

Work-Life Balance and Digital Competence on Employee Retention with Employee Engagement as a Mediating Variable

Factors Influencing
Employee Retention

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ABSTRACT

Employee retention is a critical challenge for startups operating in dynamic labor markets. This study examines the effects of work-life balance and digital competence on employee retention, with employee engagement as a mediating variable. This study was conducted among 250 service sector employees in Jakarta, Bandung, and Yogyakarta. This study uses a quantitative approach employing SEM-PLS analysis. The results reveal that work-life balance positively influences employee engagement and employee retention. Similarly, digital competence significantly affects employee engagement and employee retention. Employee engagement itself strongly predicts employee retention and mediates the relationship between work-life balance and retention as well as digital competence and retention. These findings highlight that enhancing work-life balance and developing digital competence are essential strategies to foster employee engagement, which in turn strengthens retention. The study underscores the strategic role of employee engagement as a mediator in translating human resource practices into long-term commitment, offering practical insights for startups to maintain a productive, adaptive, and loyal workforce in competitive digital environments.

Keywords: Digital Competence, Employee Engagement, Employee Retention, Startup Digital, Work-Life Balance.

ABSTRAK

Retensi karyawan merupakan tantangan penting bagi startup yang beroperasi di pasar tenaga kerja yang dinamis. Penelitian ini meneliti pengaruh work-life balance dan kompetensi digital terhadap retensi karyawan, dengan keterlibatan karyawan sebagai variabel mediasi. Penelitian ini dilakukan pada 250 karyawan sektor jasa di Jakarta, Bandung, dan Yogyakarta. Penelitian ini menggunakan pendekatan kuantitatif dengan teknik analisis SEM-PLS. Hasil penelitian menunjukkan bahwa work-life balance berpengaruh positif terhadap keterlibatan karyawan maupun retensi karyawan. Demikian pula, kompetensi digital memiliki pengaruh signifikan terhadap keterlibatan karyawan dan retensi karyawan. Keterlibatan karyawan sendiri menjadi prediktor kuat bagi retensi karyawan dan memediasi hubungan antara work-life balance dan retensi serta antara kompetensi digital dan retensi. Temuan ini menekankan bahwa peningkatan work-life balance dan pengembangan kompetensi digital merupakan strategi penting untuk mendorong keterlibatan karyawan, yang pada gilirannya memperkuat retensi. Penelitian ini menyoroti peran strategis keterlibatan karyawan sebagai mediator dalam menerjemahkan praktik sumber daya manusia menjadi komitmen jangka panjang, sekaligus memberikan wawasan praktis bagi startup untuk mempertahankan tenaga kerja yang produktif, adaptif, dan loyal dalam lingkungan digital yang kompetitif.

Kata kunci: Kompetensi Digital, Keterlibatan Karyawan, Retensi Karyawan, Startup Digital, Work-Life Balance.

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INTRODUCTION

The rapid digital transformation has changed the nature of work across various sectors, particularly digital startups operating in a dynamic, agile, and competitive environment. Major cities like Bandung, Jakarta, and Yogyakarta have become hubs for technology startup growth in Indonesia, with a high demand for competent and adaptable digital talent. However, this sector faces serious challenges, including high turnover, increasing work pressure, and difficulty providing competitive compensation for employees with high digital competencies. These conditions make employee retention a strategic aspect determining business sustainability. Turnover not only increases recruitment and training costs but also leads to a loss of organizational knowledge and a decline in the quality of digital services (Deery & Jago, 2015; Shockley et al., 2017).

In this context, factors such as work-life balance, digital readiness, and employee emotional engagement become increasingly relevant. Studies by Wood et al. (2020) and Lestari and Margaretha (2021) have shown that work-life balance plays a crucial role in increasing retention and reducing turnover intention. However, the flexible yet intense work pressures in digital startups often result in an imbalance between work and personal life demands (Duan et al., 2023). This makes work-life balance a crucial determinant of employee retention.

