

HUMAN RESOURCE MANAGEMENT | RESEARCH ARTICLE

# Improving Gen Z Employee Retention through Work–Life Balance with Employee Engagement as a Mediating Variable

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## ARTICLE HISTORY

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## ABSTRACT

A high employee turnover rate can lead to substantial losses in both productivity and costs for a company. Therefore, organizations must prioritize employee retention and consider the factors that influence it. This study examines the effect of work–life balance on employee retention, the effect of employee engagement on employee retention, and the mediating role of employee engagement in the relationship between work–life balance and the retention of Generation Z employees working in coffee shops in Pontianak. Data were collected using Google Forms and a snowball sampling technique. The data were analyzed using WARPPS 7.0, with 221 coffee shop employees in Pontianak serving as respondents. The results show that work–life balance has a significant positive effect on both employee engagement and employee retention. Furthermore, employee engagement has a significant positive effect on employee retention and significantly mediates the relationship between work–life balance and employee retention. The findings of this study contribute to the development of knowledge, particularly in human resource management, by providing insights into the relationship between work–life balance and employee retention, as well as the mediating role of employee engagement.

**Keywords:** Work-Life Balance, Employee Engagement, Employee Retention.

**JEL Code:** J28, J63, M12, M54

## I. Introduction

Understanding employee retention efforts is crucial (Astuti et al., 2023), particularly because Gen Z employees tend to have low retention rates and prioritize work–life balance (Hendriana et al., 2023). Gen Z workers, aged 18 to 38, are estimated to change jobs roughly ten times, and 65% leave their jobs within one year of employment (Bita Bagheri, 2025). This dynamic makes managing Gen Z employees a significant challenge for companies. Low employee retention negatively affects company productivity (Sharma et al., 2025) and increases organizational costs (Astuti et al., 2023). When employees leave, companies not only lose experienced workers but also incur substantial expenses during the replacement process. These include recruitment costs involved in finding and selecting suitable candidates, training costs required to prepare new employees, and productivity losses that occur when positions remain vacant and new hires have not yet fully mastered their tasks (Dutta & Banerjee, 2014). Employee retention is therefore more than merely keeping employees—it is an investment in the long-term sustainability of the company. Work–life balance is one of



the key determinants of employee retention (Silaban & Margaretha, 2021). Employees with good work–life balance typically manage their time and energy more effectively, enabling them to perform well at work without neglecting personal needs. Such employees tend to be more efficient, reducing potential conflicts between personal goals and organizational demands. Conversely, when employees lack work–life balance, conflicts often arise between personal responsibilities and work commitments, ultimately affecting retention (Sinaga & Sijabat, 2022; Zainal et al., 2022). Employees who perceive that their organization does not support a healthy work–life balance are likely to seek alternative employment (Hassan et al., 2022). Prioritizing work–life balance does not imply a lack of willingness to work hard; rather, employees aim to complete tasks on time so they still have room for rest, personal activities, and family time. They expect to be valued and treated respectfully by their employers (Zainal et al., 2022).

The workplace is often perceived as demanding, stressful, and full of responsibilities. As a result, employees prepare themselves emotionally and physically to face workplace pressures (Ekhsan et al., 2023). If such conditions persist, employees' desire to seek a more supportive work environment will increase. To improve employee retention, companies must therefore consider the work–life balance factor (Sopian et al., 2022). When employees feel that their work–life balance is supported, they tend to view the organization as playing an essential role in meeting their needs, which increases their motivation to contribute and remain loyal. Employees who experience a healthy work–life balance are not only fulfilling job obligations but are also intrinsically motivated to help achieve company goals (Ekhsan et al., 2023). In contrast, employees whose work–life balance is unmet tend to exhibit low engagement and higher turnover intentions (Saks, 2006; Asaria et al., 2024). Higher employee engagement, in turn, leads to greater retention (Sergio & Rylova, 2018). Research by Astuti et al. (2023) demonstrates the impact of work–life balance on employee retention. However, studies examining employee engagement as a mediating variable in this relationship, particularly among Gen Z employees, remain limited. Exploring these three variables within a mediation model is therefore necessary to better understand current labor market dynamics. The objectives of this study are: (1) to determine the effect of work–life balance on employee retention, (2) to determine the effect of work–life balance on employee engagement, (3) to determine the effect of employee engagement on employee retention, and (4) to determine the mediating role of employee engagement in the relationship between work–life balance and employee retention. The findings of this research are expected to contribute to HR management and provide deeper insights into strategies and practices for retaining Generation Z employees.

