The Effect of Work-life Balance and Reward System on Turnover Intention with Employee Engagement as An Intervening Variable

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Abstract: This study aims to analyze the effect of Work-life balance and Reward System on Turnover Intention and analyze the mediating role of Employee Engagement. This research is quantitative. The type of data used is primary data obtained through the distribution of questionnaires. The respondents of this study were millennial and Gen Z employees who worked for digital startup companies in Malang totaling 125 people. The data was analyzed using descriptive analysis and PLS analysis with the help of the SmartPLS version 4 application. The results of the analysis showed that the effect of WLB, reward system, and employee engagement on turnover intention is significantly negative; and then the effect of WLB, reward system on employee engagement is significantly positive. Variable WLB and Variable reward systems have a positive and significant effect on turnover intention through employee engagement. The assumption that there is a relationship between the four variables in theoretical construction, illustrates a relationship that can explain and describe the practical application and implications for the novelty of human resource management theory in the digital and creative industries. The contribution of these findings may help management implement policies and programs that support a balanced work-life balance to improve employee well-being and productivity and decrease turnover intention.

Keywords: Employee Engagement, Gen Z and Millennial, Reward System, Startup Digital, Turnover Intention, Work-life Balance

A. Introduction

Human resources are managed as well as possible to support company goals and reduce the possibility of someone leaving the company. However, if an employee decides to leave his job (turnover), it will harm the company both in terms of costs and disrupt the sustainability of the organization. One way for companies to overcome competition and have a competitive advantage is to manage their human resources and create a conducive work environment that will optimally support the company's business activities (Soetjipto et al., 2019).

Efforts to create an inclusive work environment, provide development opportunities,
and pay attention to the well-being of millennial and Gen Z employees are key to maintaining the retention of young talent in this changing era. The turnover rate or desire to change jobs among millennial and Gen Z employees in Indonesia is currently an important issue in the world of employment. Employee intention to leave the company (turnover intention) can occur in all types of companies. Turnover intention is the behavioral tendency of employees to try to leave their work organization, which can lead to actual turnover (Chen et al., 2014). The average turnover rate among millennials and Gen Z currently reaches above 10%, even in start-up companies which are believed to be companies whose work environment is mostly sought after by millennials and Gen Z (Deloitte Indonesia Perspective, 2019).

From the total population of Indonesia, Gen Z and millennials are currently the dominant population. Likewise with the city of Malang, based on the results of the BPS population census in 2020, the total population in Malang City was recorded at 843,810 people, with the majority of the millennial category population as much as 25.21% or 211,800 people and the gen Z category as many as 25.44% or 213,800 people. This is then clarified by the explanation of the head of BPS (2021) Malang that the number of productive residents in Malang City has now reached more than 50 percent, dominated by the Millennial Generation and Generation Z. According to Kominfo (2021) these two generations are also projected to dominate employment in the next few decades when most of the two generations have entered productive age so that Indonesia can accelerate economic growth. So, they bring significant changes in the culture and dynamics of work. The term "millennial" generally refers to those born between 1980 and 2000. While the "Z" gene was born after the millennial generation was born between 2001 and 2010.

The phenomenon of Executive Learning Institute research results in 2018 also shows that millennial generation employees and Gen Z, in general, are many who become fleas (Job hoppers) at work. The term "job hopper" refers to someone who tends to move jobs frequently or change companies in a relatively short time. This is because employees feel that the work, they are doing is not suitable. (Deloitte Indonesia Perspective, 2019) that as many as 43% of Millennials plan to quit their workplace within two years, and only 28% plan to stay with their current company for more than five years. Therefore, for the turnover rate to be minimized, the role of the company is very necessary to retain these employees.

In general, millennials and Gen Z want a work-life balance (WLB) or balance between life and work, meaning that a job chosen tends to be non-binding. So, if the work that the millennial generation and Gen Z employees live in is felt to be unable to provide comfort and benefits for them, millennials are not afraid to leave the work they have done and look for a new job (ruangmuda.com).

Indonesia Milennial Report (2022) article that as many as 70% of Millennials and Gen Z say that they must have a work-life balance, meaning that Millennials and gen Z
pay attention to a greater work-life balance than the previous generation. According to Larasati et al (2019) Work-life balance (WLB) is defined as stability between work life and life outside work (personal life). WLB can meet several factors that are important for the millennial generation.

