



Gen Z Job Stress in High Regulated Work Environment Case From Bank Industry

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Abstract. *The increasing presence of Generation Z (Gen Z) in the banking industry presents unique challenges, especially in highly regulated work environments. Gen Z employees prioritize work-life balance, seek continuous personal and professional development, and expect a more flexible and transparent workplace culture. However, the stringent regulatory requirements in the banking sector impose high job demands, administrative burdens, and intense supervision, which may lead to significant job stress among young employees. This study aims to explore the experiences of Gen Z employees in coping with regulatory pressures in the banking industry and to identify their adaptation strategies to manage workplace stress. Using a qualitative approach, the research investigates how leadership styles, job autonomy, and financial well-being influence Gen Z's stress levels and job satisfaction. Findings indicate that supportive leadership, clear communication, and flexible work arrangements can mitigate stress and enhance employee retention. The study offers practical recommendations for financial institutions to implement employee-centred policies that align with Gen Z's expectations while maintaining compliance with industry regulations.*

Keywords: Gen Z; Job Stress; Regulated Work Environment; Banking Industry.

1. BACKGROUND

Generation Z (Gen Z) is a workforce group that is increasingly dominating the banking industry with unique characteristics, such as more flexible work values, interest in *work-life balance*, and the need for a work environment that supports personal and professional development (Argiyantari et al., 2022; Ledoh et al., 2024). This generation grew up in the fast-paced digital era, so they are more familiar with technology, have high expectations of work efficiency, and tend to seek an environment that allows them to continue learning and developing. In addition, Gen Z is also known to prefer a more inclusive and collaborative work culture, where they can interact openly with colleagues and superiors without a rigid hierarchy. This makes them more demanding of transparency in communication and clarity in career paths, so companies need to adjust management strategies to retain and optimize their potential in the workforce.

The banking industry is known to be a highly regulated sector, both in terms of internal policies and compliance with external regulations, which can put significant pressure on young employees. These strict regulations create a challenging work environment, often resulting in *job stress*, *insecurity*, and *turnover intention* among Gen Z employees (Priyono & Tampubolon, 2023). The high regulatory demands in the banking industry increase workload and affect the psychological well-being of Gen Z employees. High administrative burdens, demands for

compliance with financial policies, and strict supervision from regulators make them work under constant pressure. In many cases, Gen Z employees feel a lack of control over their work, which can trigger prolonged work stress and lower work motivation (Lucky et al., 2022; Ratnasari & Saputra, 2024)). In addition, the lack of flexibility in the banking work environment also exacerbates this condition, considering that Gen Z prefers a more dynamic and results-based work system compared to rigid working hours (Oktaviannur, 2020).

This condition is further complicated by leadership and organizational culture challenges in the banking sector. Studies conducted by (Lisbet et al., 2024) show that authoritative leadership styles and lack of support from superiors can exacerbate work stress levels, especially for young employees who are still adapting to the world of work. In contrast, supportive and collaborative leadership can help Gen Z better manage work pressure and increase their attachment to the organization. Besides leadership, financial well-being also plays an important role in determining employee stress levels. Gen Z tends to be more aware of the importance of financial stability and often feels anxious about economic uncertainty, especially in competitive work environments such as banking (Munir, 2023).

Therefore, the banking industry needs to adjust its human resource management strategies to be more responsive to the needs of Gen Z employees. Implementation of more flexible policies, mental health support, and strengthening empathy-based leadership can be a solution to reduce work stress levels and improve employee retention. Therefore, this study aims to explore the experiences of Gen Z employees in dealing with high regulatory pressure in the banking sector and identify the adaptation strategies they use to manage work stress in a challenging environment.