## II. Literature Review and Hypothesis Development

### 2.1. Work-Life Balance

Work-life balance refers to the process of achieving a sense of comfort and an appropriate balance between an individual's personal and professional life, including their responsibilities toward both family and work (Inegbedion, 2024). The main goal of work-life balance is to create equilibrium in fulfilling demands and achieving individual satisfaction in both work and personal roles, thereby fostering harmony (Hassan et al., 2022) and preventing conflict (Venkatesan, 2021). When work-life balance is not achieved optimally, conflict may arise, leading to psychological stress and potential impacts on physical health (Astuti et al., 2023). Work-life balance is an important issue because organizations must manage the consequences that arise when employees fail to achieve it. Companies need to retain employees and build an image of being caring and responsible (Hassan et al., 2022), while also providing emotional support to employees (Lin et al., 2024). Work-life balance can only be attained when both employees and the company are fully committed to the process. The company's role in facilitating work-life balance can be observed through practices such as workload flexibility at the individual or unit level and flexible working arrangements. To enhance employee work-life balance, management must establish policies that support it. Implementing family-friendly policies can be an effective approach to helping employees manage conflicts between their personal and professional lives (Venkatesan, 2021; Silaban & Margaretha, 2021). Such policies may include incentives and flexible working

hours that enable employees to complete their tasks on time while still having sufficient time to rest (Zainal et al., 2022). These efforts demonstrate that the company values its employees and builds goodwill. Employees may also improve their work-life balance through effective time management when completing tasks. This habit ensures that assignments are completed promptly, reducing the need for exhausting overtime work. Work-life balance can be measured using the following indicators proposed by Greenhaus, Collins, and Shaw (2003):

- a. Time balance, which refers to the equal allocation of time between work and family responsibilities. This indicator emphasizes the proportional distribution of hours devoted to professional tasks and personal or family life.
- b. Involvement balance, which refers to equal involvement in work and family. This includes mental focus and energy devoted to each domain so that individuals are both mentally and physically present in their activities.
- c. Satisfaction balance, which refers to equal satisfaction derived from work and family. This indicator reflects the balance in personal fulfillment and the level of satisfaction individuals gain from both areas of life.

## 2.2. Employee Engagement

Employee engagement is a condition in which employees demonstrate commitment, dedication, and loyalty to the organization where they work. Engaged employees show concern for and understanding of the sustainability of the organization (Ridho Lazuardi Wahyudi & Odi Jarodi, 2025). When employees are engaged, they work not only because it is required but also because they are intrinsically motivated and feel a sense of ownership over their work. Thus, engaged employees perceive their work as meaningful, feel empowered by the organization, and make more substantial contributions toward achieving organizational goals. Employee engagement is reflected in positive attitudes toward various challenges and changes in the workplace, such as adapting to new technologies, shifts in organizational structure, and dynamic work demands. Highly engaged employees actively participate in organizational activities and contribute proactively to the accomplishment of company goals. Their desire to contribute is reflected not only in the quantity of work produced but also in the quality and innovation displayed, which demonstrates enthusiasm, initiative, and a strong sense of responsibility (Ekhsan et al., 2023). Employee engagement can be measured using indicators from the Aon Hewitt Model (Kavya & Padmavathy, 2017), which consists of the following components:

- a. Say: This refers to employees' sense of pride in the organization, motivating them to speak positively about the organization to others.
- b. Stay: This refers to employees' desire to understand the organization's goals, find purpose within it, and remain part of it. It reflects the employee's long-term intention to stay with the organization.
- c. Strive: This refers to employees' willingness to make extra efforts to achieve both organizational and personal goals. It reflects the energy, initiative, and effort employees invest beyond the minimum requirements of their job.

