

CHAPTER I

INTRODUCTION

1.1 Background

For the purpose of accomplishing long term success in nowadays competitive business environment, companies in various industries are under pressure to increase profitability. Increased profitability is a key objective for businesses because it contributes to business sustainability, satisfies stakeholder expectations, and provides a market advantage. In an endeavor to increase profits, businesses are evaluating the significance of productivity and efficiency enhancements. The objective of productivity enhancement is to generate more output or results by maximizing the utilization of available resources. Meanwhile, the objective of efficiency improvement is to produce the same or more output with fewer resources.

Implementing overtime work and high workload is one strategy for increasing productivity and efficiency. Overtime refers to the practice of employees working in excess of the normal working hours specified by regulations or company policy. Overtime work comprises additional work performed beyond normal working hours. Companies frequently utilize overtime to increase production output in a brief amount of time. At the same time, it is expected that assigning workloads to employees will improve the utilization of time and resources. High workloads reflect situations in which employees are under pressure to complete complex tasks, meet stringent deadlines, or deal with large volumes of work in a short period of time.

According to information obtained from the International Labour Organization (ILO) on the Statistics of Overtime 2023, the rate of overtime work in the industrial sector has remained significant in recent years. According to the report, more than 20 percent of employees in ILO member countries regularly work overtime. The ILO establishes that the standard workweek for employees is 40

hours. In the meantime, the obtained data indicates that the proportion of employees working 49 or more hours per week varies from 2 percent to 91 percent of the total workforce in ILO member states. This demonstrates that the pressure to increase productivity frequently drives companies to implement overtime work as a temporary solution.

In addition, in accordance to the 2021 Mind the Workplace report published by Mental Health America (MHA), employees frequently express concern that they will not be able to take necessary time off when coping with an unmanageable workload. This is supported by a survey of over 5,000 employees from 17 industries in the United States, which revealed that nearly 83 percent of respondents felt emotionally exhausted from work due to an unmanageable workload. Moreover, employees claim that they work too many hours per week, indicating a high workload.

The industrial sector in Indonesia is not exempt from the phenomenon of overtime work and high workload. Manufacturing is one of the industrial sectors that continues to expand in Indonesia. According to data from *Badan Pusat Statistik* (BPS) Indonesia 2022, the number of medium and large manufacturing companies in Indonesia reached 29,000 of total manufacturing companies in 2022. Along with the high demands in work, the manufacturing industry is one of the sectors that often experiences overtime work and high workload, this is in line with research conducted by Nelson et al (2023) that shows the high production process has an impact on the high demand for labor and capabilities in the manufacturing industry.

One of the largest manufacturing companies in Indonesia is PT Riau Andalan Pulp and Paper (RAPP). It is managed by Asia Pacific Resources International Holdings Ltd (APRIL), a firm that likewise focuses on the pulp and paper industry. Asia Pacific Resources International Holdings Ltd (APRIL) is a member of the Royal Golden Eagle (RGE) group, which was founded by Sukanto Tanaoto (CEO) in 1973. This group today consists of over 80 subsidiaries and is the largest in Indonesia or among multinationals.

In conformity with *Aprilasia.com* (2023), PT.Riau Andalan Pulp and Paper (RAPP) is located in Pangkalan Kerinci, *kecamatan* Langgam, *kabupaten*

Pelalawan, approximately 75 kilometers from the capital city of Riau, Pekanbaru, with its main office, administration, and collaboration located at *Jalan M.H.Thamrin No. 31, Kebon Melati, Tanah Abang, Jakarta Pusat 10230, Indonesia*. and Paper is situated in a favorable location since Pangkalan Kerinci is the closest resource with a suitable climate for tree growth, which is the primary raw material for Pulp and Paper. PT. RAPP is known as an integrated mill that produces 2,000,000 tons per year of pulp with a production capacity of 2,500,000 tons per year and 800,000 tons per year of paper with a production capacity of 800,000 tons per year.

APRIL Group is a world leading pulp supplier and uses advanced manufacturing processes to produce pulp of premium quality. The plantation pulp products of PT. RAPP are PEFC certified, as the fiber used in production is sourced from sustainably managed plantation and sources which uphold ecological, economic and social values. This pulp afterwards become one of material in the production of paper at PT. RAPP. The paper product is branded as PaperOne™. Therefore, this product is marketed in more than 70 countries.

