Employee Engagement as an Intervening Variable in the Relationship Between Work-Life Balance and Employee Retention in Indonesian Digital Startups

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Abstract: This study examines the mediating role of employee engagement in the relationship between work-life balance and employee retention among digital startup employees in Surabaya, Indonesia. Using a quantitative associative approach with Structural Equation Modeling-Partial Least Squares (SEM-PLS), data were collected from 150 respondents working in various digital startups through purposive sampling. The research employed validated instruments measuring work-life balance, employee engagement, and employee retention using a 5-point Likert scale. Results demonstrate that work-life balance has a positive and significant direct effect on employee retention ($\beta = 0.30$, $p < 0.001$) and employee engagement ($\beta = 0.50$, $p < 0.001$). Employee engagement also significantly influences employee retention ($\beta = 0.30$, $p < 0.001$). Furthermore, employee engagement partially mediates the relationship between work-life balance and employee retention with an indirect effect of 0.15 ($p = 0.002$). The model explains 46.8% of the variance in employee retention and demonstrates adequate predictive relevance ($Q^2 = 0.312$). These findings indicate that while work-life balance directly contributes to employee retention, its effect is enhanced through increased employee engagement. The study contributes to human resource management literature by highlighting the importance of integrating work-life balance policies with engagement enhancement strategies in the dynamic startup environment. Practical implications suggest that digital startups should focus on creating flexible work arrangements while simultaneously fostering emotional and psychological attachment to improve talent retention in Indonesia's competitive tech sector.

Keywords: Digital startups, Mediation analysis, Turnover intention

INTRODUCTION

Indonesia's startup industry has grown significantly in the digital era. This growth is particularly evident in urban areas like Surabaya. Digital startups offer innovation and flexibility. However, they also present serious challenges in human resource management. One major challenge is maintaining work-life balance among employees.

Work-life balance has become a crucial issue. This is due to high work pressure and flexible but often unlimited working hours. These conditions can cause stress, fatigue, and burnout. Ultimately, this affects employees' decisions to stay with the company (Putra & Prasetya, 2020).

High employee turnover in digital startups has attracted widespread attention. The focus is particularly on the effectiveness of retention strategies. Startups often lose their best talent. This happens because they cannot create a work environment that supports employee work-life balance. Research by Wijaya and Saputra (2021) provides important findings. It shows that 62% of employees in Indonesian startups have considered resigning. The main reasons are work exhaustion and lack of organizational support for life balance. This condition indicates an urgent need. Companies must re-evaluate their HR policies and practices.

Work-life balance reflects how well individuals can balance work demands with their personal lives. It has been recognized as an important factor in improving employee well-being and loyalty. According to Greenhaus and Allen (2011), imbalance in these two domains can directly impact job satisfaction and employee retention. Digital startups operate in a highly dynamic context. Management must recognize the importance of this aspect. Ignoring it can increase employee turnover and hurt productivity (Ramadhani et al., 2019).

However, the relationship between work-life balance and employee retention is not always direct. Several studies show that psychological variables can mediate this influence. Employee engagement is one such variable (Bakker & Demerouti, 2017). Employee engagement refers to the level of emotional attachment and commitment employees have toward their work and organization. When employees feel that the company supports their life balance, they respond positively. They tend to be more emotionally involved. They are also more willing to contribute to the company (Schaufeli, 2017). This potentially extends their tenure with the company.

Surabaya provides an ideal location to study this phenomenon. It is one of Indonesia's metropolitan cities and a center for digital economic growth. The city has a rapidly developing startup ecosystem. It also has a population of tech-savvy young workers who are vulnerable to work stress. The competitive work environment and high labor mobility add complexity to maintaining employee retention. Therefore, this study focuses on digital startups in Surabaya. This represents a specific, relevant, and current context (Nugroho et al., 2021).