## 2.3. Employee Retention

Employee retention refers to a company's efforts to retain its employees (Astuti et al., 2023). The objective of employee retention is to motivate employees and ensure that they remain with the company for an extended period of time (Ghani et al., 2022). Employees play a direct role in maintaining the sustainability of an organization; therefore, they are considered valuable assets that provide added value and competitive advantage. Their knowledge, skills, and experience contribute to generating financial benefits for the

company, making employee retention an essential aspect of organizational success (Fauzan Nabil & Ekowati, 2025). Paying attention to employees' work-life balance is one approach to implementing strategies and practices that help retain employees and encourage them to remain engaged and contribute positively over a longer period of time. Employee turnover rates are significantly influenced by work-life balance (Made et al., 2025). Supporting employees in achieving work-life balance may increase their willingness to stay with the organization. When employees leave, productivity declines (Sharma et al., 2025) and companies incur considerable costs (Astuti et al., 2023), including recruitment costs, training costs, and productivity losses (Dutta & Banerjee, 2014). Losing employees also disrupts business operations due to the reduction of competent human resources and the loss of critical knowledge that may only be possessed by certain individuals. Moreover, high turnover can lower the morale and motivation of remaining employees because they must adjust to new coworkers. Due to these challenges, employee retention aims to prevent losses resulting from employee resignations, making it one of the major challenges for Human Resource Management (HRM) (Hassan et al., 2022). Employee retention can be measured using indicators proposed by Hytter (2007), which include:

- a. Commitment, referring to the employee's emotional attachment to the company, which influences their desire to remain employed.
- b. Loyalty, referring to the support and compliance demonstrated by employees toward the organization.
- c. Self-identification and attachment to the company, referring to the extent to which employees integrate their personal identity with the organization. This indicator also includes feelings of belonging and emotional connection, which encourage employees to stay and contribute at their maximum capacity.

## 2.4. Hypotheses

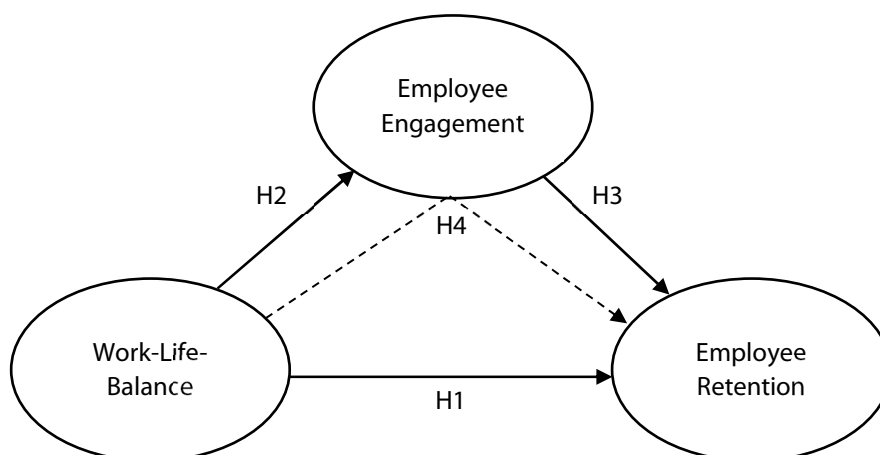
Research by Handoko et al. (2024), Dunan and Halim (2025), and Khoirunnisa et al. (2024) shows that work-life balance has a positive and significant effect on employee retention. Therefore, the following hypothesis is proposed:

*H1: Work-life balance has a positive and significant effect on employee retention.*

*H2: Work-life balance has a positive and significant effect on employee engagement.*

*H3: Employee engagement has a positive and significant effect on employee retention.*

*H4: Employee engagement significantly mediates the relationship between work-life balance and employee retention.*



**Figure 1. Conceptual Framework**

### III. Research Method

#### 3.1. Research Design

This quantitative research examines the influence of Work-Life Balance (X) on Employee Retention (Y), with Employee Engagement (Z) as a mediating variable. The study was conducted on Generation Z employees working in coffee shops in Pontianak City.

#### 3.2. Population and Sample

The population in this study consists of Generation Z employees working in coffee shops in Pontianak. Snowball sampling was used because the population size is large and the exact number is unknown. With this technique, the sample size can be increased continuously, starting from a small initial group until the number of respondents is considered sufficient.