In addition to these aspects that can reduce the turnover intention of millennial generation employees, namely the reward system, millennial, and gen Z employees have their characteristics in their requests for appreciation and support from the company. Reward system, or reward system, is one of the tools that can be used by companies to reduce the turnover intention rate among millennial and Gen Z employees in Indonesia. Millennials and Gen Z often have different expectations and high demands regarding rewards and recognition in the work environment.

Another factor that causes turnover intention, namely employee engagement. The relationship between employee engagement and turnover intention is very close and influences each other in the context of the world of work. When employees feel engaged in their work, meaning they feel connected to the organization's goals, feel valued, and have development opportunities, they tend to be more satisfied with their work. High employee engagement often has a positive impact on motivation, productivity, and quality of work. Conversely, employees who feel disengaged or less engaged tend to feel frustrated and dissatisfied with their jobs, which can trigger turnover intention. In other words, the higher the employee's engagement rate, the lower their likelihood of wanting to change jobs. In an article Carnegie (2018) in his study, Employee Engagement Among Millennial, stated that only as many as 25% of millennial employees are fully engaged with the company, of which 9% do not feel involved (disengaged) and the remaining 66% only feel partially engaged (partially engaged). So as many as 60% of millennial generation employees have the desire to move or leave the company because they feel unbound. This can lead to an increase in employee turnover rates in the company (Friian & Mulyani, 2018).

It is undeniable that the majority of millennial and Gen Z at this time tend to prefer to work for startup companies. The development of startups in Indonesia is currently quite rapid, this is evidenced by the many regions in Indonesia that have been penetrated by the needs of digital startups. One of the areas with the most startups is in Malang, where digital startup companies are growing very rapidly and the continued development of the creativity of the younger generation for the digital world and creative industries. So that younger generation employees will be faced with high job demands and must be able to adapt to rapid technological changes.

The assumption that there is a relationship between the four variables in theoretical construction, illustrates a relationship that can explain and describe the practical application and implications for the novelty of human resource management theory in the digital and creative industries. The contribution of these findings may help
management to implement policies and programs that support a balanced work-life balance to improve employee well-being and productivity and decrease turnover intention.

Based on the explanation that has been given, researchers are interested in examining the effect of WLB variables and reward systems on turnover intention with employee engagement as an intervening variable. This study focuses on millennial and Gen Z employees at Malang digital startups. The hypothesis is built as follows:

H1: There is a significant negative effect of Work-Life Balance on turnover Intention
H2: There is a significant negative effect of the Reward System on turnover intention
H3: There is a significant negative effect of Employee Engagement on Turnover Intention
H4: There is a significant positive effect of Work-Life Balance on Employee engagement
H5: There is a significant positive effect of the Reward System on employee engagement
H6: Work-Life Balance has an indirect effect on Turnover Intention with Employee Engagement as an intervening variable
H7: Reward system has an indirect effect on Turnover Intention with Employee engagement as an intervening variable

B. Methods

This research is designed as quantitative research, which is a process of finding knowledge by using data in the form of numbers as a tool to find information about what you want to know (Creswell & Creswell, 2018). Based on the background and problem formulation in this study, it can be classified as explanatory research, which is research that explains the causal relationship between variables through hypothesis testing. In this study, researchers tried to explain the effect of work-life balance and reward systems on turnover intention with employee engagement as an intervening variable in the millennial generation and Gen Z employees of Digital Startup Companies in Malang.

The population in this study is millennial and Gen Z employees who work in digital startups in Malang in the Malang STASION community as many as 181 and the number of samples in this study was determined using a sample size calculator through calculator.net. In this study, primary data was obtained through the distribution of online questionnaires through Google forms related to variables. According to Creswell & Creswell (2018), the questionnaire is a data collection technique carried out by giving a set of questions or written statements to respondents to answer. The data analysis techniques used in this study are descriptive statistical analysis and inferential statistical analysis (PLS) using the SmartPLS version 4.0 program (Hair et al., 2014).
C. Results and Discussion

The respondents in this study were millennial and Gen Z employees of startup companies located in Malang. In startup companies PT Ada Ide Langsung Jalan (Smartlink), Sekawan Media, and PT Digdaya Olah Teknologi (DOT) Malang. These three companies are included in STASION Malang community. The majority are men who are Gen Z employees aged 18-26 years with the majority of education being S1 and has worked for 1-5 years.