Extensive research exists on work-life balance and employee retention in general. However, few studies explicitly examine the role of employee engagement as a mediator in Indonesia's digital startup sector. This is particularly true for Surabaya. Understanding this relationship dynamic can provide important insights for startup management. It can help them design more targeted policies and interventions. Previous studies have mostly been conducted in large corporate sectors and government institutions. Therefore, their results may not be fully relevant to the startup context (Kusuma & Rachmawati, 2022).

Employee involvement in the startup context also has unique characteristics. The informal work culture, flat management approach, and multitasking demands make engagement a complex factor. If engagement can be maximized, employees will be more committed, feel valued, and are more likely to stay. This aligns with work motivation theory, which states that intrinsic rewards such as feelings of meaning and involvement have long-term effects on retention (Macey & Schneider, 2016).

Additionally, this study has high practical relevance for startup entrepreneurs. In intense competition, losing talent can be a major loss, not only in terms of re-recruitment costs but also from the loss of knowledge and relationships that employebt6es have built. Therefore, it is

important to identify and understand key variables that affect employee retention so organizations can grow sustainably (Handayani et al., 2023).

This research aims to fill the gap in literature by empirically examining the influence of work-life balance on employee retention through the mediating role of employee engagement in digital startups in Surabaya. Using a quantitative approach and path analysis method, this study is expected to contribute both academically and practically to the development of human resource management strategies in Indonesia's digital sector. The findings from this research are also expected to serve as a basis for internal company policy recommendations for startups.

Finally, this study also contributes to the development of contemporary organizational theory, particularly in the VUCA (Volatile, Uncertain, Complex, Ambiguous) context that is increasingly real in the digital era. Work-life balance and employee engagement are no longer just HR issues but have become business strategies that determine organizational sustainability and competitive advantage. Therefore, it is important for every startup manager in Surabaya and surrounding areas to consider the results of this study in strategic decision-making.

In the context of digital startup dynamics in Indonesia, it is important to understand that employees' roles are not only as technical implementers but also as drivers of innovation and business acceleration. Startups need workers who have high commitment levels, quick adaptation abilities, and emotional involvement with the company's vision. When life balance is disrupted due to high work pressure, this commitment can deteriorate. A study by Hanum and Rahayu (2020) states that work-life conflict is one of the main causes of decreased employee engagement, which ultimately impacts the desire to leave the job.

Besides heavy workloads, job uncertainty is another factor that worsens work-life balance in startups. Startups often provide short-term contracts, high performance targets, and reward systems that are not always stable. Employees experiencing such pressure tend to feel less secure and emotionally unattached, even though their work appears flexible from the outside (Raharjo et al., 2022). Therefore, the balance between work demands and personal needs becomes crucial for maintaining employees' intrinsic motivation.

Good work-life balance can create positive domino effects on various organizational aspects. It not only increases involvement but also strengthens job satisfaction, reduces absenteeism rates, and decreases costs due to turnover. Research by Alwi and Hidayat (2023) shows that companies implementing flexible work time policies and mental health support experienced an 18% increase in engagement within one year. This demonstrates that strategic interventions in work-life balance have real impacts on employee performance and retention.

However, to ensure the effectiveness of work-life balance programs, companies need to first measure and comprehensively understand employee engagement conditions. Not all interventions will have uniform impacts, as work experiences are greatly influenced by age, educational background, job position, and employees' domestic conditions. Therefore, employee engagement becomes a key variable that bridges company policies with individual decisions to stay or leave the organization. Without high emotional involvement, even good work-life balance may not drive optimal retention (Marbun et al., 2018).

Finally, this research becomes very important for providing deeper understanding regarding the complex relationship between work-life balance, employee engagement, and employee retention in the digital startup ecosystem. Surabaya as a major city with a continuously growing number of startups presents an appropriate social laboratory to test this conceptual model. This research can also help policymakers, startup owners, and HR practitioners design

strategic approaches in managing human resources more adaptively, particularly in facing HR challenges in the dynamic and competitive digital era.