#### 3.3. Data Collection Techniques

Data were collected through social media applications, specifically WhatsApp and Instagram, by distributing a Google Form containing statements measured using a five-point Likert scale. Each respondent could fill out the questionnaire only once per account. The Likert-scale options were:

- a. Strongly Disagree
- b. Less Agree
- c. Neutral
- d. Agree
- e. Strongly Agree

Before distribution, the questionnaire underwent a validation test with 20 Generation Z employees working in coffee shops in Pontianak City and was found valid. A total of 221 respondents participated in the study, representing 114 different coffee shop brands. Respondents met the following criteria:

- a. Born between 1997 and 2012 and currently employed
- b. No gender restrictions, allowing both male and female respondents
- c. Working within the Pontianak City area
- d. Holding various job positions, including employee (168 people), head bar (10 people), supervisor (11 people), cashier (4 people), waiter (5 people), admin (5 people), marketing staff (6 people), kitchen staff (7 people), and illustrator (5 people)

#### 3.4. Data Analysis Techniques

The data were processed using WarpPLS 7.0. WarpPLS applies the Partial Least Squares (PLS) method to evaluate a variance-based Structural Equation Model (SEM). This method identifies and estimates relationships between latent variables, including non-linear relationships. The analysis included examining indicator loadings, cross-loadings, square roots of AVEs, composite reliability, Cronbach's alpha, path coefficients, p-values, indirect effects, and R-squared contributions.

#### 3.5. Ethical Considerations

In the process of collecting research data, several ethical considerations were addressed, including:

- a. Respondents were provided with complete information regarding the purpose of the study.
- b. Respondents had the freedom to decline participation in completing the questionnaire.
- c. Respondents' identities and responses were kept confidential, and all data were used solely for research purposes.

The personal information requested in the questionnaire included only age, current position, and the name of the coffee shop. This was done to maintain respondents' privacy and protect their personal information.

**Table 1. Variable Indicators**

Variable	Indicator Category	Item Code	Source
Work-Life Balance	Time Balance	WLB 1.1	Greenhaus, J. H., Collins, K. M., and Shaw, 2003
		WLB 1.2	
	Balance of Engagement	WLB 2.1	
		WLB 2.2	
	Balance of Satisfaction	WLB 3.1	
		WLB 3.2	
Employee Engagement	Say	EE 1.1	Kavya and Padmavathy, 2017
		EE 1.2	
	Stay	EE 2.1	
		EE 2.2	
	Strive	EE 3.1	
		EE 3.2	
Employee Retention	Commitment	ER 1.1	Hassan et al., 2022
		ER 1.2	
	Loyalty	ER 2.1	
		ER 2.2	
	Self-identification and attachment to the company	ER 3.1	
		ER 3.2	

## IV. Result and Discussion

### 4.1. Outer Model

The purpose of the outer model is to explain the relationship between latent variables and their indicators. The assessment of the outer model includes tests of validity and reliability.

#### a. Convergent Validity

**Table 2. Loading Factor**

Item	WLB	EE	ER	Type (as defined)	SE
WLB 1.1	(0.766)	0.067	-0.149	Reflective	0.058
WLB 1.2	(0.754)	-0.065	-0.220		0.059
WLB 2.1	(0.699)	0.169	0.136		0.059
WLB 2.2	(0.732)	-0.031	-0.153		0.059
WLB 3.1	(0.680)	-0.148	0.324		0.059

WLB 3.2	(0.679)	0.004	0.112		0.059
EE 1.1	0.066	(0.782)	-0.119		0.058
EE 1.2	-0.101	(0.768)	0.071		0.058
EE 2.1	-0.076	(0.715)	-0.090		0.059
EE 2.2	-0.039	(0.702)	-0.159		0.059
EE 3.1	-0.144	(0.595)	0.399		0.060
EE 3.2	0.289	(0.671)	-0.034		0.060
ER 1.1	0.031	-0.092	(0.772)		0.058
ER 1.2	-0.062	-0.046	(0.738)		0.059
ER 2.1	0.219	-0.008	(0.753)		0.059
ER 2.2	0.006	0.026	(0.732)		0.059
ER 3.1	-0.202	0.178	(0.655)		0.060
ER 3.2	-0.020	-0.031	(0.794)		0.058

