meeting performance expectations.

H2: Training and Development on Job Performance

H2 is rejected, as Training and Development show no significant effect on Job Performance ($\beta = -0.016$, $t = 0.140$, $p = 0.889$; $f^2 = 0.000$), indicating that training does not meaningfully influence performance among Generation Z workers in labor-intensive manufacturing firms in Pasuruan. Although prior studies have reported a positive and significant relationship between training and performance (Agboola et al., 2018; Girdwichai & Sriviboon, 2020; Younas et al., 2018). This finding suggests that the effectiveness of training is highly context-dependent rather than universal. Under conditions of economic pressure and contract-based employment (PKWT), training programs are often perceived as routine operational requirements rather than strategic organizational investments. As a result, employees prioritize immediate economic security over long-term skill development, preventing training from activating reciprocal performance improvements.

H3: Career Development on Job Performance

H3 is rejected, as Career Development shows no significant effect on Job Performance ($\beta = 0.068$, $t = 0.450$, $p = 0.653$; $f^2 = 0.002$). Although prior studies have documented a positive relationship between career development and performance (Carda & Hasyim, 2024; Muslimat, 2020). This finding indicates that such effects are not evident among

Generation Z workers in labor-intensive manufacturing firms in Pasuruan. From a Social Exchange Theory (SET) perspective, career development represents a future-oriented organizational investment; however, under conditions of contract-based employment (PKWT), economic uncertainty, and limited promotion prospects, these initiatives are perceived as uncertain and unrealistic. Consequently, career development fails to activate reciprocal performance behavior and does not translate into immediate performance gains.

H4: Reward and Recognition on Job Performance

H4 is rejected, as Reward and Recognition do not significantly affect Job Performance ($\beta = 0.132$, $t = 1.221$, $p = 0.222$; $f^2 = 0.013$). Although prior studies have shown that recognition can enhance employee performance (Agbaeze et al., 2019; Manzoor et al., 2021). This effect is not observed among Generation Z workers in labor-intensive manufacturing firms in Pasuruan. From a Social Exchange Theory (SET) perspective, social rewards are effective only when basic economic needs are sufficiently met. Under conditions of financial pressure, symbolic or non-monetary recognition lacks motivational salience and fails to activate reciprocal performance behavior.

H5: Equality and Diversity on Job Performance

H5 is accepted, showing that Equality and Diversity positively and significantly influence Job Performance ($\beta = 0.191$, $t = 2.402$, $p = 0.016$; $f^2 = 0.058$). The results of this study are consistent with the findings of (Taamneh et al., 2024). Although the effect size is small, this finding highlights equality as a critical non-financial driver of performance. From an SET perspective,

fair and inclusive treatment fosters respect and a sense of belonging, which Generation Z employees reciprocate with stable, sustained performance even when financial rewards are limited.

H6: Compensation and Benefits on Perceived Organizational Support (POS)

H6 is accepted, with Compensation and Benefits having a positive and significant effect on POS ($\beta = 0.383$, $t = 3.109$, $p = 0.002$; $f^2 = 0.115$), indicating a moderate effect. The results of this study are consistent with the findings of (Mayes et al., 2017). This result confirms that compensation serves as a strong signal of organizational care and responsibility. Even when wages are constrained, consistent and fair compensation strengthens employees' perceptions of organizational support.

H7: Training and Development on POS

H7 is rejected, Training and Development do not significantly influence POS ($\beta = 0.057$, $t = 0.432$, $p = 0.666$; $f^2 = 0.001$). Although prior studies have shown that training can enhance employee performance (Mayes et al., 2017). Training is perceived as a technical or operational obligation rather than a voluntary organizational investment, limiting its ability to enhance perceived support under economic hardship.

H8: Career Development on POS

H8 is rejected, Career Development does not significantly affect POS ($\beta = 0.077$, $t = 0.503$, $p = 0.615$; $f^2 = 0.002$). Long-term career promises lack credibility among contract-based Generation Z workers, reducing their value as signals of organizational support.