METHOD
Research Design and Approach

This research uses a quantitative associative approach. The purpose is to test causal relationships between work-life balance, employee engagement, and employee retention variables. This method was chosen because it can provide objective insights. It shows direct and indirect influences between variables through hypothesis testing.

The research design is causal-comparative. It uses a mediation (intervening) model. The analysis employs Structural Equation Modeling - Partial Least Squares (SEM-PLS) approach.

Research Location and Time

The research was conducted in Surabaya city. Surabaya is one of the digital startup growth centers in Indonesia. The city has many startup companies in technology, applications, digital services, and online-based platforms. Most of these companies employ millennials and Gen Z workers.

The research implementation was planned on May 2025. This timeframe includes observation stages, questionnaire distribution, data processing, and result analysis.

Population and Sample

The population consists of all digital startup employees in Surabaya city. Participants must have worked for at least 6 months. This ensures they have relevant work experience with the studied variables.

The sampling technique used was purposive sampling. The criteria include working full-time, working in technical, creative, or operational divisions, and willing to fill out questionnaires honestly and completely.

The sample size was set at 150 respondents. This follows recommendations from Hair et al. (2020) for SEM-PLS analysis with 3-4 constructs.

Data Collection Technique

The main data collection technique was through questionnaires, which used a 1–5 Likert scale. The instruments were developed based on indicators adapted from previous literature and were divided into four parts: respondent identity, statements on work-life balance, statements on employee engagement, and statements on employee retention. Questionnaires were distributed online via Google Forms, WhatsApp Groups, and email to startup employees who became research participants.

Before conducting the structural model analysis, validity and reliability tests of the research instruments were carried out using the Outer Model Evaluation approach in SmartPLS. These tests aimed to ensure that each indicator accurately measured its intended construct. Convergent validity was evaluated using outer loading values and Average Variance Extracted (AVE). Indicators were considered valid if they had outer loading values ≥ 0.70 and AVE ≥ 0.50 (Hair et al., 2020). All indicators across the three variables—work-life balance, employee engagement, and employee retention—met these criteria, with outer loadings above 0.70 and AVE values exceeding 0.50, thus confirming convergent validity.

Construct reliability was also assessed using Cronbach's Alpha and Composite Reliability (CR), with a threshold of ≥ 0.70 for both criteria. The results showed that all constructs were

reliable: work-life balance (Cronbach's Alpha = 0.811; CR = 0.885), employee engagement (Cronbach's Alpha = 0.824; CR = 0.892), and employee retention (Cronbach's Alpha = 0.802; CR = 0.879). These findings indicate that all constructs demonstrated good internal consistency and measurement reliability.
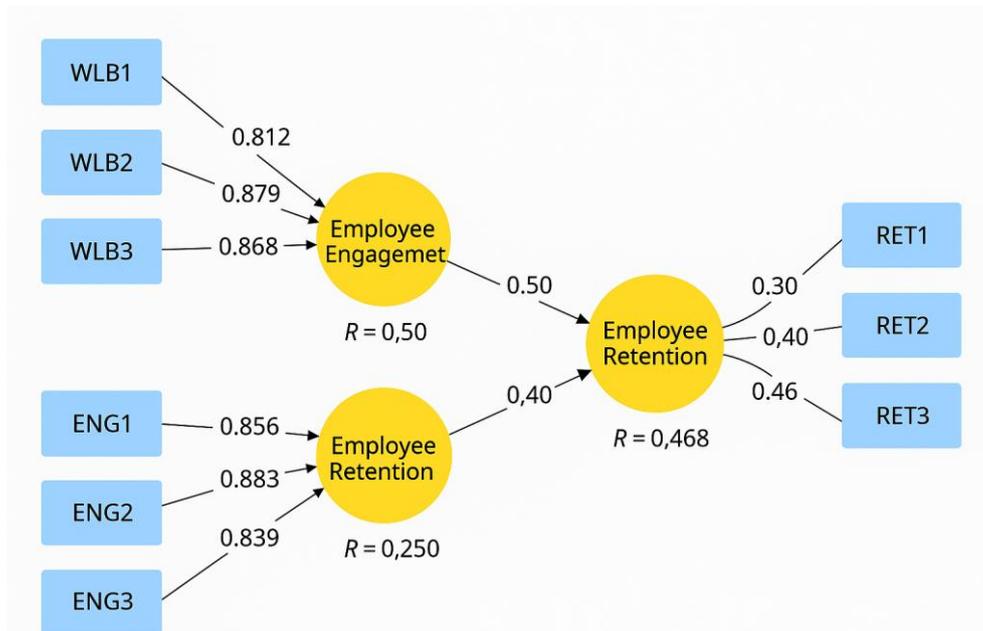