Convergent validity indicates the extent to which indicators measure the same latent construct. A loading factor of at least 0.5 is considered acceptable for meeting the criteria of convergent validity (Hair, 2009). Work-Life Balance consists of three indicators, each containing two statement items. As shown in Table 2, all Work-Life Balance item loadings are greater than or equal to 0.5, indicating that each item can be retained for further analysis. Employee Engagement also consists of three indicators with two statement items each. All loading values for Employee Engagement exceed 0.5, meaning all items are suitable for further analysis. Employee Retention has three indicators, each with two statement items, and all loading values are above 0.5. Therefore, all Employee Retention items meet the criteria for convergent validity and can proceed to the next analytical stage.

#### b. Discriminant Validity

Discriminant validity refers to the extent to which a measurement instrument differs from another instrument that measures a different latent variable. This ensures that the instrument accurately measures what it is intended to measure and does not measure other constructs.

##### 1) Cross-Loading

**Table 3. Cross-Loading**

Item	WLB	EE	ER
WLB 1.1	(0.766)	0.436	0.469
WLB 1.2	(0.754)	0.330	0.394
WLB 2.1	(0.699)	0.518	0.569
WLB 2.2	(0.732)	0.353	0.404
WLB 3.1	(0.680)	0.375	0.536
WLB 3.2	(0.679)	0.411	0.488
EE 1.1	0.441	(0.782)	0.476
EE 1.2	0.385	(0.768)	0.514
EE 2.1	0.350	(0.715)	0.424
EE 2.2	0.346	(0.702)	0.391
EE 3.1	0.349	(0.595)	0.506
EE 3.2	0.512	(0.671)	0.497
ER 1.1	0.509	0.474	(0.772)
ER 1.2	0.457	0.465	(0.738)
ER 2.1	0.574	0.516	(0.753)

ER 2.2	0.481	0.487	(0.732)
ER 3.1	0.377	0.477	(0.655)
ER 3.2	0.525	0.511	(0.794)

Cross-loading is used to assess discriminant validity at the indicator level. In this method, the outer loading of each indicator on its associated latent variable must be higher than its loading on other latent variables. The outer loading values are shown in parentheses. Based on Table 3, each indicator loads higher on its respective latent variable compared to the others. This indicates that the indicators adequately measure their intended constructs.

## 2) Fornell-Larcker Criterion

**Table 4. Fornell-Larcker Criterion**

Variable	WLB	EE	ER
WLB	(0.719)	0.560	0.659
EE	0.560	(0.708)	0.658
ER	0.659	0.658	(0.742)

This test examines whether a latent variable is more strongly related to its own indicators than to other latent variables. The Fornell-Larcker criterion evaluates discriminant validity at the latent variable level. According to this approach, the square root of the AVE for each latent variable must be greater than the correlations between that variable and other latent variables. Table 4 shows that the square root of the AVE for the Work-Life Balance variable (0.719) is greater than its correlations with Employee Engagement (0.560) and Employee Retention (0.659). The square root of the AVE for Employee Engagement (0.708) is higher than its correlations with Work-Life Balance (0.560) and Employee Retention (0.658). Similarly, the square root of the AVE for Employee Retention (0.742) exceeds its correlations with Work-Life Balance (0.659) and Employee Engagement (0.658). Therefore, all variables fulfill the Fornell-Larcker criterion.

## c. Reliability / Internal Consistency Reliability

### 1) Composite Reliability

**Table 5. Composite Reliability**

WLB	EE	ER
0.865	0.857	0.880

Composite reliability (CR) measures the consistency and accuracy of the indicators used to assess a latent variable. A construct is considered reliable if it has a composite reliability value of 0.7 or higher (Hair, 2009). Table 5 shows that the composite reliability value for the Work-Life Balance variable is 0.865, which is greater than 0.7, indicating that this variable is reliable. The composite reliability value for the Employee Engagement variable is 0.857, also exceeding 0.7, indicating reliability. The composite reliability value for the Employee Retention variable is 0.880, which is above 0.7, confirming that the variable is reliable. Therefore, all variables included in this study can be considered reliable.