Meanwhile, digital competence is a key requirement for startup employees, given that project-based work, data analytics, product management, and software engineering require a high level of digital literacy. Several studies by Cetindamar and Abedin (2021) have discussed digital competence in the context of innovation and work performance. In fact, recent research by Bokek-Cohen (2018) shows that digital competence serves as a signal for organizations in the talent selection and development process and contributes to service quality and employee performance (Ingsih et al., 2024). However, studies by Grimpe et al. (2023) and Huu (2023) linking digital competence to employee retention are relatively limited and have focused more on the context of talent management or work innovation.

Furthermore, employee engagement is a psychological factor proven to significantly influence employee retention, commitment, and performance (Bedarkar & Pandita, 2014; Anitha, 2014; Islam et al., 2023). Engagement has also been shown to mediate the relationship between various organizational practices and outcomes such as turnover intention, performance, and commitment (Kaur & Randhawa, 2021; Chopra et al., 2024; Shilpakar et al., 2024). However, research examining employee engagement as a mediator of the relationship between work-life balance and retention is still developing and inconclusive (Opoku et al., 2023; Weng et al., 2023; Ahmed et al., 2025).

A review of previous research reveals several gaps that remain unfilled, opening opportunities for new contributions. Previous research by Andari et al. (2021), Al-Kharabsheh et al. (2022), and Faadhilah et al. (2025) on employee retention has generally focused on work-life balance, compensation, talent management, and job satisfaction. While these findings are important, the context of digital startups in Indonesia, characterized by a highly competitive digital labor market, remains relatively neglected. This industry has distinct dynamics from traditional sectors, both in terms of innovation pressures and the competition for digital talent, so retention studies in this context require more specialized attention.

Furthermore, studies by Janssen et al. (2013) and Cetindamar and Abedin (2021) on digital competence largely examine its relationship with work performance, innovation, or organizational commitment. Meanwhile, studies directly linking digital competence to employee engagement are still very limited. In fact, digital-native workers in startups operate in a high-tech ecosystem that demands strong cognitive and emotional engagement to adapt and contribute optimally. Efforts to approach this relationship have only recently been seen in research on digital competencies in talent management and innovation (Ekhsan et al., 2023; Yadnya & Khamiliyah, 2024). This study offers theoretical novelty by testing whether digital competencies can drive engagement and ultimately improve employee retention.

Furthermore, the effect of employee engagement as a mediator between work-life balance and retention has begun to receive attention in a number of studies, but the findings remain inconsistent. Meanwhile, almost no research has incorporated digital competence into mediation models involving engagement, particularly in the context of Indonesian digital startups. This gap presents a significant empirical opportunity to examine how engagement bridges the influence of work-life balance and digital competence on employee retention in a high-pressure, rapidly changing, and highly technology-dependent digital work environment. Therefore, this study aims to empirically examine the relationship among work-life balance, digital competence, and employee retention, with employee engagement as a mediator.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Work-Life Balance on Employee Engagement and Retention

Work-Life Balance (WLB) is a central issue for digital startup employees due to the fast-paced, project-based nature of their work, which demands near-unlimited digital connectivity. Previous research by Deery and Jago (2015) and Shockley et al. (2017) have shown that organizational support for work-life balance can foster a sense of psychological safety, well-being, and emotional attachment to the workplace. In the digital startup ecosystem, flexible working hours, remote working, and easy access to technology are often dominant factors influencing employees' perceptions of WLB. Duan et al. (2023) asserted that digital work can enhance or impair WLB, depending on the extent to which the organization provides control over the intensity of digital work.

The younger generation of employees who dominate digital startups highly value work-life balance, as this balance has been shown to reduce burnout and increase engagement (Lestari & Margaretha, 2021; Bahar et al., 2022). Studies by Jaharuddin and Zainol (2019), Wood et al. (2020), and Sopian et al. (2022) confirm that WLB is positively related to job engagement and emotional attachment to work. More broadly, WLB is also a crucial foundation for retaining talent and preventing turnover, especially in the highly competitive digital labor market (Deery & Jago, 2015; Rathi & Kumar, 2023). Furthermore, research by Kaur and Randhawa (2021) and Opoku et al. (2023) show that when organizations provide clear WLB policies, employees demonstrate higher levels of engagement.

