

TALENT MANAGEMENT, WORK-LIFE BALANCE ON EMPLOYEE RETENTION THROUGH EMPLOYEE ENGAGEMENT AMONG GEN Z-MILLENNIALS

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Abstrak

Generasi Z dan Milenial mendominasi angkatan kerja Indonesia, namun kerap menunjukkan keterikatan kerja rendah sehingga rentan berpindah kerja apabila organisasi tidak menawarkan pengelolaan talenta dan keseimbangan kehidupan kerja yang kompetitif. Penelitian ini bertujuan menguji pengaruh *talent management* dan *work-life balance* terhadap *employee retention* dengan *employee engagement* sebagai variabel mediasi pada karyawan tetap Generasi Z dan Milenial di Kota Madiun. Penelitian ini menggunakan pendekatan kuantitatif dengan memberikan kuesioner berbentuk skala Likert kepada 385 orang responden yang dipilih menggunakan teknik purposive sampling. Data kemudian dianalisis menggunakan metode Partial Least Squares Structural Equation Modeling (PLS-SEM) dengan bantuan perangkat lunak SmartPLS versi 4.1. Hasil penelitian menunjukkan *talent management* dan *work-life balance* berpengaruh positif signifikan terhadap *employee retention* maupun *employee engagement*, *employee engagement* berpengaruh positif signifikan terhadap *employee retention*, serta *employee engagement* terbukti memediasi secara signifikan pengaruh *talent management* dan *work-life balance* terhadap *employee retention*. Temuan ini menegaskan pentingnya sinergi antara strategi *talent management*, kebijakan *work-life balance*, dan penguatan *employee engagement* agar organisasi di Kota Madiun mampu mempertahankan karyawan muda potensial secara berkelanjutan.

Kata kunci: *Talent Management, Work-Life Balance, Employee Engagement, Employee Retention.*

Abstract

Most of the workers in Indonesia are from Generation Z and Millennials, but they tend to stay with their jobs less, so they are more likely to leave if their company doesn't provide good talent management and a good balance between work and personal life. This study looks at how talent management and work-life balance affect employee retention, with employee engagement playing a key role in between, especially for Generation Z and Millennial workers in Madiun City. This study used a quantitative method where a questionnaire with a Likert scale was given to 385 respondents who were chosen through purposive sampling. The data was analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique, and the analysis was

done with the SmartPLS software version 4.1. This study shows that managing talent and keeping work-life balance in check have a good and meaningful effect on keeping employees and making them more involved at work. Also, being involved at work has a good and meaningful effect on keeping employees. Employee involvement is also shown to be a key factor that helps connect how talent management and work-life balance affect employee retention. This shows that having strong teamwork between talent management strategies, work-life balance policies, and efforts to boost employee engagement is very important for organizations in Madiun City to retain young, high-potential workers over time.

Keywords: Talent Management, Work-Life Balance, Employee Engagement, Employee Retention.

A. INTRODUCTION

In the age of digital transformation, an organization's capacity to cultivate its human advantage is becoming a more important factor in determining business rivalry than simple technological differentiation. The ability to draw in, nurture, and keep top talent is essential to winning the competition since human resources are now the main strategic asset that determines an organization's competitiveness (Karim et al., 2025). In order to meet this need, the idea of talent management was developed through a number of strategic practices, including hiring, career development, performance management, and rewards (Singh, 2021). According to Panggabean (2023), the goal of talent management is to guaranty that organizations can fill important future leadership positions while supporting the firm's core competencies.

Employee engagement is still comparatively low worldwide. Only 23% of workers globally are genuinely involved, compared to 62% who are not engaged and 15% who are actively disengaged, according to a Gallup research from 2024. The estimated global economic loss is US\$8.9 trillion, or 9% of GDP. This problem is made worse by the fact that Millennials and Generation Z now make up the majority of the workforce. These generations have different work preferences than their predecessors, taking into account opportunities for self-improvement, work-life balance, and flexibility in addition to salary.