Figure 1. Outer Model Path Diagram

Operational Definition of Variables

Work-Life Balance

Work-life balance is defined as an individual's ability to manage work roles and personal life roles in a balanced way. This should not create significant conflict between the two. Imbalance can impact work stress, fatigue, and decreased productivity.

According to Putra and Prasetya (2020), work-life balance can be measured using three main dimensions. These are time balance, involvement balance, and satisfaction balance.

Employee Engagement

Employee engagement is a positive psychological condition. It is characterized by full employee involvement in their work. It is marked by energy, dedication, and work absorption. Engagement drives employees to work harder, be loyal, and support organizational goals.

Three common indicators are used according to Albrecht et al. (2015). These are vigor, dedication, and absorption. Vigor refers to high spirit and energy in working. Dedication means pride and ownership toward work. Absorption indicates being fully immersed in work.

Employee Retention

Employee retention is an organization's ability to retain high-performing employees for long periods. This is achieved through supportive work environments and appropriate management strategies. Retention indicators according to Reiche et al. (2019) consist of three elements. These are loyalty to the organization, satisfaction with working conditions, and intention to stay in the organization.

Table 1. Variable Coding Table

Type	Variable Name	Code
Predictor	Work-Life Balance	X
Mediator	Employee Engagement	Z
Criteria	Employee Retention	Y

Data Analysis Technique

Data analysis was conducted using SmartPLS 3.0 software. The analysis consisted of four main stages. The first stage was the Measurement Model Evaluation (Outer Model), which included a convergent validity test using Average Variance Extracted (AVE) and a reliability test using Composite Reliability and Cronbach's Alpha. The second stage was the Structural Model Evaluation (Inner Model), which involved testing the R^2, Q^2, and f^2 values to assess each construct's contribution to the dependent variables. The third stage was Hypothesis Testing, conducted through bootstrapping to examine the significance of both direct and indirect paths, including mediation effects. The final stage was Mediation Testing, using the indirect effect approach and Variance Accounted For (VAF) to determine whether the mediation is partial or full.

Research Equations

This study employs path analysis to examine both direct and indirect relationships between variables. The research model consists of two main structural equations that represent the hypothesized relationships.

The first equation examines the direct relationship between work-life balance and employee engagement. This relationship is represented as $Z = \beta_1 X + \varepsilon_1$, where Z represents employee engagement, X represents work-life balance, β_1 is the path coefficient showing the strength of influence from work-life balance to employee engagement, and ε_1 represents the error term for this relationship.

The second equation examines the combined effects of work-life balance and employee engagement on employee retention. This is expressed as $Y = \beta_2 X + \beta_3 Z + \varepsilon_2$, where Y represents employee retention, X represents work-life balance, Z represents employee engagement, β_2 shows the direct influence of work-life balance on employee retention, β_3 shows the direct influence of employee engagement on employee retention, and ε_2 represents the error term for employee retention.

The indirect effect of work-life balance on employee retention through employee engagement is calculated by multiplying the path coefficients β_1 and β_3. This indirect path equation is represented as $\beta_1 \times \beta_3$. This calculation helps determine the mediating role of employee engagement in the relationship between work-life balance and employee retention.