Previous research has shown that organizational support for WLB, such as flexible working hours, remote working, and realistic workload management, significantly increases employee satisfaction and reduces turnover intention (Bahar et al., 2022; Rathi & Kumar, 2023). Furthermore, the younger generation that dominates the digital startup workforce highly values WLB policies because they directly affect their motivation, energy, and creativity (Jaharuddin & Zainol, 2019; Lestari & Margaretha, 2021). Empirical research also confirms that a clear, structured, and consistent WLB program from an organization creates a sense of appreciation and employee loyalty, which in turn improves talent retention in a competitive digital labor market (Opoku et al., 2023; Kaur & Randhawa, 2021; Kurniawati & Ramli, 2024; Ahmed et al., 2025). Based on this, the following hypothesis is proposed:

H1: Work-life balance has a significant positive effect on employee engagement.

H2: Work-life balance has a significant positive effect on employee retention.

Digital Competence on Employee Engagement and Retention

Digital competence is a crucial factor in a digital startup environment that relies heavily on technological adaptability. Digital competence encompasses the ability to operate technology, solve digital-based problems, and adapt to new systems quickly (Janssen et al., 2013; Cetindamar & Abedin, 2021). In technology-based companies, this competence is not only a technical requirement but also a source of self-confidence, task control, and a sense of ownership. Research by Ingsih et al. (2024) confirms that digital

competence can improve service quality and performance, which indirectly boosts a sense of accomplishment and engagement.

Digital competence also provides strategic advantages for organizations. A study by Grimpe et al. (2023) found that digital expertise increases opportunities for retention because individuals who master technology feel more valued within the organization. Findings by Bokek-Cohen (2018) suggest that digital competence acts as a signal of professionalism that increases organizational support for employees, ultimately strengthening their engagement. Huu (2023) and Zia et al. (2025) demonstrated the relationship between digital competence and engagement through the context of digital autonomy, digital job resources, and an innovative work climate. In research in other sectors, such as hospitality, digital competence has been shown to have a direct impact on engagement (Yadnya & Khamiliyah, 2024). Ekhsan et al. (2023) also confirmed that digital talent is positively related to engagement and is a strong predictor of retention. Ahyat and Hamdi (2024) strengthened this argument by finding that digital competence increases dedication and engagement in technology-based creative industries. Therefore, for digital startup employees whose work activities are heavily influenced by technology, increased digital competence will increase comfort, efficiency, and cognitive and emotional engagement at work.

Previous research by Bokek-Cohen (2018) and Grimpe et al. (2023) have shown that employees with high digital competency feel more valuable and strategic to the organization, thus increasing their intention to stay with them. Other studies by Azmy (2021) and Ahyat and Hamdi (2024) emphasize that digital competency serves as a signal of professionalism and increases organizational support for individuals, ultimately strengthening loyalty and retention. Furthermore, digital competence plays a crucial role in providing control over workload, facilitating digital autonomy, and enhancing individual innovation, all of which contribute to employees' retention decisions (Huu, 2023; Zia et al., 2025). Therefore, the following hypothesis is proposed:

H3: Digital competence has a significant positive effect on employee engagement.

H4: Digital competence has a significant positive effect on employee retention.

Employee Engagement as Mediator

Employee engagement encompasses an individual's emotional, cognitive, and physical attachment to their work (Anitha, 2014; Bedarkar & Pandita, 2014). In the context of digital startups, engagement is a crucial element because the dynamic nature of work demands creativity, commitment, and the ability to complete tasks independently. Various studies by Setiawan and Prasajo (2021), Andari et al. (2021) and Xuecheng et al. (2022) show that engagement plays a strong role in reducing turnover intention and increasing employee retention. Engaged employees tend to have a strong emotional attachment, which leads to a willingness to contribute more and stay longer (Ampofo & Karatepe, 2022; Al Zeer et al., 2023).