1. Social Exchange Theory

Employee retention and talent management are strongly intertwined. When companies use good talent management strategies, workers feel appreciated and supported, which increases their likelihood of staying on the job longer. Theoretically, this relationship is explained by Social Exchange Theory (SET), which holds that when companies focus on the skills and well-being of their workers, workers feel psychologically obligated to return the favor by becoming more committed and engaged at work (Blau, 1964; Cropanzano & Mitchell, 2005). The idea of perceived organizational support, which states that workers who believe their company cares about their well-being would react with affective commitment and improved performance, supports this reciprocity principle (Rhoades & Eisenberger, 2002). In this study, SET acts as the overarching framework that connects talent management, work-life balance, employee engagement, and employee retention.

2. Talent Management

Putri and Subudi (2018) say that employee engagement acts as an important link between managing talent and keeping employees at the Sardine Restaurant in Seminyak, Bali. This study uses three variables managerial support, employee career development, and rewards and recognition, which are adapted from Alias et al.(2014) to measure talent management. These dimensions show how effectively a business handles, grows, and appreciates its employees' skills and efforts.

3. Work-Life Balance

Young people now look for a healthy mix between their job and personal time, and this influences whether they decide to stay at a company, as well as how companies handle their employees. Fisher and others in 2009 explain that work-life balance happens when someone feels their job and personal life can fit together well and support each other. In this study, three areas are considered: how flexible the schedule is, the ability to keep work and personal life separate, and how satisfied someone is with the support from their

organization. These areas are based on the research done by Greenhaus et al. in 2003 and Hayman in 2005. Work-life balance policies are seen by SET as a type of non-financial investment a company makes, and employees are expected to respond by being more involved and staying with the company for a longer time.

4. Employee Engagement

Schaufeli and Salanova (2007) say that employee engagement is a happy and satisfying feeling about work. It is shown by being full of energy, really committed, and deeply focused. In theory, employee engagement acts as the way workers show appreciation for the company's efforts in managing talent and supporting their work-life balance, since engaged employees usually put in more effort and mental focus into their jobs.

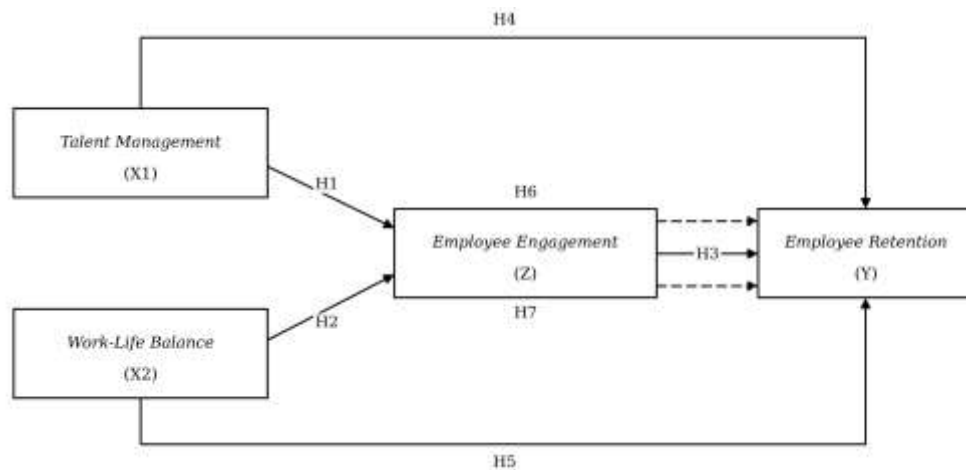
5. Employee Retention

In this study, career possibilities, employee connections, and rewards are used to measure employee retention, which is defined as an organization's capacity to retain quality and potential employees so that they remain devoted and productive over time (Arya & Aditeresna, 2018).

