Perceived Racial Discrimination Antecedents of Turnover Intention (Intervened by Job Satisfaction and Organizational Commitment) The Case of Family-based Company "PT.X"

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ABSTRACT. This paper explores the influence of perceived racial discrimination on work-related attitudes (i.e., job satisfaction, organizational commitment, and turnover intention) among employees in a family-based company engage in construction consulting services. The investigation was utilized with quantitative methods and saturated technique was performed by collecting samples from 82 employees. The analysis is conducted with WarpPLS. Weexamine how workplace racial composition affects employee's experiences of racial discrimination or how these experiences impact workers organizational commitment and job satisfaction. The analyses indicate that perceived racial discrimination correlates positively on turnover intentions among employees. We also propose that job satisfaction correlates positively on organizational commitment. And in the end, we test job satisfaction and organizational commitment intervene the interactive effects of perceived racial discrimination on turnover intention respectively.

Keyword :*Racial Discrimination, Turnover Intention, Organizational Commitment*

1. INTRODUCTION

Indonesia is a country that has a rapid growth in family-based and private companies with tally 87% according to PwC survey 2018. This type of firms has undergone an escalation of competition into higher level. The high level of competition leads private and family-based companies to equip themselves with employees who have a high level of credibility and competence. Private or family-based companies likely have racial issue and often derived from the business owner ethnic and culture. Employees often face discriminatory treatment due to different races within the corporate culture environment. This discrimination issue brings about communication crisis and often leads to high turnover rates. Williams & Glissonwi found there has been significant attention on the employee retention. This has made possible the availability of valuable information to resolve this issue. This includes, but not limited to, organizational and individual factors, political and organizational culture, psychological aspects and socialization. Better and fair organizational systems develop employee's trust in organization and results into lower turnover intentions [1]. Studies have pointed that turnover is one of the most researched phenomena in organizational behaviour [2]. The broad range of turnover studies is indicative of the significance and complexity of the issue. The link between turnover intention, job satisfaction and organizational commitment has been discussed in the scope of the health industry such as hospital [3], and the tourism industrysuch as hotels [4]. And restaurants

and restaurants [5], yet seemingly there are very few who discuss the impact of perceived racial discrimination on turnover intention in the context of a family-based company especially in developing countries like Indonesia. A number of studies underscore the role of organizational support in influencing absenteeism. Refer to Eisenberger et al. [6] finding that a number of studies underline the role of organizational support in affecting absenteeism. In this study found perceived organizational support significantly predicted attendance, with those perceiving more support being absent less often. Correspond with social exchange theory, that employees' "felt obligation" to reciprocate organizational goodwill mediated the perceived organizational support–withdrawal behavior relationship. Employees who perceive their organization as supportive, in turn, feel an obligation to reciprocate in the form of enhanced job satisfaction and organizational commitment, and reduced withdrawal in terms of turnover and absenteeism.

Research has also shown that racial prejudice and discrimination are still quite pervasive in our society, not only within our workplaces, but also within our communities. Turnover within the company is just an iceberg phenomenon, there is possibility that many employees actually want to leave the company but prefer to stay in the company. For minority employees, their racial identities are more salient, and thus, these employees are more likely to favor contexts that help to further affirm and strengthen their racial identities [7]; [8]. This phenomenon is not a small problem, because companies can lose investment in developing talented and potential employees at any time if the company is unable to detect the level of potential employee satisfaction that lead to turnover intention. Organizational justice, job autonomy, organizational support, trust in management, job satisfaction, and affective commitment influence both extra-role performance and turnover intention. The proper management of diversity plays an important role in shaping employee attitudes and behaviors, and influences employee turnover, an important employee outcome. Employee turnover is one of the major problems that organizations have to grapple with. "PT.X" is a family-based company engaged in construction consulting services. The owner's family of this company is chinese ethnicity and the entire board of management are the same ethnic as the owner, but lower and skillful employee are multi-ethnic different than the owner, some of them are expert employees. This has the potential to bring about racial discrimination issue, and it is crucial to investigate whether these expert employees have the potential to leave the company. It is necessary to comprehend that there are consequences of employment discrimination beyond the immediate effects of the claim on the claimant.

Perceptions of employment discrimination (and the resulting some impacts) typically resulting negative outcomes such as increases in litigation and organizational loss (even acknowledging that it can also generate some positive outcomes, such as organizational learning and associated change management interventions). This study aims to see is there any effect of perceived racial discrimination on job satisfaction, organizational commitment and turnover intention within the company"PT.X".