### 2) Cronbach's Alpha

**Table 6. Cronbach's Alpha**

WLB	EE	ER
0.813	0.799	0.836

Cronbach's alpha is used to assess the internal consistency of a latent variable by determining how well the indicator items measure the same underlying construct. A Cronbach's alpha value of 0.7 or higher indicates that a variable is reliable (Nunnally, 1978). Table 6 shows that the Cronbach's alpha value for Work-Life Balance is 0.813, which is higher than 0.7, indicating that the construct is reliable. The Cronbach's alpha value for Employee Engagement is 0.799, also above 0.7, confirming its reliability. The Cronbach's alpha value for Employee Retention is 0.836, indicating strong reliability. These results support and complement the composite reliability values, confirming that all variables in this study are reliable.

#### 4.2. Inner Model

##### a. Direct Effect

**Table 7. Direct Effect**

No	Predictor Variable	Response Variable	Path Coefficients	P-value	Description
1	WLB	EE	0.584	<0.001	Significant
2	WLB	ER	0.433	<0.001	
3	EE	ER	0.408	<0.001	

The path coefficient indicates whether the independent variable has a positive or negative effect on the dependent variable. The P-value shows the significance level of the relationship between variables. If the P-value is less than 0.05, the relationship is considered significant; if it is greater than 0.05, it is not significant. In Table 7, Work-Life Balance has a positive effect, with a path coefficient of 0.584, and the relationship is significant, with a P-value of <0.001 for Employee Engagement. Therefore, H1 is accepted. Work-Life Balance also has a positive effect on Employee Retention, with a path coefficient of 0.433 and a P-value <0.001, indicating significance. Thus, H2 is accepted. Employee Engagement has a positive effect on Employee Retention, with a path coefficient of 0.408 and a P-value <0.001, indicating significance and supporting H3.

##### b. Indirect Effect

**Table 8. Indirect Effect**

No	Predictor Variable	Mediation	Response Variable	Path Coefficients	P-value	Description
1	WLB	EE	ER	0.238	<0.001	Significant

The mediation test in Table 8 shows that Work-Life Balance increases Employee Retention through Employee Engagement with an indirect effect value of 0.238. The P-value of <0.001 indicates that Employee Engagement positively and significantly mediates the relationship between Work-Life Balance and Employee Retention. Therefore, H4 is accepted. This means that the effect of work-life balance on employee retention occurs both directly and indirectly through employee engagement.

##### c. R-squared Contribution

**Table 9. R-squared Contribution**

Variable	WLB	EE	ER
WLB			
EE	0.341		
ER	0.292	0.270	

R-squared indicates the proportion of variance in the dependent variable that can be explained by the independent variable. Table 9 shows that the R-squared value for Work-Life Balance on Employee Engagement is 0.341, meaning that work-life balance contributes 34.1 percent to employee engagement. The R-squared value for Work-Life Balance on Employee Retention is 0.292, indicating that work-life balance contributes 29.2 percent to employee retention. The R-squared value for Employee Engagement on Employee Retention is 0.270, meaning that employee engagement contributes 27.0 percent to employee retention.

#### 4.3. Overall Test of Model Fit

**Table 10. Overall Test of Model Fit**

Model fit and quality indices	Fit Criteria	Value
Average path coefficient (APC)	P-value < 0.05	0.475, P < 0.001
Average R-squared (ARS)	P-value < 0.05	0.451, P < 0.001
Average adjusted R-squared (AARS)	P-value < 0.05	0.448, P < 0.001
Average block VIF (AVIF)	acceptable if $\leq 5$ , ideally $\leq 3.3$	1.529
Average full collinearity VIF (AFVIF)	acceptable if $\leq 5$ , ideally $\leq 3.3$	1.989
Tenenhaus GoF (GoF)	small $\geq 0.1$ , medium $\geq 0.25$ , large $\geq 0.36$	0.486
Sympson's paradox ratio (SPR)	acceptable if $\geq 0.7$ , ideally = 1	1.000
R-squared contribution ratio	acceptable if $\geq 0.9$ , ideally = 1	1.000
Statistical suppression ratio	acceptable if $\geq 0.7$	1.000
Nonlinear bivariate causality direction ratio (NLBCDR)	acceptable if $\geq 0.7$	1.000