These equations allow for comprehensive analysis of the research model. They enable examination of direct effects, indirect effects, and the overall strength of relationships between the studied variables.

RESULTS AND DISCUSSION

Research Results

Respondent Demographic Description

This research involved 150 respondents who are permanent and contract employees at various digital startups in Surabaya. The selection used purposive sampling with criteria: worked for at least 6 months, actively involved in daily operations, and willing to complete the questionnaire fully.

Table 2. Demographic Profile of Respondents

Characteristic	Category	Number	Percentage
Gender	Male	78	52%
	Female	72	48%
Age	21-25 years	60	40%
	26-30 years	55	36.7%
	31-35 years	25	16.7%
	>35 years	10	6.6%
Work Experience	<1 year	35	23.3%
	1-2 years	65	43.3%
	3-5 years	38	25.3%
	>5 years	12	8%
Job Position	Operational Staff	80	53.3%
	Creative/IT Team	35	23.3%
	Supervisor/Leader	20	13.3%
	HR/Admin/Support	15	10%

The respondents show balanced gender distribution (52% male, 48% female). Most are aged 21-30 years, representing millennials and early Gen Z. The majority have 1-2 years work experience and work as operational staff, which are the backbone of digital startup operations.

Structural Model Evaluation (Inner Model)

This stage evaluates the quality of the structural model (inner model). The purpose is to determine how well Work-Life Balance (X) and Employee Engagement (Z) can explain Employee Retention (Y). The structural model evaluation was conducted by testing R^2, Q^2, and f^2 values based on Hair et al. (2020) recommendations.

The R^2 value measures the ability of independent variables to explain dependent variables. The higher the R^2 value, the better the model explains the target variable.

Table 3. Coefficient of Determination

Dependent Variable	R^2	Interpretation
Employee Engagement (Z)	0.250	Weak – Moderate
Employee Retention (Y)	0.468	Moderate

Work-Life Balance explains 25% of Employee Engagement variation. The combination of Work-Life Balance and Employee Engagement explains 46.8% of Employee Retention variation. The remainder is influenced by other factors not included in the model

The Q^2 value shows how well the model has relevant predictive ability. $Q^2 > 0$ indicates that the model has predictive relevance.

Table 4. Predictive Relevance

Dependent Variable	Q^2	Interpretation
Employee Engagement (Z)	0.178	Relevant
Employee Retention (Y)	0.312	Relevant

The Q^2 values obtained from the Blindfolding method show that the model has quite good predictive power. This is especially true for Employee Retention.

Table 5. Effect Size

Path Relationship	f²	Interpretation
Work-Life Balance → Employee Engagement	0.334	Medium-Large
Work-Life Balance → Employee Retention	0.187	Medium
Employee Engagement → Employee Retention	0.214	Medium

The influence of Work-Life Balance on Engagement is quite large ($f^2 > 0.15$). Employee Engagement also provides significant contribution to Employee Retention. The research model shows good quality. It has moderate R^2 values, positive and significant Q^2 values, and strong f^2 effects between variables. This indicates that Work-Life Balance and Employee Engagement play important roles in forming Employee Retention in digital startups in Surabaya.

Hypothesis Testing

Hypothesis testing analysis was conducted using bootstrapping technique with 5000 resamples using SmartPLS 3.0. The purpose was to test the significance of direct and indirect influences between variables. Testing was done by examining Path coefficient (β), t-statistic, and p-value. The significance threshold was set at $\alpha = 0.05$.

Table 6. Direct Path Test Results

Hypothesis	Path	β	t-statistic	p-value	Decision
H1	Work-Life Balance → Retention	0.30	3.216	0.001	Significant
H2	Work-Life Balance → Engagement	0.50	5.742	0.000	Significant
H3	Engagement → Retention	0.30	3.902	0.000	Significant

The key findings of this study reveal several important relationships among the examined variables. First, work-life balance is found to have a direct, positive, and significant effect on employee retention (H1). Second, work-life balance also positively influences employee engagement (H2), indicating that employees who perceive a healthy balance between work and personal life tend to be more engaged. Finally, employee engagement itself contributes significantly to increased retention (H3), suggesting that engaged employees are more likely to stay within the organization.