H9: Reward and Recognition on POS

H9 is rejected, Reward and Recognition show no significant effect on POS and exhibit a negative coefficient ($\beta =$

-0.162 , $t = 1.327$, $p = 0.185$; $f^2 = 0.015$). This suggests that symbolic rewards may be perceived as misaligned or even counterproductive when financial needs remain unmet, weakening perceptions of organizational support.

H10: Equality and Diversity on POS

H10 is accepted. Equality and Diversity have a positive and highly significant effect on POS ($\beta = 0.538$, $t = 4.640$, $p < 0.000$), with a large effect size ($f^2 = 0.513$). This is the strongest relationship in the model, indicating that inclusive and fair treatment is the most powerful non-financial signal of organizational support. For Generation Z workers, equality functions as a critical form of social investment that compensates for limited financial resources.

H11: Perceived Organizational Support on Job Performance

H11 is accepted, demonstrating that POS has a positive and significant effect on Job Performance ($\beta = 0.372$, $t = 4.136$, $p < 0.001$; $f^2 = 0.188$), indicating a moderate effect. The results of this study are consistent with the findings of (Sabir et al., 2022). This finding confirms the central role of POS as a psychological mechanism translating organizational treatment into performance outcomes. Consistent with SET, perceived support generates a moral obligation to reciprocate through enhanced effort and productivity, even in contexts of financial constraint and employment insecurity

Indirect Effect

Table 6. Mediation Effect of Perceived Organizational Support

Variable	Path coefficient	T-statistic	P-values	Result
CB → POS → JP	0.029	2,462	0.014	Partial Mediation
TD → POS → JP	0.021	0.419	0.675	Not Mediated
CD → POS → JP	0.029	0.487	0.626	Not Mediated
RR → POS → JP	-0.060	1,244	0.214	Not Mediated
ED → POS → JP	0.200	3,651	0.000	Full Mediation

Source: Output SmartPLS4 (2025)

Based on Table 6, the mediation analysis indicates that Perceived Organizational Support (POS) significantly mediates the relationship between Compensation & Benefits and Job Performance ($\beta = 0.029$, $t = 2.462$, $p = 0.014$). This finding suggests that compensation influences performance not only directly but also indirectly by enhancing employees' perceptions of organizational support. From a Social Exchange Theory (SET) perspective, fair and consistent compensation signals organizational care, thereby strengthening POS and encouraging reciprocal performance behavior among Generation Z workers.

In contrast, POS does not mediate the relationships between Training & Development ($\beta = 0.021$, $t = 0.419$, $p = 0.671$), Career Development ($\beta = 0.028$, $t = 0.487$, $p = 0.626$), or Reward & Recognition ($\beta = -0.018$, $t = 1.244$, $p = 0.214$) and Job Performance. These findings indicate that under financial constraints, such practices are not perceived as meaningful organizational support and therefore fail to activate reciprocal performance responses.

Finally, POS plays a strong mediating role in the relationship between Equality & Diversity and Job Performance ($\beta = 0.200$, $t = 3.651$, $p < 0.001$). This result highlights equality as the most effective non-financial social investment, strengthening POS and translating fair treatment into improved performance. Overall, the findings demonstrate that under economic

pressure, social exchange mechanisms rooted in fairness and perceived support are more influential than development-oriented HR practices in driving the performance of Generation Z employees.

Discussion

The findings of this study provide empirical evidence for the mechanisms of Social Exchange Theory (SET) within the unique context of Generation Z workers in labor-intensive manufacturing. The results confirm that job performance is not merely a product of formal compliance but is driven by the norm of reciprocity (Blau, 1964), where employees reciprocate based on the perceived value of organizational "social investments."