The overall test of model fit aims to evaluate how well the hypothesized model aligns with the actual data. This test serves as an essential benchmark for assessing whether a model is valid and representative, ensuring that the research results are scientifically reliable. Based on Table 10, it can be concluded that the APC value is 0.475 with a P-value < 0.001, indicating that the model fit criterion is met because the P-value is less than 0.05. The ARS value is 0.451 with a P-value < 0.001, indicating that the model fit criterion is met. The AARS value is 0.448 with a P-value < 0.001, also meeting the model fit criterion. The AVIF value is 1.529, which is within the acceptable limit of 5, meaning the model meets the fit requirement. The AFVIF value is 1.989, also within the acceptable limit. The GoF value is 0.486, which exceeds the threshold of 0.36, indicating a strong model fit. The SPR value is 1.000, meeting the criterion of  $\geq 0.7$ . The R-squared contribution ratio is 1.000, meeting the required value of  $\geq 0.9$ . The statistical suppression ratio is 1.000, meeting the criterion of  $\geq 0.7$ . The NLBCDR value is 1.000, also meeting the minimum requirement of  $\geq 0.7$ . Overall, all model fit indices meet the established criteria, indicating that the model is valid and fits the data well.

#### 4.4. Discussion

##### a. The Influence of Work-Life Balance on Employee Engagement

Work-life balance has a positive influence, with a path coefficient of 0.584, and a significant effect with a P-value < 0.001 (< 0.05) on employee engagement. These findings support studies by Andrić et al. (2025) on female IT workers in Kerala, Ahmed et al. (2024) on private banking, and Arief et al. (2021) in the Secretariat General of the Ministry of Agriculture of the Republic of Indonesia. This indicates that employee engagement increases when work-life balance improves. When employees can maintain a balance between work and personal life, they are better able to manage their time and energy. Achieving work-life balance creates psychological comfort and physical well-being. Under these conditions, employees no longer perceive

the workplace as stressful or burdensome. Instead, they become more enthusiastic about their work, strive to enhance their performance, make efforts beyond minimum job requirements, and speak positively about the company. These behaviors reflect high employee engagement.

b. The Influence of Employee Engagement on Employee Retention

Employee engagement has a positive influence, with a path coefficient of 0.433, and a significant effect with a P-value  $< 0.001$  ( $< 0.05$ ) on employee retention. This means that higher employee engagement leads to higher employee retention. Employee engagement refers to the condition in which employees demonstrate commitment, dedication, and loyalty to the organization. Employees with high engagement tend to show pride (say), a desire to stay with the organization (stay), and strong motivation to perform their responsibilities (strive). When employees feel emotionally and psychologically connected to their work, they are more likely to develop loyalty to the organization, which reduces their intention to leave. This is reflected in employee responses such as accepting work conditions, facing challenges with a positive mindset, and maintaining commitment to the organization's long-term goals. Emotional engagement may appear in the form of enthusiasm and pride, while psychological engagement may manifest as focus, concentration, and viewing work as meaningful. These findings are consistent with the studies of Diena Achmada and Eko Soetjipto (2022) in the industrial sector and Alias et al. (2014) in the information and technology industry.

c. The Influence of Work-Life Balance on Employee Retention

Work-life balance positively affects employee retention, with a path coefficient of 0.408 and a P-value  $< 0.001$  ( $< 0.05$ ). These findings support studies by Simran Raghuvanshi (2023) in the hotel industry in Delhi, Syal et al. (2024) in private trade organizations, and Handoko et al. (2024) across several industrial sectors. This means that employee retention increases when work-life balance is achieved. The issue of work-life balance is becoming increasingly important because it reflects employees' ability to manage time, involvement, and satisfaction between work demands and personal needs. Many employees today, especially those from Generation Z, place strong importance on achieving work-life balance in their workplace. When employees attain this balance, they feel comfortable and tend to remain in their current workplace. Companies that support work-life balance programs are also perceived positively, which makes employees more loyal, caring, and obedient. They may also view the company as the best place for their professional development. This increases their intention to stay.