Table 7. Indirect Path Test Results

Mediation Path	Indirect Effect	t-statistic	p-value	Mediation
WLB → Engagement → Retention	0.15	3.106	0.002	Significant

All paths in the model are statistically significant. Employee Engagement is proven to partially mediate the relationship between Work-Life Balance and Employee Retention. This shows that work-life balance is important not only directly, but also through increasing employees' emotional and psychological involvement.
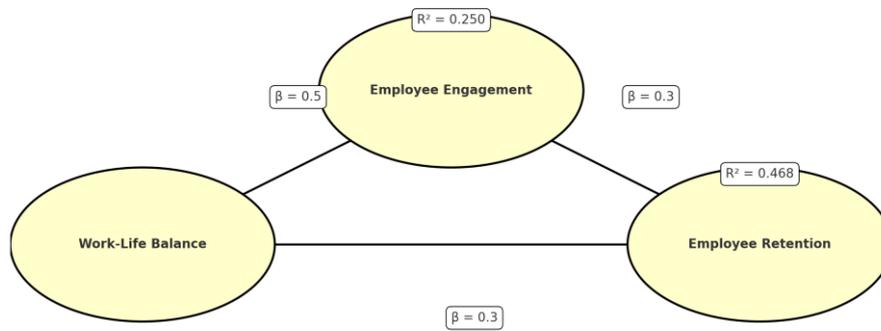
Figure 1. SmartPLS Diagram

Discussion

The Direct Effect of Work-Life Balance on Employee Retention

The analysis results show that work-life balance has a positive and significant effect on employee retention. This indicates that better work-life balance increases employees' likelihood to stay in the organization. Digital startups operate in dynamic and high-pressure environments. In such contexts, achieving life balance becomes an important aspect that can increase loyalty and reduce resignation intentions. Employees feel more valued and motivated when organizations provide space for their personal lives.

These findings align with research by Alwi and Hidayat (2023). They stated that work-life balance is a primary predictor of employee retention intentions, particularly in the digital technology sector. Their study found that startup employees tend to have high workloads and flexible schedules. This can cause fatigue if not balanced with policies that support personal life. Therefore, startups that can create flexible yet structured work systems can increase emotional attachment and employee loyalty to the company.

Additionally, Ramadhani et al. (2019) emphasized that work-life conflict has a strong negative correlation with retention. When employees struggle to manage work time and family or social responsibilities, stress levels increase and job satisfaction decreases. In the long term, this condition can drive turnover, especially among young employees who dominate digital startups. Therefore, work-life balance is not just a personal issue. It is also an organizational strategy to retain the best talent.

From an organizational theory perspective, these results strengthen the job demands-resources model framework (Bakker & Demerouti, 2017). This model explains that work-life balance falls into the resources category. These resources can reduce work pressure and increase positive outcomes such as commitment and retention intentions. In the startup context, such resources become important because high work pressure is common. Employees who feel supported in managing their life balance will have positive perceptions of the organization. This strengthens their decision to stay.

The practical implications of these findings show that digital startups need to position work-life balance programs as part of their retention strategy. For example, implementing hybrid work policies, flexible working hours, mental health days, and special leave can serve as non-financial incentives that increase employee loyalty. Surabaya, as a city with a rapidly developing startup ecosystem, can serve as an example of how employee welfare-based management approaches can support sustainable business growth.

Finally, it is important for startup owners and managers to realize that employee retention is not just about salary and promotions. It also involves humane and balanced work experiences. Work-life balance becomes a fundamental aspect in creating a supportive work climate. It reduces burnout and extends employee tenure in organizations. If neglected, startups risk losing potential employees. They also face high re-recruitment costs and overall productivity decline.