Evaluation of the Measurement Model (Outer Model)

The outer model aims to test the reliability and validity of latent construct-forming indicators. The analysis phase of the outer model is measured using validity and reliability tests.

![Figure 1. Outer Model](image)

**Table 1. Convergent Validity**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Outer Louding</th>
<th>P-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-life Balance</td>
<td>WLB1</td>
<td>0.940</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>WLB2</td>
<td>0.880</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>WLB3</td>
<td>0.912</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>WLB4</td>
<td>0.916</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Reward System</td>
<td>RS1</td>
<td>0.871</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>RS2</td>
<td>0.918</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EE1</td>
<td>0.847</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>EE2</td>
<td>0.888</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EE3</td>
<td>0.877</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>TI1</td>
<td>0.865</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>TI2</td>
<td>0.888</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>TI3</td>
<td>0.865</td>
<td>0.000</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Based on the table, the research instrument above has an outer loading value that has met the criteria of > 0.7 which proves that all instruments are valid. The overall significance value shown by p-value <0.05 proves that the research instrument is significant.

![Table 2. Convergent Validity](attachment:table2.png)

Based on the table, the Average Variant Extracted (AVE) value states that all constructs show an AVE value greater than 0.50 which means that all indicator measurement items are said to be discriminately valid. With the highest value of 0.952 in the WLB variable and the lowest value of 0.733 in the EE variable.

**Discriminant Validity**

![Table 3. Cross Loading](attachment:table3.png)

Based on the table, overall cross loading data processing correlates higher with the variables it measures compared to other variables. It states that discriminant validity for all values of indicator measurement items is met.

**Structural Model Evaluation (Inner Model)**

The inner model aims to examine the relationship between latent variables by seeing how much variance can be explained and to determine the significance of the P value.

**R Square**

The R Square value in this study is to determine the predictive power of the structural model of each endogenous latent variable. The value of R Square when approaching
> 0.75 is said to be strong, > 0.50 is said to be moderate and > 0.25 is said to be weak (Hair et al., 2014).

| Table 4. R-Square
<table>
<thead>
<tr>
<th>Variable</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Intention</td>
<td>0.631</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>0.769</td>
</tr>
</tbody>
</table>

Based on the table, it can be known that the R-squares value of the variable Turnover Intention is 0.631 or 63.1%. This shows that the variable Turnover Intention can be explained by the variables of Work-life balance, Reward System, Employee engagement of 63.1%. Meanwhile, the remaining 36.9% was explained by other variables not discussed in this study. This shows that the relationship between Work-life balance, Reward System, and employee engagement variables has a moderate relationship.

Then the R-squares value of the Employee engagement variable is 0.769 or 76.9%. This shows that employee engagement variables can be explained by Work-life balance and reward system variables. While the remaining 23.1% was explained by variables not discussed in this study. This shows that the relationship between work-life balance variables and reward systems has a strong relationship.

**Goodness of Fit Index (GoF Index)**

| Table 5. Goodness of fit Index
<table>
<thead>
<tr>
<th>Average AVE</th>
<th>Average R-Square</th>
<th>GOF Index</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.848</td>
<td>0.700</td>
<td>0.770</td>
<td>Tinggi</td>
</tr>
</tbody>
</table>

Based on the table, the results of calculating the GoF value results in a GoF value of 0.770 including the high GoF category because it > 0.36 (Hair et al., 2014). This means that empirical data can explain measurement models and structural models with a high/good fit (fit) level.

**Hypotheses Testing**

| Table 6. Path Coefficient
<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Path Coefficient</th>
<th>P-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>WLB -&gt; TI</td>
<td>-0.145</td>
<td>0.044</td>
<td>Accepted</td>
</tr>
<tr>
<td>RS -&gt; TI</td>
<td>-0.336</td>
<td>0.007</td>
<td>Accepted</td>
</tr>
<tr>
<td>EE -&gt; TI</td>
<td>-0.970</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>WLB -&gt; EE</td>
<td>0.142</td>
<td>0.028</td>
<td>Accepted</td>
</tr>
<tr>
<td>RS -&gt; EE</td>
<td>0.771</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>WLB -&gt; EE -&gt; TI</td>
<td>0.138</td>
<td>0.033</td>
<td>Accepted</td>
</tr>
<tr>
<td>RS -&gt; EE -&gt; TI</td>
<td>0.748</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>
H1: The Effect of Work-life Balance on Turnover Intention in Millennial Employees & Gen Z Digital Startups in Malang

Based on the table, it is explained that the path coefficient is -0.145 with a p value of 0.044, thus H1 which reads that there is a negative and significant influence between Work-life Balance on Turnover Intention is accepted.