6. Conceptual Framework and Research Gap

Studies on how employee engagement connects with different factors have shown conflicting findings, even though there is a strong theoretical foundation supporting it. Ramadhan and Ekhsan (2024) studied a manufacturing company in Jababeka Cikarang and found that employee engagement did not strongly affect the relationship between talent management and employee retention. However, Nardi and Ginting (2025) studied Gen Z workers in Pontianak and discovered that employee engagement was a major factor in linking work-life balance with employee retention. Sukajie and Andriani (2025) found that employee engagement helps explain how work-life balance affects employee retention in service-sector jobs. Sinisterra and others (2024) then did a thorough review

and found that the connection between talent management, employee engagement, and retention is still not clear or varies across different organizations. Research that includes talent management, work-life balance, employee engagement, and keeping employees for good is not often done, especially in places like Madiun City, which is still growing. Previous studies have generally not considered differences between various types of jobs or different age groups. Srimulyani (2020) found that employee engagement consistently helps connect talent management with employee retention in companies in Indonesia.



Picture 1. Conceptual Framework

Source: Modified from Putri & Subudi (2018) & Sukajie & Andriani (2025)

This study examines and offers actual proof on how managing talent and maintaining a good work-life balance influence how long employees stay with a company. It also looks at how employee engagement, which is like a middle step, plays a role in this process. The focus is on permanent Generation Z and Millennial workers in Madiun City. Based on the ideas and research we talked about before, here are seven hypotheses: H1: Taking care of talent can make employees more engaged; H2: Having a good balance between work and personal life can make employees more engaged; H3: When employees are more engaged, they are more likely to stay with the company; H4:

Managing talent helps employees stay with the company; H5: Having a good work-life balance helps employees stay with the company; H6: Employee engagement is important in how talent management affects employee retention; H7: Employee engagement is also important in how work-life balance affects employee retention.

B. METHOD

Based on the recommendations from Hair et al.(2022), this study uses a quantitative approach known as Partial Least Squares-Structural Equation Modeling (PLS-SEM), and it is carried out using SmartPLS version 4. This strategy was picked because the study model includes a mediating variable and is both predictive and exploratory. The research took place in Madiun City, which is in East Java, and it happened between March and June in the year 2026. The study includes every permanent Generation Z worker (born between 1997 and 2012) and Millennial worker (born between 1981 and 1996) in Madiun City. This group is treated as an unlimited population because official data doesn't give exact numbers for each generation. The sample size was figured out using the Lemeshow formula, which is used when the total number of people isn't known. This calculation was done with a 95% confidence level and a 5% error margin, and it needed at least 385 people to participate. The study used a non-probability sampling method with a purposive approach (Sugiyono, 2023). The participants needed to meet specific criteria: they had to be aged between 20 and 34, work in Madiun City as permanent, contract, or freelance employees, and have been employed there for at least two to three years.

A Google Form was used to send out an online survey with a 1-4 rating scale to collect primary data from the people who responded. Employee engagement is about how much energy, commitment, and focus employees have in their work, as described by Schaufeli and Salanova in 2007. Employee retention depends on things like career growth opportunities, how well employees get along with each other, and the rewards they receive, according to Arya

and Aditeresna in 2018. Work-life balance is about having flexible schedules, being able to separate work from personal life, and feeling supported by the organization, as noted by Fisher et al. in 2009. Talent management involves support from managers, helping employees grow in their careers, and recognizing their achievements, as explained by Alias et al. in 2014. Two stages of evaluating PLS-SEM were used to look at the data, as mentioned in Ghazali's 2020 work. The outer model was checked for convergent validity by making sure the outer loadings were higher than 0.70 and the average variance extracted was above 0.50. Discriminant validity was also tested using cross loadings, and reliability was measured with Cronbach's Alpha and Composite Reliability, both of which had to be at least 0.70. The coefficient of determination (R^2), predictive relevance (Q^2), Goodness of Fit (GoF) as outlined by Wetzels et al. (2009), and hypothesis testing based on path coefficients, along with a bootstrapping method that involved 5,000 resamples, were all used to assess the inner model. If the p-value is less than 0.05 or the t-statistic is higher than 1.96, the hypothesis is said to be supported.