The direct link between engagement and retention has also been confirmed in various cross-industry studies. Chopra et al. (2024) and Shilpakar et al. (2024) found that engagement significantly reduced turnover intention. In the digital industry, where talent mobility is highly significant, the effect of engagement on retention is becoming increasingly important (Azmy, 2021; Al-Kharabsheh et al., 2022; Faadhilah et al., 2025). This indicates that engagement is an internal mechanism that strengthens loyalty and retention intentions.

As a mediator, engagement has been shown to bridge the influence of WLB on various outcomes, such as job performance, turnover intention, and retention (Riyanto et al., 2021; Kaur & Randhawa, 2021; Siregar & Dewi, 2022; Novianti & Ramli, 2023; Mustaqim et al., 2024; Rustina et al., 2025; Satrianny et al., 2025). Opoku et al. (2023) and Weng et al. (2023) confirm that WLB strengthens engagement, which ultimately drives retention intentions. The same thing is also seen in the context of digital competence: research by Ekhsan et al. (2023) shows that engagement mediates the

relationship between digital competence and retention, while a study by Zia et al. (2025) proves that digital job resources increase engagement, which then triggers other positive outcomes. Thus, theoretically and empirically, engagement plays a strong mediating role, especially in the digital startup environment, which relies on employee psychological engagement.

H5: Employee engagement has a significant positive effect on employee retention.

H6: Employee engagement mediates the effect of work-life balance on employee retention.

H7: Employee engagement mediates the effect of digital competence on employee retention.

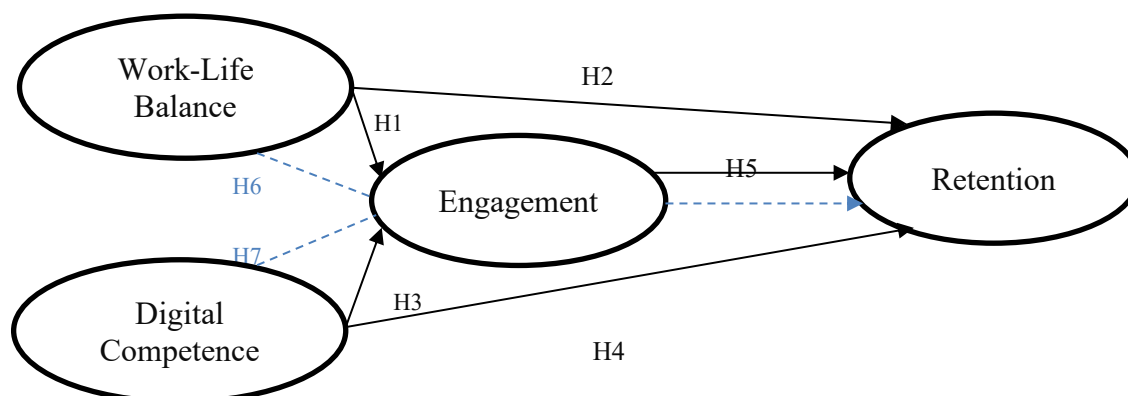


Figure 1. Conceptual Model (PLS-SEM)

Figure 1 shows that the research framework examines how work-life balance and digital competence influence employee retention, both directly and indirectly through employee engagement. Employee engagement is positioned as a mediator, channeling the effects of work-life balance and digital competence on retention, highlighting its key role in transforming these factors into sustained organizational commitment.

RESEARCH METHODS

This study used a quantitative survey design to examine the relationships among work-life balance, digital competence, employee engagement, and employee retention among digital startup employees. A quantitative approach was chosen because it enables objective, systematic measurement of relationships between variables and facilitates generalization to the relevant population. Surveys are an appropriate method because they can collect data from a large number of respondents in a relatively short time and allow for direct measurement of employee perceptions, attitudes, and experiences.