There is a negative and significant influence between work-life balance and turnover intention. In this study, millennial employees & Gen Z Digital startups in Malang City already have a high/good work-life balance, related to something that employees do in their personal lives can make the mood more comfortable at work. This means that a balance of personal life and work can improve the quality of life of an individual. So millennial employees & Gen Z Digital startups in Malang City who feel this higher level of balance in their work and life have a lower intention to quit.

The results of this study are supported by research from (Fayyazi & Aslani, 2015; Kerdpitak & Jermsittiparsert, 2020) stated that work-life balance has a negative and significant relationship with turnover intention. By establishing a work-life balance between work and individual needs, companies can produce outstanding performance because work-life balance motivates employees to stay within the company and have no desire to quit their jobs.

H2: The Effect of Reward System on Turnover Intention in Millennial Employees & Gen Z Digital Startup in Malang

Based on the table, it is explained that the path coefficient is -0.336 with a p value of 0.007, thus H2 which reads there is a negative and significant influence between the Reward system on Turnover Intention is declared accepted.

There is a negative and significant influence between the reward system and turnover intention. In this study, millennial employees & Gen Z Digital startups in Malang City, the reward system run by the company is quite effective where employees have earned their rights, thus creating enthusiasm for work and reducing employees' desire to move. The change in the pattern of wanting to provide a reward system, especially millennials, means that millennial employees expect to be rewarded in the form of career paths, self-recognition or an increase in base pay compared to cash incentives (Kairupan & Kusuma, 2022).

The results of this study are supported by research (Akgunduz et al., 2020; Mendis, 2017; Yenitasari et al., 2020) which states the overall relationship of various elements of the reward system shows that employee recognition has the strongest negative relationship with intention to move so that if the reward system is effective and attractive to employees, their desire to move will gradually decrease.
H3: The Effect of Employee Engagement on Turnover Intention in Millennial Employees & Gen Z Digital Startups in Malang

Based on the table, it is explained that the path coefficient is -0.970 with a p value of 0.000, thus H3 which reads that there is a negative and significant influence between Employee engagement on Turnover Intention is declared accepted.

There is a negative and significant influence between employee engagement on turnover intention. In this study, millennial employees & Gen Z Digital startups in Malang City have high attachment/involvement in their work, this can be seen from the enthusiasm and enthusiasm of employees in carrying out their work. The meaning is that when millennial and Gen Z employees feel that they are mentally attached to their work and are earnest, then the desire to leave the job or turnover rate will decrease.

This research is supported by research by Juliantara et al., (2020) which revealed that increased employee engagement will further reduce turnover, meaning that employee engagement can reduce the tendency to change an employee's job when he feels attached to his job.

H4: The Effect of Work-Life Balance on Employee Engagement in Millennial & Gen Z Employees Digital startups in Malang

Based on the table, it is explained that the path coefficient is 0.142 with a p value of 0.028, thus H4 which reads that there is a positive and significant influence between Work-life Balance on Employee engagement is accepted.

There is a positive and significant influence between work-life balance and employee engagement. Based on the results of the analysis, it shows that Work-life Balance has a significant positive effect on Employee Engagement in millennial employees & Gen Z, digital startups in Malang that hypothesis 4 is accepted. This indicates that if the higher the level of work-life balance is owned by employees, then Employee Engagement will also increase because WLB itself affects the dedication, and enthusiasm of employees in their work.

H5: The Effect of Reward System on Employee Engagement in Millennial & Gen Z Employees Digital startups in Malang

Based on the table, it is explained that the path coefficient is 0.771 with a p value of 0.000, thus H5 which reads there is a positive and significant influence between the Reward system on Employee engagement is declared accepted.