2. LITERATURE REVIEW

2.1 Perceived Discrimination Issue

In terms of diversity management inside organization, Dahanayake argues that organizations must uphold justice because it can improve company performance, if workforce gets justice, not only in work portion, but also in rights such as compensation and promotion, workforce will be motivated to create, innovate and improve their work performance. The subjective assessment that one has been treated unfairly on the basis of his/her race or ethnicity—maybe highly responsive to the racial and ethnic composition of the workgroup. Injustice within the company often appears in an environment of unethical behavior [9] and one kind of this issue is perceived racial discrimination [10]., [11]. Sanchez & Brock defined perceived discrimination is an individual's perception that he or she is treated differently or unfairly because of his or her group membership. One's identity group may include individuals with similar demographic characteristics, such as ethnicity, gender, or age [12]. The perspective of organizational demography derives from various paradigms of social- psychology in exploring how the composition of race of individuals immediate work environment (coworkers, manager) influences work-related attitudes and behaviors.

Triana et al. [11] found that perceived racial discrimination has a negative impact on work behavior and has a positive impact on coping behavior, individuals with same-race coworkers and managers are hypothesized to have stronger in-group cohesion leading to reductions in perceived discrimination and greater organizational attachment. Therefore we precidct perceived racial discrimination is closely related to low job satisfaction and commitment to the company and tend to have high turnover rates. Tajfel and Turner [13] concluded that self-categorization and social identity theories, for instance, suggest that individuals categorize themselves and others on the basis of status distinctions, especially visible ones such as race. We propose, when ones perceive that their race or ethnicity is used as the basis of discrimination in their workplace, they will display a low level of job satisfaction and organizational commitment. So we hypothesize that:

H1 : Perceived racial discrimination negatively affects job satisfaction.

H2 : Perceived racial discrimination negatively affects organizational commitment.

H3 : Perceived racial discrimination positively affects turnover intention.

2.2 Job Satisfaction

Job satisfaction refers to emotional evaluation that people make of their work [14]. Job satisfaction is a crucial variable when discussing the work environment and processes. Job satisfaction is very much related to the formation of motivation to improve employee performance and has become an important topic in the achieving company targets [15]. In some studies stated that job satisfaction has been related to employee perceptions aspects such as ethical climate in organization and an employee's moral development [16]. The need for moral standards is a fundamental force in human development, in part because it creates social order [17]. Interpersonal comfort and happiness with economic outcomes at work have been correlated with job satisfaction and life satisfaction. Also the level of control of an employee has over his or her work environment, also contributes job satisfaction.

Job satisfaction is often triggered by various stimulisuch as success in achieving work targets, bonuses and promotion opportunities [18], so that when someone has high job satisfaction will make them assemble to have a high commitment to the organization [19] and often show little intention to leave the company [20]. So we hypothesize that:

H4 : Job satisfaction positively affects organizational commitment.

H5 : Job satisfaction mediates the effect of perceived racial discrimination on turnover intention.

2.3 Organizational Commitment

Organizational commitment is a form of emotional expression and a sense of one's attachment to the organizational, an employee who has a high commitment to the organization shows the behavior of work totality, feels become a part of the organization and less likely to leave the organization [20] when employee perceives unfulfilled by organization such as discrimination, it would likely to lessen a worker's affective organizational commitment because they reduce the emotional attachment to the organization. Conversely, when they perceive their needs fulfilled and perceive less discrimination, it will increase a worker's organizational commitment because they increase emotional attachment to the organization. These fulfilled needs signal to the worker that the organization shares the employee's assumptions and values, thus increasing identification,

involvement,and emotional attachment of the worker with the organization and increased citizenship behavior in their organization [14]. It can be implied that the emotional connection to the organization is an important predictor of reduced turnover intentions So we hypothesizethat:

H6 : Organizational commitment mediates the effect of perceived racial discrimination on turnover intention.

2.4 Our Contribution

This paper presents some new insights based on the phenomenon of some organizations have been in our societies, particularly family-based company. We bring up some findings that how employees perceive the practice of company in treating them, this typical studies have been carried out in most developed countries in diversity background, yet rarely investigated in developing countries like Indonesia, which aslo has multi ethnicities. Racial prejudice and discrimination are still quite pervasive in our society, not only within our workplaces, but also within our communities. Also this study focusing in construction and consulting service industry that rarely explored, unlike previous studies that focused on tourism industry such as hotel and restaurant, also health-service industry like hospital.