C. RESULTS AND DISCUSSIONS

The questionnaire collected responses from 385 participants, including Generation Z and Millennial employees in Madiun City who met the research criteria. The evaluation of the outer model shows that all indicators have outer loading values above 0.70, meaning they are seen as valid (Ghozali, 2020). The Average Variance Extracted (AVE) values for talent management, work-life balance, employee engagement, and employee retention were 0.928, 0.835, 0.919, and 0.928 respectively. All of these values are above the minimum requirement of 0.50. Each indicator worked better with its own main idea than with other ideas, which means it has strong discriminant validity. The Cronbach's Alpha scores (0.901-0.961) and Composite Reliability values (0.938-0.975) for all the variables are above 0.70, showing that the research tool is both valid and reliable.

The results from the structural model show that the R^2 value for employee engagement is 0.645, and for employee retention it is 0.648. This means that talent management and work-

life balance together account for 64.5% of the variation in employee engagement. At the same time, the three independent and mediating variables together explain 64.8% of the variation in employee retention. The Predictive Relevance (Q^2) values for employee engagement and employee retention are 0.642 and 0.543. Both numbers are above zero, which means the model has good predictive relevance. The Goodness of Fit (GoF) value of 0.763 is seen as high because it is above 0.36, as stated by Wetzels et al. (2009). This means the research model fits the data quite well overall. Hypothesis testing was carried out using a bootstrapping method, which involved making 5,000 new samples. A hypothesis is seen as correct if the t-statistic is higher than 1.96 and the p-value is lower than 0.05. The complete results are listed in Table 1.

Table 1. Hypothesis Testing Results

Hypothesis (Path)	β (t-statistic; p-value)	Note
H1: Talent Management → Employee Engagement	0.512 (t=18.071; p=0.000)	Accepted
H2: Work-Life Balance → Employee Engagement	0.488 (t=14.483; p=0.000)	Accepted
H3: Employee Engagement → Employee Retention	0.532 (t=10.364; p=0.000)	Accepted
H4: Talent Management → Employee Retention	0.496 (t=14.286; p=0.000)	Accepted
H5: Work-Life Balance → Employee Retention	0.424 (t=11.818; p=0.000)	Accepted
H6: Talent Management → Employee Engagement → Employee Retention	0.272 (t=9.137; p=0.000)	Accepted (Partial Mediation)
H7: Work-Life Balance → Employee Engagement → Employee Retention	0.259 (t=8.247; p=0.000)	Accepted (Partial Mediation)

Source: Primary data processed with SmartPLS 4.1 (2026)

Table 1 shows that all p-values are below 0.05, so all seven hypotheses (H1-H7) in this study are accepted. The findings are discussed per hypothesis below.

1. Effect of Talent Management on Employee Engagement (H1)

Talent management has a significant positive effect on employee engagement ($\beta=0.512$; $t=18.071$; $p=0.000$), which supports the first hypothesis. This finding matches what Putri & Subudi (2018) and Srimulyani (2020) found, showing that good talent management practices, like support from managers, career growth opportunities, and

rewards and recognition, help employees feel more energetic, committed, and focused at work.

2. Effect of Work-Life Balance on Employee Engagement (H2)

Work-life balance has a strong positive effect on how much employees are engaged ($\beta=0.488$; $t=14.483$; $p=0.000$), which supports the second hypothesis. This supports the ideas from Fisher et al.(2009) and Hayman (2005) that workers who can manage their job and personal life effectively are more mentally free to put their energy and focus into their work.

3. Effect of Employee Engagement on Employee Retention (H3)

Employee engagement has a strong positive effect on keeping employees ($\beta=0.532$; $t=10.364$; $p=0.000$), which means the third hypothesis is supported. This means that workers who feel emotionally and mentally connected, and who put in energy, care, and strong focus, are more likely to stay at the company, which is similar to what Arya and Aditeresna discovered in 2018.