The Supremacy of Fairness over Development

A major highlight of this study is the dominant role of Equality and Diversity, which emerged as the most influential non-financial driver of Perceived Organizational Support (POS) ($\beta=0.538$; $f^2 =0.513$). This supports Aggarwal et al., (2022), that Gen Z values ethical and inclusive workplaces, but extends it by showing that in economic hardship, fairness can substitute for financial rewards. While traditional literature highlights Training and Career Development as key motivators (Noe, 2020), our findings show these factors do not trigger reciprocal responses. For Gen Z contract workers (PKWT), long-term development is often seen as an uncertain investment with limited immediate value, reflecting recent skepticism

studies on precarious employment (Davidescu et al., 2020).

Economic Exchange vs. Social Exchange

Compensation and Benefits remain a significant foundation of economic exchange, yet their impact is limited when they are perceived as insufficient. The weak correlation between benefits and target attainment suggests that while Gen Z workers fulfill their basic task obligations, their "discretionary effort" is withheld when they perceive an imbalance in the economic exchange. This supports the SET premise that while economic contracts (salaries) drive baseline performance, it is the social exchange (fairness and support) that drives quality and commitment (Eisenberger et al., 1986). In Pasuruan's manufacturing context, where wages are at the UMK floor, the "socio-emotional" support provided through Equality & Diversity becomes the primary catalyst for sustaining productivity.

Theoretical Implications for Social Exchange Theory

This study offers significant theoretical implications for SET by identifying boundary conditions for the norm of reciprocity. First, it demonstrates that the type of "investment" required to trigger reciprocity is demographic-specific; for Generation Z, "equality" carries higher exchange value than "long-term career promises" in a crisis. Second, it reinforces the role of POS as a psychological mediator that filters organizational inputs. Without a strong sense of support, HR practices no matter how well-designed remain purely administrative and fail to be converted into a moral obligation to perform (Qi et al., 2019). This highlights that in labor-intensive sectors, the social exchange relationship is highly sensitive to

immediate perceptions of dignity and fairness.

CONCLUSION

This study concludes that job performance among Generation Z workers in Pasuruan's labor-intensive manufacturing sector is primarily driven by a "fairness-based" social exchange mechanism. The findings demonstrate that Compensation & Benefits and Equality & Diversity are the only consistent predictors of employee performance, both directly and through the mediation of Perceived Organizational Support (POS). Notably, Equality & Diversity emerged as the most potent driver in the model, suggesting that for Generation Z, being treated with fairness and inclusivity is the most critical form of organizational support when financial resources are limited. Conversely, traditional "administrative" HR practices such as Training & Development, Career Development, and Reward & Recognition were found to be ineffective in this specific context. The prevailing economic downturn and contract-based employment (PKWT) status appear to foster skepticism among young workers toward long-term developmental promises or symbolic rewards, causing these practices to fail in triggering the social exchange process.

Theoretical Contributions

This research enriches Social Exchange Theory (SET) by identifying specific boundary conditions in the manufacturing industry during economic distress. It validates POS as a vital "psychological bridge" that converts organizational inputs into a sense of moral obligation to perform. However, it challenges conventional HRM wisdom by

revealing that for Gen Z in precarious employment, the currency of exchange shifts from "growth-oriented" to "equity-oriented." This highlights that the norm of reciprocity is highly sensitive to the immediate economic utility and perceived fairness of HR policies, rather than to future-oriented professional development.

Managerial Implications

Based on the empirical evidence, manufacturing firms in Pasuruan should prioritize fairness and inclusivity to build a strong POS, particularly by ensuring transparency and eliminating discrimination between permanent and contract (PKWT) staff. Since the lowest satisfaction scores were found in benefit structures correlating with lower daily target attainment firms are advised to re-evaluate operational allowances to better motivate work speed. Furthermore, management should consider reallocating budgets from non-significant administrative training programs toward incentives with tangible economic value. Maintaining the currently high levels of trust in management through genuine concern for basic needs will be essential in reinforcing the emotional bond required for sustained productivity under economic pressure.

