

CHAPTER I

INTRODUCTION

1.1 Research Background

The modern era, characterized by rapid changes in the business environment, compels organizations to adapt to increasing demands for efficiency and flexibility. According to Kotter (Kotter & Heskett, 1992, as cited by Bava Budimansyah & Laurentius Axel, 2023), organizational change must be managed with appropriate strategies to ensure that human resources can adapt to the challenges of globalization. The accelerating pace of market change and intense competition have driven organizations to place greater emphasis on the importance of employee productivity and performance. In this context, employees are required not only to possess technical skills but also psychological resilience and a strong commitment to their work (Bernales-Turpo et al., 2022a).

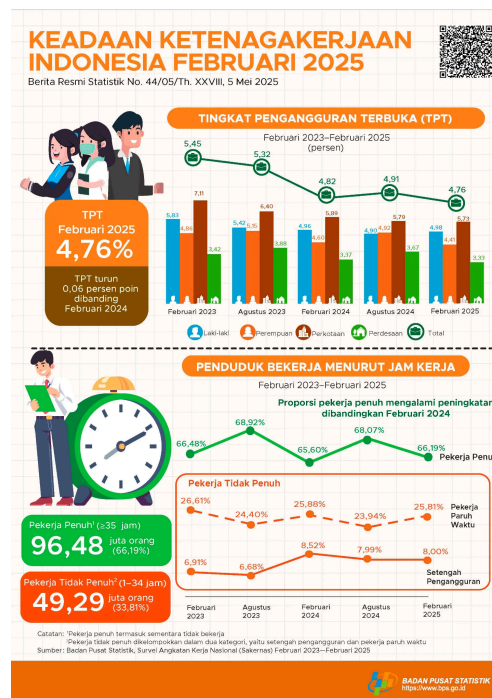


Figure 1.1 Labour Force Situation Report

Source: Badan Pusat Statistik Indonesia (2024)

According to the Labor Force Situation Report published by Statistics Indonesia (Badan Pusat Statistik, 2024), the labor force participation rate in Indonesia reached 66.1% as of February 2025, representing the country's population of working age. This figure is accompanied by an open unemployment rate of 4.7%, which only decreased by around 0.06% compared to February 2024. Although the majority of the productive-age population actively participates in the labor market, achieving ideal work quality remains a persistent challenge for employers across sectors.

Despite the positive growth of Indonesia's fashion retail industry, organizational expansion and increasing operational complexity also place substantial pressure on internal work systems, particularly for back-office employees. While industry reports frequently emphasize sales performance, market value, and consumer demand, limited attention is given to the psychological conditions and work experiences of employees responsible for coordination, reporting, and operational control behind the scenes. Back-office employees in fashion retail are required to manage rapid product cycles, tight reporting deadlines, seasonal workload spikes, and cross-functional coordination, often without direct visibility or recognition of their contributions.

Alongside the availability of job opportunities, how employees remain engaged in their work has become a critical issue in driving meaningful work involvement. Conditions that require employees to endure unsupportive environments, such as extended working hours or job stability uncertainty, can significantly impact psychological well-being and increase the risk of burnout. This aligns with existing findings that emphasize the need for organizations to pay closer attention to psychological aspects and employee engagement.

Global business competition has also necessitated that organizations prioritize employee well-being and overall work experience. Organizational effectiveness is no longer assessed solely through performance outcomes but also

through employees' emotional involvement, mental health, and life satisfaction. Gartner's *2024 HR Priorities and Challenges* identified employee experience as a top priority for improving retention and driving higher performance. This is consistent with data from Wifitalents (2023), which revealed that 71% of companies listed employee experience as their top HR priority, indicating a significant shift in the focus of human resource management.

According to data published by TechRepublic (2023), 54% of HR professionals reported an increased workload since 2020, driven by digital transformation, the implementation of hybrid work, and post-pandemic policy changes. This heightened psychological burden increases the risk of burnout among HR personnel, potentially reducing effectiveness and employee performance.

This statement is reinforced by PwC's *2024 Global Workforce Hopes & Fears Survey*, which reported that 46% of employees experienced heavier workloads in the past year, while 76% noted substantial changes in their work adjustment processes (fortuneindia.com, 2024).

Given the intensifying work pressure, many organizations have begun integrating various programs and facilities to support the sustainability of their workforce. The dynamism of the business landscape requires organizations to adapt continuously with efficiency, innovation, and flexibility. This is supported by Kotter's assertion (Kotter & Heskett, 1992, as cited in Budimansyah & Axel, 2023) that human resources capable of adjusting to the dynamics of globalization represent a strategic advantage for achieving organizational change. In this context, employees must demonstrate psychological resilience, motivation, and commitment, in addition to mastering technical competencies (Bernales-Turpo et al., 2022a).