Previous research shows that the main factors causing work stress in Gen Z are high workloads, lack of flexibility, and high company expectations in meeting complex compliance standards (Ratnasari & Saputra, 2024). In this case, supportive leadership is one of the factors that can help reduce stress levels and increase employee engagement at work. The *Friendly Leadership* concept emphasizes the importance of building connections and collaboration in the workplace, which can create a more inclusive and comfortable work environment for Gen Z (Lisbet et al., 2024). In addition, financial well-being is also an important aspect that can affect employee stress levels. A study conducted by (Munir, 2023) revealed that applying Islamic finance can be one of the solutions to improving Gen Z's financial well-being, which can help reduce their anxiety regarding economic stability amidst high work pressure.

With these factors in mind, this study aims to explore Gen Z's work experiences in the face of high regulatory pressure in the banking industry and how they manage the resulting

work stress. The research also seeks to understand the adaptation strategies adopted by Gen Z employees in navigating the challenges of a highly regulated work environment and identify the role of leadership and financial well-being in mitigating the negative impact of work stress. The results of this study are expected to provide insights for banking companies in designing policies that are more friendly to young employees and improve the retention of a qualified workforce in the banking industry.

2. THEORETICAL REVIEW

Demand-Control Model Theory

The Demand-Control Model theory developed by (Karasek Jr 1979) explains that job stress is influenced by two main factors, namely the level of job demands and *job* control. Job demands include the workload that must be completed in quantity and complexity. The higher the job demands, the greater the potential for stress workers feel, especially if sufficient resources do not match it. Meanwhile, job control refers to the degree of freedom and autonomy workers have in organizing how they complete tasks. If workers have a high level of control, they can be more flexible in managing their workload and reduce stress. Conversely, jobs with high demands but low control will increase psychological distress and the risk of burnout.

Jobs often fall into the High-Strain Jobs category, where work demands are high but individual control is low. This is due to several factors, such as strict sales targets, pressure to comply with banking regulations, and heavy administrative burden. In addition, the work environment in banks generally has a rigid work structure, with rules that have been set hierarchically, limiting the space for employees, especially the younger generation, such as Gen Z, to adjust their work methods. Gen Z is known as a generation that prioritizes *work-life balance* and prefers flexibility in work. However, in a banking environment, rigid working hours and limitations on decision-making can lead to discomfort, decreased motivation, and high employee turnover.

The imbalance between high work demands and low job control can hurt Gen Z workers. They are more prone to prolonged job stress, decreased engagement in work, and loss of morale. In the long run, this can lead to high resignation rates among young employees who feel that the bank's work environment does not match their expectations. To mitigate this negative impact, strategies are needed to increase job control, such as providing flexibility in completing tasks, enforcing more adaptive work policies, and allowing workers to participate in decision-making. In addition, it is also necessary to reduce excessive work demands, for

example, by distributing workloads more evenly, optimizing the use of technology to reduce administrative tasks, and providing mental well-being programmes for employees.

Concept of *Job Stress*

Job stress is a condition of imbalance between job demands and individual capacity to deal with them, which can affect employees' physical and psychological well-being. According to Munir (2023), work stress in the younger generation, including Gen Z, is influenced by workload, financial factors, and career uncertainty. (Priyono & Tampubolon, 2023) Job insecurity and high workload can increase turnover intention, especially in industries with strict regulations, such as banking.

Factors that cause work stress include high job demands, pressure to achieve targets, lack of control over work, and a work environment that does not support employee well-being. (Ratnasari & Saputra, 2024) The study identified that disproportionate workload and lack of *work-life* balance are the leading causes of work stress among Gen Z employees. In the banking industry, strict regulations and rigid hierarchical systems often make young workers feel limited in making decisions, which can increase stress levels.

The impact of work stress on employees is significant, both on their performance and well-being. According to Pradhana et al. (2024), sustained job stress can lead to mental fatigue, decreased work motivation, and a tendency to leave (*turnover intention*). In addition, poorly managed stress can impact physical and mental health, such as an increased risk of anxiety disorders and burnout. Therefore, companies need to design strategies that can help reduce employee stress levels.