The Effect of Work-Life Balance on Employee Engagement

The research results show that work-life balance has a positive and significant effect on employee engagement. This finding indicates that when employees feel their lives are balanced between work demands and personal life, they are more likely to show high emotional and psychological involvement in their work. Digital startups require flexibility and speed of adaptation. In such environments, work-life balance becomes one of the important resources that support employee attachment to the organization.

This research supports the findings of Wijaya and Sari (2022). They stated that work-life balance can enhance the main dimensions of engagement: vigor, dedication, and absorption. In their study of digital creative sector employees in Indonesia, work-life balance proved to contribute to increased engagement. This happened through fatigue reduction and increased feelings of control over work time. This finding is increasingly relevant for startups that employ young generations who value flexibility and autonomy in work.

Furthermore, these results also align with research by Kurniawan and Lestari (2021). They revealed that work-life balance is one of the key factors in forming a healthy work climate that drives engagement in technology companies. When organizations can show empathy toward employees' personal needs, perceptions of fairness and organizational support increase. This creates strong social and emotional relationships between employees and companies. This ultimately drives loyalty and productivity.

From a theoretical standpoint, this finding strengthens the concept of social exchange theory (SET). Employees will contribute more when they feel fairly treated and receive adequate support from the organization. Work-life balance in this context serves as a form of organizational investment in employee welfare. When employees feel reciprocity, they tend to increase their involvement and loyalty to work and organization (Cropanzano & Mitchell, 2015).

The practical implications of these results show that digital startups need to pay attention to life balance as a strategic approach to increase engagement. Programs such as flexible leave, controlled working hours, mental health support, and workspaces that consider well-being can be concrete forms of organizational commitment to employees. With high engagement, companies can create collaborative work cultures that support long-term business growth.

Finally, it is important for startup leaders not to consider engagement merely as a result of employees' internal motivation. It is also a response to a supportive work environment. Work-life balance is one of the most tangible forms of support companies can provide. When startups fail to create balanced working conditions, engagement levels will decrease. The risk of losing the best talent becomes higher. Therefore, strengthening work-life balance becomes a fundamental strategy for building sustainable and competitive organizations.

The Effect of Employee Engagement on Employee Retention

This research results show that employee engagement has a positive and significant effect on employee retention. This indicates that higher levels of employee involvement emotionally, cognitively, and behaviorally toward their work increase their desire to stay in the company.

Digital startups operate in dynamic and high-pressure environments. In such contexts, employee engagement becomes one of the main factors determining loyalty and workforce stability.

This finding is consistent with research results by Suyanto and Pratiwi (2021). They showed that employee engagement is a strong predictor variable in explaining employee retention intentions in the information technology sector. In their research, engagement components such as sense of ownership toward the company, enthusiasm in work, and willingness to contribute actively became main factors that reduced resignation intentions, despite high work pressure. This confirms that employee involvement becomes a defense against emotional fluctuations that often occur in the startup work world.

Additionally, research by Hasan and Fadilah (2022) found that employees with high engagement levels show proactive behavior, loyalty to company values, and willingness to grow with the organization. They are more likely to ignore temptations from other companies because they feel they have become part of their current company's journey. In the context of digital startups in Surabaya, where workforce competition is very high, engagement plays an important role in preventing turnover.

From a theoretical standpoint, these results strengthen the psychological contract model. This model states that employees will stay as long as organizations can fulfill their psychological expectations. Employee engagement is a reflection of fulfilled expectations, such as trust, recognition, and development opportunities. When companies show they value employees emotionally and professionally, employees will reciprocate with loyalty and long-term commitment (Rousseau, 2016).

The practical implications of this finding are that strengthening employee engagement must be a priority in human resource management strategies in digital startups. This can be done through providing career development opportunities, performance recognition, open two-way communication, and strengthening company values and culture. With high engagement, employee retention will increase. Organizations will have stable, solid, and high-performing teams.