d. The Effect of Work-Life Balance on Employee Retention Mediated by Employee Engagement

Work-life balance increases employee retention, mediated by employee engagement, with a path coefficient of 0.238 and a significant P-value  $< 0.001$  ( $< 0.05$ ). This indicates that employee engagement significantly mediates the relationship between work-life balance and employee retention. Work-life balance acts as both a direct and indirect factor in influencing employee retention through engagement. Employees who are satisfied with their work-life balance tend to be happier, more motivated, and experience a stronger emotional attachment to the organization. This condition increases their engagement. Employee engagement then serves as a mediator in the relationship between work-life balance and retention. This means that the positive influence of work-life balance on employee retention occurs not only directly but also through increased engagement. Engaged employees have a strong emotional bond with the company, which enhances their sense of belonging and strengthens their intention to stay, thereby reducing turnover.

e. Practical Implications Based on Research Findings

- 1) Companies can implement family-friendly policies: Programs such as flexible working hours, reward systems, incentives, family-supportive benefits, work-life balance initiatives, and additional overtime compensation can increase employee retention, particularly among Generation Z workers.

- 2) Work-life balance as a retention strategy: Companies need to consider employee work-life balance in policy-making to support stronger employee retention.
- 3) Pay attention to employees with high levels of engagement: Companies should provide clear career development opportunities for highly engaged employees to retain them. Financial incentives, recognition, and rewards can also be offered to maintain engagement and reduce turnover.

## V. Conclusion

Based on the interpretations regarding increasing employee retention through work-life balance and employee engagement as a mediator, the work-life balance variable has a significant positive effect on employee retention. The work-life balance variable also has a positive and significant effect on employee engagement, and employee engagement positively influences employee retention. Therefore, employee engagement can significantly mediate the relationship between work-life balance and employee retention. Based on these findings, companies are advised to actively support and encourage work-life balance through practices such as flexible working hours, reward policies, incentives, family-friendly benefit programs, work-life initiatives, and fair overtime compensation, so that employees are more willing to remain in the organization. Companies also need to recognize that employee engagement is an important factor that supports employee retention. Theoretically, this research contributes to the development of human resource literature, particularly regarding improvements in employee retention through work-life balance. The findings of this study offer novelty by utilizing employee engagement as a mediating variable between work-life balance and employee retention. From a managerial perspective, this study is expected to provide stakeholders with an overview of the factors that influence employee retention and serve as a reference for companies and management seeking to improve retention, especially among Gen Z employees, by optimizing work-life balance and employee engagement. This study also has several limitations. The sample was limited to Gen Z workers in coffee shops and was conducted only in Pontianak City. Future research is expected to expand the sample area and include wider business sectors such as MSMEs, industry, retail, and others. The use of different sampling techniques is also recommended to address the limitations of snowball sampling, which may carry a relatively high bias.

The small sample size is another limitation, so future studies with larger samples are expected to represent Gen Z workers more accurately. This study can also serve as a reference for future researchers. Several recommendations are proposed based on the study's limitations and conclusions. The snowball sampling method used in this study has a high potential for bias; therefore, future research is encouraged to use more representative sampling methods, such as purposive sampling, to obtain more accurate and generalizable results. This study also focused on the Food and Beverage sector, specifically coffee shops, which limits the comparison of the impact of work-life balance on employee retention across different industries. Future research is recommended to compare the influence of work-life balance on employee retention, with employee engagement as a mediator, across broader sectors such as MSMEs, retail, finance, government, manufacturing, and healthcare. This study focused specifically on the impact of work-life balance on employee retention mediated by employee engagement. To enrich the literature, future research can include additional variables that strongly influence employee retention, such as employee communication, perceived organizational support, workload, burnout, or other variables that may significantly increase retention. Since this study focused on Gen Z employees and this generation will dominate the labor market in the coming years, further research on Gen Z remains relevant. However, to enable richer comparisons, future studies are encouraged to include other generations, such as Generation X or Millennials, or to conduct cross-generational analyses. This will help provide a deeper understanding of differences in work-life balance needs and the factors influencing retention across age groups in the workforce.

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