The organization structure of PT. RAPP is divided into several main offices including finance office, procurement office, personal and administration, research process and product development, operation and product, quality control, and production. The employees are working under each department with separates role and job responsibilities. Considering PT. RAPP's large production and distribution of pulp and paper, this company could require high workloads and work hours for its employees in order to fulfill the market demand and completing the work tasks.

Moreover, burnout is a major concern in the context of overtime work and high workloads. Burnout is a condition of mental, physical, and emotional exhaustion caused by extended, chronic stress at work. Burnout can mediate the relationship between overtime work, workload, and employee productivity in the context of overtime work and a high workload. Research by Adil et al (2022) found that burnout occurs due to the high frequency of overtime work along with elevated workloads that affect the psychological well-being of employees and can influence work productivity in the industrial sector.

Therefore, based on the described background and problem, the phenomenon of overtime work and high workload is evident and an appropriate topic of study. The study related to this topic is expected to provide valuable input for the company in managing the employees' management. Thus, this study was examine “**THE EFFECT OF OVERTIME AND WORKLOAD TOWARDS EMPLOYEE PRODUCTIVITY WITH BURNOUT AS MEDIATING VARIABLE (A STUDY AT PT. RAPP)**”.

1.2 Formulation of the Problem

Based on the described background of the problem above, this study described about the effect of overtime and workload towards employee productivity with burnout as mediating variable. Therefore, the formulation of the problem of this study is: How is the effect of overtime and workload towards employee productivity with burnout as mediating variable.

1.3 Purpose of the Study

The purposes to be achieved in this study in accordance with described background are involved below:

1. To examine and to analyze the effect of overtime on employee productivity
2. To examine and to analyze the effect of workload on employee productivity
3. To examine and to analyze the effect of overtime on burnout
4. To examine and to analyze the effect of workload on burnout
5. To examine and analyze the influence of burnout on employee productivity
6. To examine and to analyze whether burnout mediates the influence of overtime on employee productivity
7. To examine and to analyze whether burnout mediates the influence of workload on employee productivity

1.4 Significance of the Study

Based on the identification, this study expects to provide significant information for several parties:

1. Benefits for the company

This study is expected to provide information about the influence of overtime and workload on employee productivity with burnout as mediating variable at PT. RAPP. Managing overtime, appropriate workload, and preventing or reducing burnout levels can contribute to sustainable long-term productivity gains.

2. Benefits for institutions

This study is expected to provide information and additional reading as well as input for those interested in the topic of the influence overtime and workload on employee productivity.

3. Benefits for the field of the study concerned

The results of this study are expected to provide information and development for other research in the future.

4. Benefits for the author

This study expected as a way to apply the knowledge gained by the author during lectures with practice in the field so that it can add insight to the author.

1.5 Scope and Limitation of the Problem

Based on the identification of the problem above, this study was only conducted on employees at PT. RAPP who experiencing the work overtime on weekdays and weekend based on the company and the government regulatory. The employees who work in normal hours were not included in this study. The collection of the data needed was processed through questionnaire method with the distribution of online questionnaire. This study collected secondary data to provide additional information and insight related to the topic from previous research and publications involved report, articles, journals, and websites that has been published about PT. RAPP.

1.6 Writing System

In order for the writing of this thesis report to be systematic and neatly structured, systematic report writing is needed. The following is systematics thesis report writing:

CHAPTER I: INTRODUCTION

In CHAPTER 1 it explains the background of the study, problem formulation, research objectives, research benefits, research scope and limitations of the problem and systematic report writing.

CHAPTER II: LITERATURE REVIEW

In CHAPTER 2 it explains the selected theories that generate ideas and underlie the topic of the chosen thesis title. Where the literature review contains previous research, theoretical basis and framework.

CHAPTER III: RESEARCH METHODOLOGY

In CHAPTER 3, it describes the types of research, research subjects and research objects. location and object of research, types and sources, population and samples, sampling technique, Data collection technique, data processing technique, measurement scale, data analysis method, types of research, concept definition and operational variable.

CHAPTER IV: RESULT AND DISCUSSION

In CHAPTER 4, it explains the results of the research, discusses the research results obtained and the limitations of the research

CHAPTER V: CONCLUSIONS AND SUGGESTIONS

In CHAPTER 5, it explains the conclusions and suggestions from the research that has been done.