Characteristics of Generation Z in the World of Work

Generation Z, which consists of individuals born between the mid-1990s and early 2010s, has unique characteristics in the world of work. (Ledoh et al., 2024) explains that Gen Z is highly digitally literate, highly dependent on technology, and prioritizes flexibility in work compared to previous generations. They also tend to look for jobs that have value and positive social impact (Anwar et al., 2024).

Gen Z prefers work environments that support work-life balance, provide growth opportunities, and offer flexibility in time and place of work. (Lisbet et al., 2024) This generation highlighted that more collaborative and *friendly* leadership increases job satisfaction. In addition, Gen Z also has high expectations of financial well-being and a clear career path.

However, Gen Z faces various challenges in the world of work, especially in adapting to a more hierarchical organizational structure. (Lutfiyani & Hutahaeen, 2024) Job insecurity is one of the main factors causing job stress and dissatisfaction among Gen Z. In addition, their expectations of flexibility and work balance often conflict with the work culture in many companies, including the highly regulated banking industry.

Highly Regulated Work Environment

A strictly regulated work environment refers to a working system with rigid rules and regulations, limiting employees' space for movement and flexibility in carrying out their duties. (Ratnasari & Saputra, 2024) Explains that work environments with strict regulations are generally found in sectors such as banking, finance, and government, where compliance with operational standards is a top priority. The banking industry is one of the sectors with stringent regulations. According to (Faizal et al., 2023), rules and regulations in banking include aspects such as service standards, compliance with financial policies, and performance targets that each employee must meet. These regulations often require employees to work within a very formal and limited structure, reducing individual flexibility in completing work.

Strict regulations significantly impact employee flexibility and well-being. (Pradhana et al., 2024) Limitations on decision-making and pressure to meet compliance standards can lead to prolonged stress. In addition, rigid work systems often reduce creativity and innovation in the workplace, affecting employees' job satisfaction and psychological well-being, especially among Gen Z.

Previous Research

Previous studies have examined various factors influencing job stress, job insecurity, and turnover intention among young employees. (Munir, 2023) highlighted that financial well-being and the application of Islamic-based finance can be a solution for Gen Z in managing work stress related to economic pressures and professional demands. (Lisbet et al., 2024) Revealed that friendly leadership can help build better connections and collaboration in the workplace, which contributes to reducing work stress. (Ledoh et al., 2024) emphasizes Gen Z's readiness to face the Industrial Revolution 5.0, which includes challenges in adapting to technology and higher professional expectations (Sumadi et al., 2022). The study (Pratiwi et al., 2023) reveals that Gen Z's tendency to switch jobs (turnover intention) is often triggered by dissatisfaction with the work environment, including pressure due to strict regulations. In addition, (Lutfiyani & Hutahaeen, 2024) highlights that job insecurity is a significant factor

influencing the level of job stress and turnover intention among Gen Z. (Priyono & Tampubolon, 2023) also confirms that high workload and job uncertainty in the banking industry exacerbate job stress and increase the risk of turnover intention.

Similar to previous studies, this research will analyze how strict regulations in the banking industry impact Gen Z job stress and how factors such as leadership, financial well-being, and job insecurity contribute to this situation.

3. RESEARCH METHODS

This research uses a qualitative descriptive method to describe Generation Z's work experience in a highly regulated work environment in the banking industry. This research was conducted in the banking industry in XXX City with *purposive* sampling. Data was collected through in-depth interviews with Gen Z employees to understand the factors that cause work stress, its impact on performance, and the adaptation strategies used, participatory observation to see firsthand the dynamics of work and the application of regulations, and documentation analysis of related policies and reports. Data were analyzed using thematic analysis, with data reduction, pattern identification, and conclusion drawing linked to relevant theories (Sugiyono, 2019). Data validity was guaranteed through triangulation of sources and methods, as well as member checks to ensure the accuracy of the results. This method is expected to provide in-depth insights into Gen Z work stress in the banking industry and assist banks in creating a more supportive work environment for young employees.