Limitations and Future Research

This study has limitations due to its cross-sectional design and its specific geographic focus on Pasuruan Regency. Future research should expand the scope to other industries and regions to verify the consistency of Generation Z characteristics. Introducing moderating variables, such as employment status (PKWT vs. PKWTT) or tenure, could help clarify why developmental practices were non-significant in this model. Additionally,

adopting a qualitative approach through in-depth interviews could provide deeper psychological insights into Gen Z's skepticism toward career growth programs. Finally, incorporating macroeconomic factors such as inflation and regional economic conditions as control variables would further refine the understanding of HR effectiveness in volatile environments.

REFERENCES

- Agbaeze, E., Adeleke, B., Ghasi, N. C., & Ogbemudia Imhanrenialena, B. (2019). Effect Of Reward System On Employee Performance Among Selected Manufacturing Firms In The Litoral Region Of Cameroon. *Academy of Strategic Management Journal*, 18(3). <https://www.researchgate.net/publication/352840945>
- Agboola, O., Aremu, M. O., Uchenna, B., Wahab, N. O., Olawale, M., Benneth, A., & Eze, U. (2018). *Effect of Training and Career Development on Bank Employees' Performance: Evidence from Selected Banks in Nigeria*. 7(2). <https://doi.org/10.5195/emaj.2018.134>
- Aggarwal, A., Sadhna, P., Gupta, S., Mittal, A., & Rastogi, S. (2022). Gen Z Entering the Workforce: Restructuring HR Policies and Practices for Fostering the Task Performance and Organizational Commitment. *Journal of Public Affairs*, 22(3). <https://doi.org/10.1002/pa.2535>
- Aliyyah, N., Rusdiyanto, R., Prasetyo, I., & Kalbuana, N. (2021). What Affects Employee Performance Through Work Motivation? *Journal of Management Information and Decision Sciences*, 24(1), 1–14.

- <https://doi.org/10.5281/zenodo.7057658>
- Alshaabani, A., Naz, F., Magda, R., & Rudnák, I. (2021). Impact of Perceived Organizational Support on OCB in the Time of COVID-19 Pandemic in Hungary: Employee Engagement and Affective Commitment as Mediators. *Sustainability*, 13(14). <https://doi.org/10.3390/su13147800>
- Badan Pusat Statistik Indonesia. (2024, August). *Perkembangan Indeks Produksi Industri Manufaktur*. Bps.Go.Id. <https://www.bps.go.id/id/publication/2024/08/30/4cbfc30e81404b7b48e1172b/perkembangan-indeks-produksi-industri-manufaktur-2023.html>
- Barak, M. E. M. (2022). *Managing Diversity Toward a Globally Inclusive Workplace* (5th ed.). SAGE Publication, Inc.
- Blau, P. M., Wiley, J., York, N., London, •, & Sydney, •. (1964). *Exchange and Power in Social Life*.
- Carda, M., & Hasyim. (2024). Implementation of Career Development Strategies in Improving HR Performance: Case Study in the Indonesian Manufacturing Industry. *Journal of Management*, 3(2), 374–390. <https://myjournal.or.id/index.php/JOM>
- Chen, T., Hao, S., Ding, K., Feng, X., Li, G., & Liang, X. (2020). The impact of organizational support on employee performance. *Employee Relations*, 42(1), 166–179. <https://doi.org/10.1108/ER-01-2019-0079>
- Cropanzano, R., & Mitchell, M. S. (2005). Social Exchange Theory: An Interdisciplinary Review. *Journal of Management*, 31(6), 874–900. <https://doi.org/https://doi.org/10.1177/0149206305279602>
- Danish, R. Q., & Usman, A. (2010). Impact of Reward and Recognition on Job Satisfaction and Motivation: An Empirical study from Pakistan. *International Journal of Business and Management*, 5(2). <https://doi.org/10.5539/ijbm.v5n2p159>
- Deloitte. (2024). *2024 Gen Z and Millennial Survey: Living and working with purpose in a transforming world*.
- Djarmiko, T., Prasetyo, A. P., & Azis, E. (2020). Perceived Organizational Support as Mediator in the Relationship Between Effective Human Resources Practice and Employee Engagement in Indonesia. *JURNAL APLIKASI MANAJEMEN*, 18(2), 307–317. <https://doi.org/10.21776/ub.jam.2020.018.02.11>
- Eisenberger, R., Huntington, R., Hutchison, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology*, 71(3), 500–507. <https://doi.org/10.1037/0021-9010.71.3.500>
- Eisenberger, R., Shanock, L. R., & Wen, X. (2019). Annual Review of Organizational Psychology and Organizational Behavior Perceived Organizational Support: Why Caring About Employees Counts. *Annu. Rev. Organ. Psychol. Organ. Behav.* 2020, 7, 101–125. <https://doi.org/10.1146/annurev-orgpsych-012119>
- Girdwichai, L., & Sriviboon, C. (2020). Employee motivation and performance: Do the work