The study population consisted of employees working at technology-based and digital startups in major cities, namely Jakarta, Bandung, and Yogyakarta, with a minimum tenure of one year. This criterion was chosen to ensure respondents had sufficient experience navigating the dynamics of digital startup work, including the challenges of intensive work and the need to adapt to high-tech environments. This would enhance the validity of their perceptions of WLB, digital competence, engagement, and retention (Deery & Jago, 2015; Yadnya & Khamiliyah, 2024).

A total of 250 questionnaires were distributed using purposive sampling, chosen because this technique allows researchers to target respondents who meet specific criteria, in this case, employees with at least one year of work experience in digital startups. The distribution of questionnaires was 125 in Jakarta, 75 in Bandung, and 50 in Yogyakarta, adjusted for the concentration of the startup industry in each city. Of this total, 167 questionnaires were returned, yielding a return rate of approximately 66.8%. However, initial inspection revealed that 21 questionnaires were incomplete and therefore could not

be analyzed. Thus, the final sample size was 146 respondents, deemed sufficient for PLS-SEM testing.

Each variable was measured using a 1–5 Likert scale, with 1 indicating strongly disagree and 5 indicating strongly agree. This scale was adapted from a previously validated instrument: work-life balance refers to Fisher et al. (2009), digital competence follows van Laar et al. (2017), employee engagement using Schaufeli and Bakker (2004), and employee retention adopted from Kyndt et al. (2009). Each variable is represented by three indicators, covering key aspects relevant to the digital work context. For example, WLB is measured through schedule flexibility, the ability to separate work and personal life, and satisfaction with organizational support. Digital competence is measured by the ability to use digital devices, adapt to new technologies, and have confidence in completing digital-based tasks. Employee engagement is measured through emotional, cognitive, and physical involvement in work, while employee retention is measured through intention to stay, loyalty, and long-term commitment to the organization. The data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. This technique was selected due to its ability to simultaneously evaluate direct and indirect effects among constructs, including the assessment of employee engagement as a mediating variable. Moreover, PLS-SEM is well suited for studies with moderate sample sizes and is robust against violations of normal data distribution assumption. The analytical procedure involved examining the measurement model through validity and reliability tests, estimating direct relationships, and evaluating the mediating effect using a bootstrapping approach to determine the statistical significance of the proposed relationships.

RESULTS

As presented in Table 1, all measurement indicators demonstrate outer loading values above 0.7, reflecting strong convergent validity across the constructs. The Average Variance Extracted (AVE) values for work–life balance (0.682), digital competence (0.674), employee engagement (0.711), and employee retention (0.680) all exceed the recommended minimum of 0.5, indicating that each construct sufficiently captures variance from its respective indicators. In addition, the composite reliability coefficients for all variables exceed the 0.7 criterion: work–life balance (0.876), digital competence (0.869), employee engagement (0.888), and employee retention (0.874), thereby confirming the consistency and reliability of the measurement instruments. Collectively, these findings demonstrate that the constructions are adequately prepared for structural model evaluation, including the assessment of direct effects and the mediating role of employee engagement.

Table 1. Outer Loading, AVE, and Composite Reliability

Variable	Indicator	Outer Loading	AVE	Composite Reliability
Work-Life Balance (WLB)	WLB1: Flexibility of work schedule	0.812	0.682	0.876
	WLB2: Ability to separate work and personal life	0.789		
	WLB3: Satisfaction with organizational support	0.835		
Digital Competence (DC)	DC1: Ability to use digital devices	0.798	0.674	0.869
	DC2: Adaptation to new technologies	0.824		
	DC3: Confidence in completing digital-based tasks	0.811		
Employee Engagement (EE)	EE1: Emotional engagement in work	0.845	0.711	0.888
	EE2: Cognitive engagement in work	0.832		
	EE3: Physical engagement in work	0.810		
Employee Retention (ER)	ER1: Intention to stay with the organization	0.803	0.680	0.874
	ER2: Loyalty to the organization	0.816		
	ER3: Long-term commitment to the organization	0.829		

Table 2 and Figure 2 summarize the results of the hypothesis testing. The first hypothesis (H1) proposes that work–life balance exerts a significant positive influence on employee engagement. The analysis reports a path coefficient of 0.41, a t-statistic of 4.98, and a significance level of $p < 0.001$, leading to the acceptance of H1. This finding suggests that when employees perceive a healthier balance between their work responsibilities and personal lives, they tend to display higher levels of engagement, as evidenced by emotional, cognitive, and physical involvement in their tasks.