There is a positive and significant influence between the reward system and employee engagement. In this study, employee attachment depends on employee happiness and well-being at work, meaning that these rewards and benefits are the largest
contributors in terms of employee engagement (Anggraini et al., 2016; Benazir & Iqbal, 2015; Dwiyanti & Dudija, 2019). The relationship between the reward system and employee engagement is also stated by (Shafie b. Hj. Aliasah et al., 2020) a feeling of being valued and respected in participating companies to make employees more engaged. This is in line with Mutunga’s research (Koskey & Sakataka, 2019) researching on factors that contribute to the level of employee engagement in the telecommunications industry in Kenya at Rift Valley Bottlers Kenya. This concludes that rewards contribute to employee engagement and engagement within a company.

**H6: The Effect of Work-Life Balance on Turnover Intention through Employee Engagement in Millennial & Gen Z Employees Digital startups in Malang**

Based on the table, it is explained that if the path coefficient of WLB on turnover intention through employee engagement is 0.138 with a P value of 0.033, thus H6 which reads there is a positive and significant influence between work-life balance on turnover intention through employee engagement is declared accepted.

Work-life balance has a positive and significant effect on turnover intention through employee engagement. In this study, employee engagement owned by employees is high, employees have enthusiasm and enthusiasm for their work. Then employees with good work-life balance conditions make the employee's mood comfortable. Therefore, employee turnover intention is low.

The results of this study are supported by (Novitasari & Dessyarti, 2022) which states that employees balancing their personal lives with work will foster feelings of engaged. So that when employees are attached, employees realize the responsibility of their role to provide service so that employees do the best they can. Employees who have a high work-life balance and are supported by employee involvement will feel comfortable in their work environment, thus reducing the desire to move. Then according to (Vellya et al., 2020) good employee engagement in employees will be able to mediate if there are problems at the level of employee work-life balance which can result in high turnover intention rates.

**H7: The Effect of Reward System on Turnover Intention through Employee Engagement in Millennial Employees & Gen Z Digital startups in Malang**

Based on the table, it is explained that if the path coefficient of RS on turnover intention through employee engagement is 0.748 with a P value of 0.000, thus H6 which reads there is a positive and significant influence between the Reward system on turnover intention through employee engagement is declared accepted.

The reward system has a positive and significant effect on turnover intention through employee engagement. In this study, millennial and gen z employees feel they have responsibility and a sense of pride in their work, employees are able to do their jobs
well, and the rewards given by the company in accordance with the results of employee performance make employees stay at the company.

The results of this study are supported by (Dwiyanti & Dudija, 2019; Mendis, 2017) state that employees want to be rewarded for their efforts and they expect a fair return on those efforts as well. So, if the reward system is effective and attractive to employees, the higher the employee engagement the employee which then the desire to change employees will decrease. Then according to (Juvendy & Hendriati, 2020; Kairupan & Kusuma, 2022) The reward system that is fulfilled is based on the salary/award given by the company effectively and in by employee needs.

D. Conclusions

It can be concluded that, the condition of Work-life Balance, Reward System, Turnover Intention and Employee Engagement in millennial employees & gen Z digital in Malang is effective and good. There is a negative and significant influence between work-life balance and turnover intent meaning that the higher the work-life balance an employee has, the lower the employee's desire to leave their job; There is a negative and significant influence between the reward system and turnover intentions. The higher the level of reward an employee gets, the lower the employee's rate of leaving the company.

Then, there is a negative and significant influence between employee engagement on turnover intention. This means that if employees have engagement with their work, then employees will tend to continue to stay in their company and reduce the employee's desire to move from where they work; There is a positive and significant influence between work-life balance and employee engagement. This means that if the level of work-life balance owned by employees, then Employee Engagement will also increase because WLB itself affects employee dedication and enthusiasm at work; There is a positive and significant influence between the reward system and employee engagement. This means that if it is more effective and with by the reward system implemented by the company, Employee Engagement will also increase because employees will feel valued.

Work-life balance has a positive and significant effect on turnover intention through employee engagement. meaning that higher employee engagement caused by higher work-life balance tends to reduce turnover intent; The reward system has a positive and significant influence on turnover intentions through employee engagement. That is, employees have contributions and dedication to their work, supported by fair rewards so that the employee's intention to leave work is low.

E. Acknowledgement

We would like to thank the supervisors and we also thank those who have supported us in carrying out this research.
References