4. RESULTS AND DISCUSSION

Occupational Stress in a Highly Regulated Work Environment

Job stress is a significant challenge employees face, especially in the banking industry with strict regulations. According to the theory of job stress proposed by Lazarus (1984), job stress occurs when individuals feel that job demands exceed the resources they have to cope with them. In the banking industry, strict regulations, high compliance demands, and pressure to achieve targets can cause high stress among employees.

This is a challenge for Generation Z, which tends to prioritize work-life balance (Ledoh et al., 2024). Complex job demands, long working hours, and pressure from superiors can exacerbate work stress levels. If not appropriately managed, this stress can impact work performance and psychological well-being and increase the risk of burnout.

Generation Z and Challenges in the World of Work

Generation Z is a workforce group with unique characteristics compared to previous generations. They prefer flexibility, work-life balance, and a work environment that supports personal and professional growth (Oktaviannur, 2020). However, the banking industry's working system tends to be formal, hierarchical, and structured, so Gen Z often has difficulty adapting (Faizal et al., 2023).

In addition, high workloads, strict performance appraisal systems, and binding rules can lead to job dissatisfaction. This increases turnover intention, which is the desire to change jobs, which is higher among Gen Z than in previous generations (Pradhana et al., 2024). In addition, perceived organizational support also plays a role in improving Gen Z performance, where support from the company can increase their loyalty and engagement at work (Anwar et al., 2024). Therefore, companies must adjust management strategies to align with Generation Z preferences and expectations to retain young talent (Azhar et al., 2012).

Job Insecurity and Turnover Intention in Gen Z Employees

Job insecurity is a feeling of insecurity regarding the future of one's job. Policy changes, digital transformation, and tight regulations often make employees feel unstable in the banking industry. According to (Lutfiyani & Hutahaean, 2024), job insecurity has a strong relationship with turnover intention. Employees who feel insecure in their jobs tend to have a higher desire to find a more stable job that aligns with their values. Gen Z, who have high expectations of job stability and balance, are more susceptible to feelings of job insecurity. (Putranti et al., 2021) Adds that the perception of organizational support and a good quality culture in the company can reduce turnover intention, primarily by increasing job satisfaction. Therefore, companies need to create a more secure work environment, including providing transparent communication regarding the future of the company and employment policies and offering straightforward career development programmes.

Leadership and Organisational Support

Good leadership can help reduce job stress and increase employee job satisfaction. (Lisbet et al., 2024) It emphasizes the importance of friendly leadership, an approach that is more open and supportive of employees facing work challenges. In the banking industry, responsive, communicative, and empathy-based leadership can be key to managing work stress and increasing employee engagement with the organization.

In addition, Pardede (2024) explains that a transformative leadership style can increase Generation Z's work motivation by providing a clear vision, encouraging innovation, and being actively involved in decision-making. Organizational support also plays an important role in reducing work stress levels. Employee welfare programmes, flexibility in work, and a more humanistic approach can help increase job satisfaction and reduce turnover intention among Generation Z.

Financial Well-being and Islamic Finance for Gen Z

Financial well-being is important in reducing job stress and turnover intention in Gen Z employees. (Munir, 2023) states that applying the Islamic Finance concept can be a solution to improving the financial well-being of the younger generation, especially with the principles of fairness, transparency, and sustainability in financial management. With financial literacy programmes, fair compensation systems, and support in financial planning, employees will have lower stress levels and be more focused on their work. Applying Islamic financial principles in the banking sector can also be attractive to Gen Z, who prioritize ethics and sustainability in the world of work.

5. CONCLUSIONS AND SUGGESTIONS

Work stress in a highly regulated environment is a big challenge for employees, significantly Generation Z. Factors such as job insecurity, high work pressure, and a mismatch between Gen Z's expectations and rigid work culture can increase turnover intention. To overcome this, organizations need to implement a more flexible leadership approach, improve employee financial well-being, and create a more supportive work environment to retain and develop young talent in an increasingly competitive world of work.

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