In recent years, Indonesia's retail sector has shown significant dynamism despite economic fluctuations and shifting consumer behaviors. Data from Bank Indonesia indicate that although retail growth has been volatile, the "apparel"

category remains among those showing positive growth, suggesting that demand for clothing persists despite evolving economic conditions. This illustrates that clothing-related industries cannot be categorized as “stable,” as rapid shifts in consumer preferences make distribution, production, and inventory management increasingly complex, ultimately increasing workload, flexibility demands, and the need for rapid adaptation within companies.

Moreover, the domestic fashion market continues to display strong potential and tangible growth prospects. According to reports from relevant ministries and economic media, Indonesia’s local fashion industry is projected to surpass IDR 125 trillion in 2024 and reach approximately IDR 156 trillion by 2029. This reflects not only a significant economic footprint but also the substantial contribution of the fashion sector to national economic activity, encompassing production and distribution, retail operations, and human resource management. The scale of this industry demonstrates that operational activities in fashion extend far beyond product creation, involving deep managerial complexity across collection planning, inventory operations, distribution, marketing, and customer service.

However, this significant potential does not guarantee smooth internal organizational conditions, particularly within human capital management. As the market changes rapidly through trends, consumer preferences, competition, and omnichannel distribution, companies must be highly adaptive: quick in responding to trends, flexible in production and distribution, and efficient in operational processes. The combination of external market pressure and internal operational demands likely increases employee workload and stress, which in turn influences psychological well-being, motivation, and overall workforce stability. From this perspective, it becomes clear that the fashion retail sector in Indonesia is not merely product-oriented; it heavily depends on the quality of its human capital, specifically how organizations maintain employee engagement, competence, and well-being. This highlights the importance of studying

psychological variables, such as work engagement, burnout, self-efficacy, and life satisfaction, and their impact on job performance.

As the industry grows and operational demands intensify, there is a potential risk that employee well-being and work engagement may not be managed as effectively as performance targets. Prolonged exposure to high workload, time pressure, and frequent adjustments may increase vulnerability to burnout and reduced engagement, which can ultimately affect job performance. However, empirical evidence in the Indonesian fashion retail context remains limited. This gap indicates that while the industry continues to expand, the sustainability of employee performance from a psychological perspective has not been sufficiently examined.

Given the significance of these phenomena, employers and organizations must pay attention to psychological conditions, specifically work engagement, burnout, professional self-efficacy, and life satisfaction, as these factors play a crucial role in shaping job performance. These variables have become central topics within human capital management literature and are regarded as important indicators of psychological well-being. Therefore, this study aims to analyze the relationships among the five variables. This study also refers to the research model developed by Bernales-Turpo et al. (2022), which explains how employees' psychological conditions influence their job performance.

The dynamics of the fashion retail industry make work engagement one of the most critical psychological indicators. In this fast-paced sector, employees are not only expected to work efficiently but also to demonstrate vigor, dedication, and absorption as they manage rapidly changing tasks. Weekly shifts in merchandising strategies, promotional campaigns, and inventory management necessitate highly engaged employees who can remain productive and adaptable.

However, when workloads increase without sufficient support, engagement may decline. Fluctuating sales targets, abrupt product planning revisions, and high-intensity cross-functional coordination can drain employees'

emotional and physical energy. This loss of vigor directly affects daily work quality and may eventually lead to withdrawal behaviors such as minimal effort, reduced initiative, and weakened organizational attachment.

Back-office employees in fashion retail with high engagement tend to make faster decisions, manage merchandising data more accurately, and collaborate more effectively with store operations. High engagement also fosters proactivity in problem-solving. Conversely, low engagement can lead to operational bottlenecks, decreased accuracy in stock management, and increased administrative errors, all of which affect organizational performance. Thus, in the context of fashion retail, work engagement is both an individual psychological state and a strategic factor influencing competitiveness.

Burnout emerges as a significant threat in the fashion retail industry due to the repetitive yet fast-paced nature of the work. Employees often experience continuous work cycles without adequate recovery time, especially during peak seasons such as Eid al-Fitr, Christmas, or major promotional campaigns. Rapid deadlines, frequent product changes, and the need for constant responsiveness create a high risk of emotional exhaustion.

Burnout is particularly prevalent in HR, merchandising, and supply chain roles, the backbone of fashion retail, where administrative and coordination demands are substantial. These employees may handle thousands of SKUs, ensure precise stock movement, or resolve workforce-related issues resulting from shifting internal policies. Repeated pressure of this kind contributes to emotional exhaustion, the most dominant dimension of burnout.