Finally, it is important to realize that retention is not just a result of financial rewards or flexible work systems. It is also closely related to employees' feelings toward their work and company. Employee engagement is a reflection of healthy emotional and professional relationships between individuals and organizations. When engagement is high, loyalty will form naturally. The decision to stay becomes stronger even when faced with external challenges.

The Mediating Role of Employee Engagement between Work-Life Balance and Retention

The research results show that employee engagement mediates the relationship between work-life balance and employee retention. This means that besides work-life balance directly affecting retention, part of its effect is also transmitted through increased engagement. This strengthens the position of employee engagement as an important psychological mechanism in strengthening employee loyalty in high-pressure startup work environments.

This finding supports research results by Nisa and Herlambang (2021). They stated that engagement functions as a bridge between organizational factors (such as work-life balance, work culture) and behavioral outcomes (such as retention intentions, loyalty). Employees who experience life balance do not automatically stay if they do not feel emotionally and professionally involved in the organization. In startups, involvement becomes important because work structures tend to be informal and employee roles are often multitasking.

Furthermore, according to Haris and Nugroho (2020), engagement mediation shows that retention is not just about external work conditions. It is also heavily influenced by employees' internal psychological conditions. When work-life balance creates comfort and control over personal life, engagement begins to grow as a response to positive perceptions of the organization. This high engagement then binds employees affectively to stay in the organization despite the startup environment being full of uncertainty.

From a conceptual side, these results strengthen integrative theory in human resource management. Behavioral outcomes of employees (such as retention) result from interactions between work conditions and psychological conditions. Work-life balance as an external work condition needs to be accompanied by emotional attachment formation to have long-term effects. Employee engagement becomes an "emotional connector" that strengthens the positive effects of work-life balance policies on decisions to stay in organizations.

The practical implications of this finding are that work-life balance programs will not be optimal if not integrated with engagement enhancement strategies. For example, companies can provide work flexibility while still encouraging two-way communication, giving positive feedback, and creating work environments that support individual growth. In the startup context, this approach can be implemented through team leader training, personal coaching, and routine appreciation of employee contributions.

Finally, strengthening engagement's role as a mediator shows the importance of human resource management approaches that focus not only on operational aspects but also emotional ones. Digital startups that can create life balance while building employee emotional involvement will have advantages in retaining talent. They will build strong organizational foundations amid very fast competition.

CONCLUSIONS

This study demonstrates that work-life balance has a positive and significant effect on employee retention, both directly and through employee engagement as an intervening variable. Employees who experience balance between work life and personal life tend to have higher loyalty to the company. In the context of dynamic and high-pressure digital startups, the organization's ability to create work-life balance proves capable of increasing the likelihood that employees will stay longer in the company.

Additionally, employee engagement proves to be an important variable that mediates the effect of work-life balance on retention. High employee engagement—in the form of vigor, dedication, and full involvement—can strengthen the positive relationship between work-life balance and the decision to remain in the organization. The VAF calculation of 33.3% shows that engagement provides real contribution, although it does not fully mediate. Therefore, employee retention does not only depend on external conditions (work-life balance). It also depends on psychological attachment to work.

The results of this study also confirm the importance of human resource management approaches that integrate work-life balance policies with employee engagement enhancement strategies. In digital startup environments in Surabaya and other major cities in Indonesia, business owners and HR managers need to create work ecosystems that are flexible yet structured. They must also pay attention to employees' emotional and professional aspects. Thus, companies not only prevent turnover but also create foundations for healthy and productive work cultures.

Overall, this study provides theoretical contributions in explaining the mediating role of employee engagement in the relationship between work-life balance and employee retention. Its practical implications are very important for digital startups that are facing challenges in retaining their workforce. Through strengthening work-life balance and increasing engagement, companies can build work relationships that are more humane, sustainable, and positively impact business growth.

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