3. METHOD

3.1 Sample

Data for this study were collected from a family-based company engaged in construction consulting services in 2019. The owner's family of this company is Indonesian chinese ethnicity and the entire board ofmanagement are the same ethnic as the owner. Our sample is comprised of employees of family-based construction company which is established since 1985, with 2 office locations. The employees of this company comprised of lower and skillful employee are multi-ethnic different than the owner, some of them are expert employees. As for perceived discrimination, job satisfaction, organizational commitment, and turnover intention aspects are each measured by adopting 5 items of questions in each variable partly based on the job diagnostic survey and HRM practises, with 5 points likert scale ranging from "strongly disagree" to "strongly agree". The total score for such scale range from 5 to 25 in each variable and then it is averaged by the number of questions in each variable to obtain the mean score. To ensure anonymity, we had the questionnaires delivered individually to possible respondents, who were asked to return them in the enclosed stamped envelopes. These employees are seleceted with some considerations. First different from previous studies of turnover intention in the service

industry [21]; [22]; [4], most of the previous study's participants were low-skilled. In this PT. X employees are mixed of lower and skillful workforces with long tenure. And different ethnicity between owner, management and employees may lead to discriminationpractice.

3.2 Control Variables

Authors used three important variables to control for in the analysis, including gender, tenure with the employer, and job position may affect perceived discriminationand organizational commitment of employees. Employee's demographic and human capital characteristics are controlled for in the analyses that follow. Supply side explanations of workplace racial segregation suggest that workplace racial composition can be explained, inpart, by racial differences in human capital (education, skills, and experience). Similar to study conducted by Semyonov and Herring [23] jobs composed primarily of racial minorities requires less education and skill on average compared to White dominated jobs [23], controls for individuals' human capital are included to separate the effects of racial composition from job quality. Authors follow McDuff

[24] to control for organizational tenure,which is often found to be a significant predictor of job satisfaction and organizational commitment. It is measured as the respondent's total number of years working in the company. Lastly, position is related to work autonomy and authority in decision-making that affects work satisfaction [24]. In our study, job position is indicated by a dummy variable coded 1if the respondent is the person who is in charge of the company and coded 0 if the respondent is not.

4. DATA ANALYSIS

We first processed separate analyses for job satisfaction, organizational commitment, the two potential mediators, and the control variables were entered in the model. Then, we processed turnover intention on perceived discrimination. Finally, we processed turnover intentions on both the independent variables and on the mediators. The mediation effects can be shown by the changes in the coefficients of the independent variables in different models.

4.1 Results

Table 1 presents the statistic descriptive among study variables

Variables	Mean	SD	Min	Max
Tenure	6.247	2.704	2	14
Position	0.402	0.493	0	1
Gender	0.415	0.496	0	1
P Dis1	3.939	0.998	1	5
P Dis2	4.146	0.877	1	5
P Dis3	3.951	0.942	1	5
P Dis4	3.951	0.901	1	5
P Dis5	4.098	0.883	1	5
JS1	1.89	0.846	1	5
JS2	2.073	0.927	1	5
JS3	1.927	0.94	1	5
JS4	1.902	0.883	1	5
JS5	2.207	0.842	1	5
OC1	1.951	0.928	1	5
OC2	1.841	0.962	1	5
OC3	2	0.943	1	5
OC4	1.927	0.927	1	5
OC5	2.037	0.922	1	5
TI1	4.171	0.953	1	5
TI2	4.11	0.943	1	5
TI3	4.134	0.966	1	5
TI4	4	0.943	1	5
TI5	4.024	0.955	1	5

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For the next steps, we evaluates outer model with 3 criterion namely convergent validity, discriminant validity, and composite reliability. We performed a confirmatory factor analysis using WarpPLS 7.0. The results revealed that for converget validity, the loading factor for all variables the score is above 0,70; so that we can conclude that all loading factor fullfil the convergent validity criteria. Then the discriminant validitymeasured from cross loading through its construct. We applied with AVE criteria, when we tested, the result revealed that the result of output correlations among Latent Variable, the score of AVE for each variable is higher than the correlations among latent variable in the same coloumn. Finally the last test is composite reliability results, indicates that the Cronbach's Alpha score is above >0,70 for all construct. Then when we tested hypotheses using WarpPLS. First we tested the model 1, the correlation of control variables such as tenure, position, gender to job satisfaction, the result on table 2. For gender and position were not related with job satisfaction (β = .035, e = .373 and β = .095, e = .19, respectively), whereas tenure was positively related to job satisfaction (β = .226, e <.05).