The second hypothesis (H2) posits that work–life balance has a significant positive effect on employee retention. The results indicate a path coefficient of 0.29, a t-statistic of 3.45, and a p-value of 0.001, thereby supporting H2. This implies that organizational initiatives that promote work–life balance can directly strengthen employees’ intentions to remain with the organization, particularly in digital startup contexts characterized by intense workloads and flexible working arrangements.

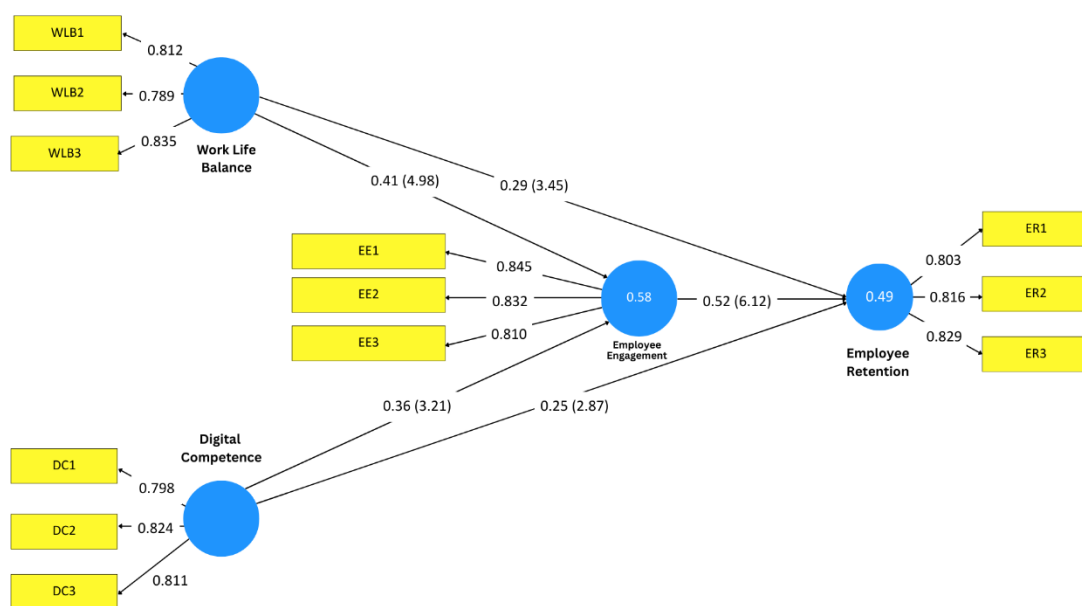


Figure 2. Full Model

Table 2. Structural Model Results (Direct Test)

Hypothesis	Original Sample	T Statistics	P Values	Note
H1: Work-life Balance → Employee Engagement	0.41	4.98	0.000	Significant
H2: Work-life Balance → Employee Retention	0.29	3.45	0.001	Significant
H3: Digital Competence → Employee Engagement	0.36	3.21	0.001	Significant
H4: Digital Competence → Employee Retention	0.25	2.87	0.004	Significant
H5: Employee Engagement → Employee Retention	0.52	6.12	0.000	Significant

The third hypothesis (H3) proposes that digital competence positively and significantly influences employee engagement. The findings reveal a path coefficient of 0.36, supported by a t-statistic of 3.21 and a p-value of 0.001, confirming the acceptance of this hypothesis. This indicates that employees with well-developed digital capabilities are more emotionally, cognitively, and physically involved in their work, as they experience greater confidence, efficiency, and control when carrying out technology-driven activities.