- environment and the training matter? *Journal of Security and Sustainability Issues*, 9, 42–54. [https://doi.org/10.9770/JSSI.2020.9.J\(4\)](https://doi.org/10.9770/JSSI.2020.9.J(4))
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2014). *Multivariate Data Analysis* (7th Edition).
- Hair, J. F., Sarstedt, M., Ringle, C. M., & Mena, J. A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science*, 40(3), 414–433. <https://doi.org/10.1007/s11747-011-0261-6>
- Hajiali, I., Fara Kessi, A. M., Budiandriani, B., Prihatin, E., Sufri, M. M., & Sudirman, A. (2022). Determination of Work Motivation, Leadership Style, Employee Competence on Job Satisfaction and Employee Performance. *Golden Ratio of Human Resource Management*, 2(1), 57–69. <https://doi.org/10.52970/grhrm.v2i1.160>
- Kalogiannidis, S. (2021). Impact of Employee Motivation on Organizational Performance. a Scoping Review Paper for Public Sector. *The Strategic Journal of Business & Change Management*, 8(3), 984–996. <https://doi.org/10.61426/sjbcm.v8i3.2064>
- Lis, E. Y., Wahyuddin, W., Thoyib, A., Nur Ilham, R., & Sinta, I. (2022). The Effect of Career Development and Work Environment on Employee Performance with Work Motivation as Intervening Variable at the Office of Agriculture and Livestock in Aceh. *International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS)*, 2(2), 227–236. <https://doi.org/10.54443/ijebas.v2i2.191>
- Manzoor, F., Wei, L., & Asif, M. (2021). Intrinsic Rewards and Employee's Performance With the Mediating Mechanism of Employee's Motivation. *Frontiers in Psychology*, 12. <https://doi.org/10.3389/fpsyg.2021.563070>
- Matriadi, F., Raha, S., Salim, A., Dalimunthe, R. F., & Gultom, P. (2019). The Influences of Compensation and Supply Chain Managemnet towards Educatioan System: The Mediating Role of Job Motivation. *International Journal of Supply Chain Management*, 8(3), 183–191. <http://excelingtech.co.uk/>
- Mayes, B. T., Finney, T. G., Johnson, T. W., Shen, J., & Yi, L. (2017). The effect of human resource practices on perceived organizational support in the People's Republic of China. *International Journal of Human Resource Management*, 28(9), 1261–1290. <https://doi.org/10.1080/09585192.2015.1114768>
- Muslimat, A. (2020). The Effect of Placement and Career Development on Employee Performance of PT. Mandiri Karya in Jakarta. *Jurnal Ilmiah Ilmu Administrasi Publik: Jurnal Pemikiran Dan Penelitian Administrasi Publik*, 10(1), 183–194. <https://doi.org/10.26858/jiap.v10i1.14135>
- Niati, D. R., Siregar, Z. M. E., & Prayoga, Y. (2021). The Effect of Training on Work Performance and Career Development: The Role of Motivation as Intervening Variable. *Budapest*