Table 2 (Model 1 with Control Variables)

Criteria	Variables	Tenure	Position	Gender	Job Satisfaction
Path Coefficient	Tenure				
	Position				
	Gender				
	Job Satisfaction	0.226	0.035	0.095	
P-Values	Tenure				
	Position				
	Gender				
	Job Satisfaction	0.016	0.373	0.19	
Effect size's for path	Tenure				
	Position				
	Gender				
	Job Satisfaction	0.051	0.002	0.01	
R2					0.063
Adj R2					0.027
Cronbach Alpha					0.867

Then we tested the correlation of control variables such as tenure, position, gender to organizational commitment, the result is on table 3. Variable position and variable gender were not related with organizational commitment (β = -.006, e = .477 and β = .059, e = .295, respectively), whereas tenure was positively related to organizational commitment (β = .246, e < .05

Table 3 (Model 2 with Control Variables)

Criteria	Variables	Tenure	Position	Gender	Org Commitment
Path Coefficient	Tenure				
	Position				
	Gender				
	Org Commitment	0.246	-0.006	0.059	
P-Values	Tenure				
	Position				
	Gender				
	Org Commitment	0.009	0.477	0.295	
Effect size's for path	Tenure				
	Position				
	Gender				
	Org Commitment	0.061	0	0.004	
R2					0.065
Adj R2					0.029
Cronbach Alpha					0.89

Table 4 WarpPLS Analysis Testing Mediating Effects of Job Satisfaction and Organizational Commitment

Criteria	Variables	Per Disc	JobSatis	OrgCommit	Tunovrin
Path Coefficient	PerDisc				
	JobSatis	-0.925			
	OrgCommi	-0.087	0.849		
	Tunovrin	0.664	0.31	-0.569	
P-Values	PerDisc				
	JobSatis	<0.001			
	OrgCommi	0.211	<0.001		
	Tunovrin	<0.001	0.001	<0.001	
Effect size's for path	PerDisc				
	JobSatis	0.856			
	OrgCommi	0.808	0.794		
	Tunovrin	0.802	0.158	0.521	
R2			0.856	0.874	0.849
Adj R2			0.854	0.871	0.844
Cronbach Alpha			0.867	0.89	0.866

The results of WarpPLS analysis for all variables with job satisfaction and organizational commitment as mediating effects, it was found that perceived racial discrimination (β = -.925, e < .001) had a positive effect to job satisfaction, this support for H1. Unlike the effect of perceived racial discrimination to job satisfaction, the effect of perceived racial discrimination to organizational commitment result is (β = -.087, e < .211), therefore H2 is not supported. For H3, can be illustrated from the effect of perceived racial discrimination to turnover intention result (β = .664, e < .001). So H3 is supported. For the effect of job satisfaction to organizational commitment result (β = .849, e < .001), so H4 is supported. For H5 and H6, both can be described from the result (β = .31, e < .001) and (β = -.569, e < .001). We can see that both H5 and H6 are supported.

5. DISCUSSION

From this study, presented that perceived racial discrimination, significantly related to job satisfaction; high job satisfaction is significantly related to strong organizational commitment. When an organization upholds justice, where workforce gets justice such as work portion, compensation and promotion; workforce will be motivated to create, innovate and improve their work performance. Workforce would likely to build strong attachment and stay commit to the organization. In contrast, low organizational commitment is significantly related to high turnover intention. When organization acts reversely. Their workforce would reciprocate in the form of weakened job satisfaction and their organizational commitment, and increased withdrawal in terms of turnover and absenteeism.

We found a relationship perceived racial discrimination and turnover intention through the mediating effect of job satisfaction and organizational commitment. Our findings revealed that job satisfaction and organizational commitment fully mediated the relationships between perceived racial discrimination and turnover intentions. This confirms the importance of satisfaction and commitment as intervening variables in models of turnover intentions. Some of discrimination forms that perceived in current study are the structure of worker affiliations and the patterns of interaction that occur across the ethnicity.

This research also addresses some other findings particularly we explored the role of control variables in examining how gender, tenure and position affect the level of job satisfaction of employee and their commitment to organization in the context of racial discrimantion perception of each individual employee.

6. LIMITATIONS

While we give insights into understanding how the racial discrimination perception of the workplace affects job satisfaction and organizational attachment of employee, they are not without limitations. For example, our dynamic theoretical framework; however, cross-sectional data did not present how procedural and distributive justice factors contribute in perceived racial discrimination and its relationship with job satisfaction and organizational attachment in a dynamic way.

Other fundamental notes for further study, that in what extent the theoretical framework developed in this study can generalize across different types of occupations. Future study is needed to cross-validate the current model using other professional employees; other indstries as well as different nationalities and denominations. Last but not least, it is imperative to examine how the racial composition of workgroups affects perceived racial discrimination, and whether racial discrimination mediates the observed association between racial composition and organizational attachment observed in future studies.

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