If left unaddressed, burnout can lead to depersonalization, where employees become emotionally detached from their work and tasks. This detachment is highly problematic in the fashion retail industry, which relies heavily on speed, creativity, and teamwork. Without emotional connection, decision-making quality declines, operational errors increase, and

inter-department collaboration becomes ineffective. At this stage, burnout directly undermines job performance and destabilizes company operations

In fashion retail, employee professionalism is strongly influenced by self-efficacy, the belief in one's capability to accomplish tasks effectively. This sector frequently presents high-uncertainty work situations, such as last-minute changes to promotional strategies, sudden product adjustments, or urgent reporting requirements. High levels of self-efficacy help employees remain composed and effective during such pressure.

When workload intensifies and expectations shift rapidly, employees with lower self-efficacy may begin to doubt their abilities. This self-doubt can slow work processes, reduce initiative, and increase the likelihood of mistakes. In back-office roles where data accuracy is crucial, low self-efficacy may compromise the effectiveness of sales forecasting, stock reporting, and decision-making.

Conversely, employees with high self-efficacy are more likely to view pressure as a challenge rather than a threat. They adapt more readily, act with greater confidence, and remain prepared for urgent situations. In a fashion retail environment that relies heavily on speed and precision, self-efficacy becomes a crucial psychological strength that supports job performance. As such, developing self-efficacy is a key human capital strategy for sustaining performance in this sector.

Life satisfaction has become increasingly relevant in the fashion retail sector, which requires flexible working hours, high mobility, and multitasking responsibilities. When work-life balance deteriorates, employees may experience a loss of motivation and emotional energy, especially those who manage administrative tasks while coordinating with store teams working late hours.

Employees with low life satisfaction often show symptoms of chronic stress, reduced concentration, and diminished enthusiasm. In fashion retail, this

manifests as declining creativity, slower responsiveness, and reduced accuracy in merchandising data management. Poor life satisfaction also weakens decision-making quality, ultimately lowering operational performance.

In contrast, high life satisfaction promotes emotional stability, enabling employees to remain productive, manage pressure effectively, and stay aligned with organizational goals. Employees with strong life satisfaction tend to maintain consistent work quality and demonstrate higher organizational loyalty.

Taken together, the four variables work engagement, burnout, professional self-efficacy, and life satisfaction interact in complex ways to shape job performance in the fashion retail industry. High engagement fosters motivation and energy, while heightened burnout can significantly diminish performance. Self-efficacy strengthens psychological resilience, and life satisfaction sustains emotional balance. In a fast-paced and competitive fashion retail environment, understanding these interactions is essential for designing adaptive and sustainable human capital development strategies.

Despite the continuous growth of Indonesia's fashion retail industry, rapid shifts in consumer preferences create operational instability that directly affects back-office employees. Frequent trend changes require repeated revisions of sales forecasts, inventory planning, and reporting processes, increasing cognitive workload and time pressure. During peak seasons such as Eid, Christmas, and large promotional campaigns, these demands intensify, often without proportional recovery periods. For back-office employees, who are responsible for accuracy and coordination rather than direct sale, prolonged exposure to such conditions may lead to emotional exhaustion, reduced confidence in professional capabilities, and diminished work engagement. This indicates a potential psychological vulnerability that has not been sufficiently examined in the Indonesian fashion retail context.

1.2 Problem Formulation and Research Question

Based on the background explanation presented earlier, this study aims to understand the psychological factors that influence employee performance, particularly within the fashion retail industry. Challenges such as fast-paced operational rhythms, high work demands, and the constant pressure for consistent output require organizations to develop a deeper understanding of the variables that shape work engagement. Therefore, the study by Bernales-Turpo is used as a primary reference, as its analytical framework, originally applied to the healthcare sector offers relevant insights for examining similar dynamics within the fashion retail context.

This research draws upon the main reference journal conducted by Deisy Bernales-Turpo et al., titled *“Burnout, Professional Self-Efficacy, and Life Satisfaction as Predictors of Job Performance in Health Care Workers: The Mediating Role of Work Engagement”* published in 2022. Guided by this model, the present study investigates whether the three independent variables burnout, professional self-efficacy, and life satisfaction have direct relationships with job performance, as well as whether their effects on performance are mediated through work engagement within the fashion retail industry.

Based on this explanation, the researcher formulates the following research questions:

1. Does professional self-efficacy have a positive effect on work engagement?
2. Does life satisfaction have a positive effect on work engagement?
3. Does burnout have a negative effect on work engagement?
4. Does work engagement have a positive effect on job performance?
5. Does work engagement mediate the relationship between professional self-efficacy and job performance?
6. Does work engagement mediate the relationship between life satisfaction and job performance?