- International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(2), 2385–2393.
<https://doi.org/10.33258/birci.v4i2.1940>
- Noe, R. A. (2020). *Employee Training and Development* (8th ed.). McGraw-Hill.
- Paais, M., & Pattiruhu, J. R. (2020). Effect of Motivation, Leadership, and Organizational Culture on Satisfaction and Employee Performance. *Journal of Asian Finance, Economics and Business*, 7(8), 577–588.
<https://doi.org/10.13106/JAFEB.2020.VOL7.NO8.577>
- Purba, K., & Sudibjo, K. (2020). The Effects Analysis of Transformational Leadership, Work Motivation and Compensation on Employee Performance in PT. Sago Nauli. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 3(3), 1606–1617.
<https://doi.org/10.33258/birci.v3i3.1091>
- Puspita Sari, M., & Maharani, S. (2024). Analisis kompensasi dan benefit dalam meningkatkan kinerja karyawan pada PT Star Omega Abadi Group. *Jurnal Ilmiah Akuntansi Dan Keuangan*, 7(2), 2024.
<https://journal.ikopin.ac.id/index.php/fairvalue>
- Qi, L., Liu, B., Wei, X., & Hu, Y. (2019). Impact of Inclusive Leadership on Employee Innovative Behavior: Perceived organizational Support as a Mediator. *PLoS ONE*, 14(2).
<https://doi.org/10.1371/journal.pone.0212091>
- Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: a review of the literature. *Journal of Applied Psychology*, 87(4), 698.
- Ridwan, M., Mulyani, S. R., & Ali, H. (2020). Improving Employee Performance Through Perceived Organizational Support, Organizational Commitment and Organizational Citizenship Behavior. In *Systematic Reviews in Pharmacy* (Vol. 11, Number 12).
- Sabir, I., Ali, I., Majid, M. B., Sabir, N., Mehmood, H., Rehman, A. U., & Nawaz, F. (2022). Impact of perceived organizational support on employee performance in IT firms – a comparison among Pakistan and Saudi Arabia. *International Journal of Organizational Analysis*, 30(3), 795–815.
<https://doi.org/10.1108/IJOA-10-2019-1914>
- Setiadi, R. U., Setiadi, P. B., & Indroyono, &. (2016). The Effect of Compensation and Work Motivation on Employee Performance at Semen Indonesia Limited Company. *International Journal of Academic Research and Reflection*, 4(3).
www.idpublications.org
- Shrestha, P. (2021). Impact of Workforce Diversity on Employee Performance. *International Journal of Management (IJM)*, 12(2), 86–95.
<https://doi.org/10.34218/IJM.12.2.2021.009>
- Smulowitz, S., Becerra, M., & Mayo, M. (2019). Racial diversity and its asymmetry within and across hierarchical levels: The effects on financial performance. *Human Relations*, 72(10), 1671–1696.
<https://doi.org/10.1177/0018726718812602>

- Taamneh, M. M., Al-Okaily, M., Barhem, B., Taamneh, A. M., & Alomari, Z. S. (2024). Examining the Influence of Gender Equality in HRMP on Job Performance: The Mediating Role of Job Satisfaction. *Global Knowledge, Memory and Communication*. <https://doi.org/10.1108/GKMC-11-2023-0457>
- Tulasee Naidu, A., & Satyanarayana, G. (2018). Impact of Compensation on Employee Performance. *Intercontinental Journal of Human Resource Research Review*, 6(4).
- Younas, W., Farooq, M., Khalil, F., Zreen, A., & Khalil-Ur-Rehman, F. (2018). *The Impact of Training and Development on Employee Performance*. 20, 20–23. <https://doi.org/10.9790/487X-2007042023>