The fourth hypothesis (H4) suggests that digital competence has a significant positive impact on employee retention. The analysis reports a path coefficient of 0.25, a t-statistic of 2.87, and a p-value of 0.004, leading to the acceptance of H4. This implies that

employees with strong digital skills feel more appreciated and better prepared to adapt to technological advancements, increasing their likelihood of staying with the organization.

The fifth hypothesis (H5) asserts that employee engagement exerts a significant positive effect on employee retention. The results show a path coefficient of 0.52, a t-statistic of 6.12, and a significance level of $p < 0.001$, thereby supporting H5. This demonstrates that higher levels of employee engagement strengthen employees' intention to remain with and commit to the organization, particularly within the highly competitive digital startup context.

Table 3. Mediating Effect (Indirect Test)

Hypothesis	Original Sample	T Statistics	P Values	Note
Work-life Balance → Employee Engagement → Employee Retention	0.21	2.75	0.006	Significant
Digital Competence → Employee Engagement → Employee Retention	0.18	2.12	0.034	Significant

Table 3 presents the findings of the mediation analysis. The sixth hypothesis posits that employee engagement functions as a mediator in the relationship between work–life balance and employee retention. The results indicate an indirect effect of 0.21, with a t-statistic of 2.75 and a p-value of 0.006, supporting the hypothesis. These findings suggest that work-life balance contributes to employee retention not only through its direct influence but also indirectly by strengthening employee engagement, a key mechanism that encourages employees to stay with the organization. The final hypothesis states that employee engagement mediates the effect of digital competence on employee retention. The test results show an indirect coefficient of 0.18 with a t-statistic of 2.12 and $p = 0.034$. This hypothesis is accepted. This indicates that employees' digital competence increases their engagement, which then significantly increases their intention to remain and be loyal to the organization.

Table 4. R Square Test

Endogenous Variable	R ²	Interpretation
Employee Engagement (EE)	0.58	Substantial / Strong
Employee Retention (ER)	0.49	Moderate / Substantial

The R² results presented in Table 4 indicate that employee engagement, as an endogenous variable, has an R² value of 0.58, which is considered substantial. This means that 58% of the variance in employee engagement is accounted for by work–life balance and digital competence, highlighting the strong influence of these exogenous variables. For employee retention, the R² value is 0.49, indicating a moderate-to-substantial level and suggesting that nearly half of the variance in retention is explained by employee engagement, work–life balance, and digital competence. These results demonstrate that the proposed model possesses solid predictive capability.

DISCUSSION

The results of this study highlight the critical role of work–life balance and digital competence in fostering employee engagement, which, in turn, affects employee retention, especially in the competitive digital sector. Direct effect analyses indicate that work-life balance significantly affects employee engagement ($\alpha = 0.41$, $t = 4.98$, $p < 0.001$) and employee retention ($\alpha = 0.29$, $t = 3.45$, $p = 0.001$), underscoring its essential role in enhancing employees' motivation and commitment to the organization. Consistent with previous studies by Shockley et al. (2017), Jaharuddin and Zainol (2019), and Bahar et al. (2022), employees who can balance the demands of work and personal life tend to show higher emotional, cognitive, and physical engagement. Organizations that provide work flexibility, supervisor support, and well-being policies can strengthen internal motivation, which directly contributes to employee loyalty and retention intentions (Deery & Jago, 2015; Duan et al., 2023).

In addition to work-life balance, digital competence has also been shown to be a significant predictor of employee engagement and retention. Direct test results indicate that digital competence affects employee engagement ($\alpha = 0.36$, $t = 3.21$, $p = 0.001$) and employee retention ($\alpha = 0.25$, $t = 2.87$, $p = 0.004$). Digital literacy, the ability to use new technologies, and adapting to digital work tools increase employee effectiveness in completing tasks, while strengthening their engagement with their work (Azmy, 2021; Al-Kharabsheh et al., 2022; Huu, 2023; Grimpe et al., 2023; Ekhsan et al., 2023; Ingsih et al., 2024; Faadhilah et al., 2025). This demonstrates that developing digital competencies is not merely a technical requirement but also a crucial strategy for increasing engagement, which ultimately drives employee retention.