7. Does work engagement mediate the relationship between life satisfaction and burnout?

1.3 Research Objectives

Based on the overall background, problem identification, and the relationships between variables previously discussed, the researcher identifies a need to gain a deeper understanding of how psychological factors such as professional self-efficacy, life satisfaction, and burnout shape work engagement and contribute to job performance. The research gap identified in the study by Bernales-Turpo et al. (2022) indicates that the model has not been widely tested in sectors with different job characteristics, particularly the fashion retail industry, which is marked by high operational pressure and intensive customer service demands. Therefore, this study aims to investigate these relationships in a new context and determine whether the patterns found in previous research remain consistent when applied to a different work environment.

Based on the background discussion, the identified problems, and the formulated research questions, the objectives of this study are as follows:

1. To analyze the effect of professional self-efficacy on work engagement.
2. To analyze the effect of life satisfaction on work engagement.
3. To analyze the effect of burnout on work engagement.
4. To analyze the effect of work engagement on job performance.
5. To analyze the mediating effect of work engagement on the relationship between professional self-efficacy and job performance.
6. To analyze the mediating effect of work engagement on the relationship between life satisfaction and job performance.
7. To analyze the mediating effect of work engagement on the relationship between life satisfaction and burnout.

1.4 Research Benefits

1.4.1 Academic Contribution

Academically, this study is expected to contribute to the enrichment of knowledge and references in the field of Human Resource Management, particularly concerning the relationships among burnout, professional self-efficacy, life satisfaction, work engagement, and job performance. The findings of this research are anticipated to support students, lecturers, and future researchers in expanding relevant theories and developing more comprehensive research models within this area of study.

1.4.2 Practical Contribution

Non-academically, this study is expected to provide practical benefits for both organizations and individuals.

1. For organizations, the results of this research may serve as a consideration in formulating policies and strategies to enhance employee performance.
2. For individuals, this study may offer insights into the importance of work engagement and psychological balance in maintaining productivity within the workplace.

1.5 Scope Limitation

This study is subject to several scope limitations that are intentionally defined to ensure analytical focus and data relevance.

1. Data collection was conducted online by distributing questionnaires through Google Forms between October and November 2025. This approach was selected to enable efficient data collection from respondents across different organizations within a limited research period and to ensure consistency in the measurement of psychological variables examined in this study.
2. The scope of this research is limited to back-office employees in the fashion retail industry. This focus was chosen because

back-office roles involve intensive coordination, administrative responsibilities, and operational decision-making processes, making them particularly relevant for examining the relationships among burnout, professional self-efficacy, life satisfaction, work engagement, and job performance.

3. The respondents of this study are limited to fashion retail employees who have been working in the same company for a minimum of one year. This criterion was applied to ensure that respondents had sufficient exposure to organizational systems, work demands, and performance expectations, allowing them to provide informed and reliable responses regarding their work experiences.

1.6 Writing System

The preparation of this research is organized into five chapters, following the guidelines for academic report writing. Each chapter is interconnected, ensuring coherence and systematic flow throughout the study. The structure of this research paper is as follows:

Chapter I : Introduction

Chapter I presents a general overview of the research to be conducted, including the observed phenomena in both the general and organizational contexts, as well as the urgency of the study. This chapter also explains the benefits, objectives, and limitations of the research.

Chapter II : Literature Review

Chapter II discusses the theoretical foundation of the study, which is developed based on relevant previous research. This chapter also elaborates on the relationships among variables, presents the research model, and outlines the hypotheses. The purpose of this chapter is to provide a conceptual framework and serve as a guide for the implementation of the research.

Chapter III : Research Methodology

Chapter III explains the research object, analytical design, population and sample, data collection techniques, operational definitions of variables, and the hypotheses developed as responses to the research problems.

Chapter IV : Analysis and Discussion

Chapter IV presents the data collected through the distributed questionnaires and the results of the questionnaire analysis. The information will be processed using analytical software. The researcher will include the results of data processing in the form of figures, tables, and descriptive explanations of the collected data. The purpose of this chapter is to provide answers to the research problems and hypotheses stated in the previous chapters.

Chapter V : Conclusion and Recommendations

Chapter V provides a summary of the overall research findings. It also includes recommendations for future researchers and practical implications for organizations.

References

This section contains all references used in the research, including articles, news sources, websites, journals, and books that support the study.

Appendices

This section includes the main journal used in the study, the results of data processing, the questionnaire distributed to respondents, the author's Curriculum Vitae (CV), and the thesis consultation forms.