4. Effect of Talent Management on Employee Retention (H4)

Talent management has a strong positive effect on keeping employees ($\beta=0.496$; $t=14.286$; $p=0.000$), which supports the fourth hypothesis. This matches what Putri and Subudi (2018) found, because they said that good talent management not only makes employees want to stay longer but also helps by increasing their engagement.

5. Effect of Work-Life Balance on Employee Retention (H5)

Work-life balance has a strong positive impact on keeping employees, as shown by the results ($\beta=0.424$; $t=11.818$; $p=0.000$). This supports H5, which aligns with the research from Nardi & Ginting (2025) and Sukajie & Andriani (2025), who also found that work-life balance is key to retaining younger workers.

6. Mediating Role of Employee Engagement between Talent Management and Employee Retention (H6)

Employee engagement has a big impact on how talent management affects employee retention ($\beta=0.272$; $t=9.137$; $p=0.000$), which means the sixth hypothesis is supported. Because talent management still has a big effect on keeping employees (H4), this is called partial mediation. This means talent management helps retain employees not only directly, but also by first making them more engaged.

7. Mediating Role of Employee Engagement between Work-Life Balance and Employee Retention (H7)

Employee engagement has a strong effect on how work-life balance influences employee retention ($\beta=0.259$; $t=8.247$; $p=0.000$), which supports the seventh hypothesis. Like H6, since the direct effect of work-life balance on employee retention (H5) is still significant, this mediation is also seen as partial mediation.

These results show that perceived organizational support, as described by Rhoades and Eisenberger in 2002, and Social Exchange Theory, as explained by Blau in 1964, are very important for young workers in cities that are still growing. When employers provide training and policies that help workers balance their personal and work lives, employees tend to feel happier and more attached to their jobs. This leads to greater enthusiasm and loyalty, making them more likely to stay with the company for a longer time. This study shows that for permanent employees from Generation Z and Millennials in Madiun City, employee engagement has a meaningful and steady impact on linking talent management with work-life balance. This follows the same pattern that Sinisterra et al.(2024) and Sukajie & Andriani (2025) noticed, as they also discovered that demographic and population factors affect how strong this mediating effect is. Ramadhan and Ekhsan (2024) found that there was no major mediation effect in the Jababeka manufacturing industry.

D. CONCLUSIONS

The study shows that work-life balance and how companies manage their talent both have a positive and strong impact on how engaged and willing employees are to stay in their jobs among the permanent Generation Z and Millennial workers in Madiun City. Research shows that when workers are more involved in their jobs, they are more likely to remain with the company. This connection between engagement and retention is important because it shows how work-life balance and how the company manages talent can influence how long employees stay. The findings suggest that helping businesses create a healthy balance between work and personal life, and making employees feel a strong connection to their work and the company, is more important than just providing job security or higher pay in keeping younger workers. So, the main reason Madiun City is able to keep its young talent despite many workers moving to bigger cities is because of a human resource strategy that combines good talent management, flexible work-life balance policies, and actions to boost employee involvement. This study has some limitations. One thing is that it uses a cross-sectional approach, which can't show how the variables change and interact over time. Another thing is that it only looks at one city, so it doesn't cover different areas.

E. SUGGESTIONS

It is advised that HRD professionals and business management in Madiun City create a clear Individual Development Plan and dual-career path, give supervisors regular constructive criticism and empathetic communication skills, create a flexible and customized rewards and recognition program, offer more flexible work schedules, and regularly administer employee pulse surveys to track employee engagement dynamics. Future research should consider a mixed-methods approach to investigate the psychological aspects and subjective perspectives of employees not fully captured by closed-ended questionnaires, expand the research area across regencies/cities or compare across industry sectors, and

include other variables pertinent to the traits of Generation Z and Millennials, such as flexible work arrangements, job crafting, or organizational culture.

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