The findings regarding the role of employee engagement as a mediator were also strengthened through direct testing, which demonstrated a significant effect of engagement on employee retention ($\alpha = 0.52$, $t = 6.12$, $p < 0.001$). Employee engagement consistently mediates the influence of work-life balance and digital competence on employee intention to remain with the organization (Kaur & Randhawa, 2021; Siregar & Dewi, 2022; Opoku et al., 2023; Rathi & Kumar, 2023; Kurniawati & Ramli, 2024; Satrianny et al., 2025; Widiarti et al., 2025). In other words, work-life balance and digital competence not only have a direct impact but also have a more optimal effect through increased engagement. Engagement serves as a strategic channel that transforms the human resources supported by the organization into real commitment, especially in the face of competitive and dynamic challenges. Conceptually, employee engagement is a multidimensional construct encompassing emotional, cognitive, and physical dimensions (Bedarkar & Pandita, 2014; Anitha, 2014; Ahmed et al., 2025). Work-life balance influences emotional engagement by reducing stress and enhancing well-being, while digital competence influences cognitive and physical engagement through work efficiency and technology mastery.

The R^2 value demonstrates the predictive power of this research model. Employee engagement has an R^2 of 0.58, indicating that work-life balance and digital competence contribute substantially to explaining engagement. Employee retention has an R^2 of 0.49, confirming that nearly half of the variation in retention can be explained by the combination of work-life balance, digital competence, and engagement. These findings support the importance of integrating HR policies that emphasize well-being, competency development, and engagement strategies to maximize retention (Wood et al., 2020; Setiawan & Prasojo, 2021; Ampofo & Karatepe, 2022; Park et al., 2022; Sulistiana & Darma, 2023).

From a managerial perspective, this research offers clear implications. Organizations must ensure adaptive work-life balance programs, provide digital competency training as part of their HR strategy, and proactively monitor and manage employee engagement (Riyanto et al., 2021; Rustina et al., 2025). A simultaneous approach to well-being and technological mastery will result in an adaptive, productive, and highly committed workforce. Academically, this study strengthens the literature related to the relationship between work-life balance, digital competence, engagement, and retention, while emphasizing the mediating role of engagement as a key mechanism in the digital industry (Novianti & Ramli, 2023; Kurniawati & Ramli, 2024; Mustaqim et al., 2024; Yadnya & Khamilayah, 2024; Widiarti et al., 2025; Manalu, 2025).

CONCLUSION

These findings underscore the crucial role of work-life balance and digital competency in enhancing employee engagement, which in turn drives retention in organizations, particularly in the digital startup environment. Work-life balance has been shown to increase employees' emotional, cognitive, and physical engagement, making them more motivated and loyal to the organization. Meanwhile, digital competency enables employees to work more effectively, adapt to technology, and feel more confident, which strengthens their attachment to their jobs. Employee engagement acts as a significant mediator between work-life balance and digital competency, and employee retention,

suggesting that it is a key pathway for transforming HR policies into long-term loyalty. Theoretically, these results support previous research emphasizing the link between well-being, technology mastery, engagement, and employee retention.

Based on these findings, HR practitioners are advised to develop adaptive work-life balance programs, provide ongoing digital competency training, and proactively monitor employee engagement. Future research could expand the sample across sectors and cities, add psychosocial or other organizational variables, and consider employees with longer work experience to gain a more comprehensive understanding of employee retention.

This study has several limitations. The sample consisted of employees with an average tenure of one year, so generalizations to senior or long-term experienced employees require caution. Furthermore, this study only covered three cities, so work dynamics and organizational cultures in other cities may differ. The study's focus was also limited to the startup environment, so findings may differ if applied to larger companies or traditional sectors. Furthermore, the variables studied are still limited to work-life balance, digital competency, engagement, and retention. At the same time, other factors such as leadership, compensation, and organizational culture have not been analyzed in depth.

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