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Strengthening Generation Z Employee Retention Through Work-Life Balance, Leadership, and Employee Engagement in the Banking Industry

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ABSTRACT

High turnover among Generation Z employees poses a growing challenge for the banking industry, which depends heavily on service consistency and customer trust. This study examines the effect of work-life balance and leadership on the retention of Generation Z employees in the banking industry in Makassar City, with employee engagement as a mediating variable. A quantitative explanatory design was employed, involving 300 Generation Z respondents from commercial banks and Rural Banks in Makassar City selected through purposive sampling. Data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. The results show that work-life balance and leadership each have a positive and significant effect on employee engagement ($\beta = 0.341$ and $\beta = 0.378$, respectively) and on employee retention directly ($\beta = 0.198$ and $\beta = 0.172$, respectively). Employee engagement was found to partially mediate the effect of both work-life balance (indirect effect = 0.144) and leadership (indirect effect = 0.159) on retention, and work-life balance and leadership simultaneously affect retention through employee engagement ($\beta = 0.512$). The model explains 51.2% of the variance in employee engagement and 58.3% of the variance in employee retention. These findings confirm that retaining Generation Z employees in banking requires an integrated approach that simultaneously strengthens work-life balance policies, transformational leadership, and employee engagement program.

1. Introduction

The sustainability of human resource (HR) development within an organization is determined not only by its ability to recruit qualified employees, but also by its capacity to retain productive employees over the long term. The phenomenon of high employee turnover has long been recognized as a significant threat to operational efficiency and the sustainability of organizational performance (Miftahurrohman & Munifah, 2024). For the banking industry, which relies heavily on customer trust, service accuracy, and consistent employee performance, the issue of HR retention becomes increasingly critical.

Generation Z, born between 1997 and 2012, currently dominates Indonesia's productive workforce. Data from the Central Statistics Agency (Badan Pusat Statistik, 2024) records that 27.94%, or 74.93 million people, of Indonesia's population belong to Generation Z, making them the largest workforce segment set to dominate the labor market in the coming decade. However, the presence of Generation Z in the workplace is accompanied by work-behavior characteristics that differ fundamentally from previous generations. According to the LinkedIn Workforce Insights (2024) report, Generation Z's turnover rate in Indonesia was recorded at 54% higher than that of Generation Y and X over the past five years, with an estimated ten job changes throughout their careers. More concerning still, 65% of this group leave their positions within one year of employment (Bagheri, 2025).

In the banking sector, the challenge of

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retaining Generation Z employees becomes increasingly complex given the industry's unique characteristics. Banking jobs are characterized by a high level of regulation, strict performance-target pressure, long operating hours, and a relatively hierarchical organizational culture (Ng et al., 2024; Khan et al., 2023). These characteristics have the potential to create significant misalignment with the values and expectations of Generation Z, who tend to prioritize work-life balance, work flexibility, autonomy, and participative, empathetic leadership (Nardi & Ginting, 2026; Sumarsid, 2025).

A number of empirical studies have confirmed the relevance of work-life balance as a critical determinant of employee retention. Unfulfilled work-life balance has been shown to increase turnover intention and decrease organizational commitment (Nova, 2023; Yuniasih et al., 2025). Conversely, employees who experience a balance between work demands and personal life tend to show higher levels of engagement and a stronger desire to remain within the organization (Saks, 2006; Djastuti & Lestari, 2022). Leadership, on the other hand, holds a central role in shaping employees' perceptions of their work environment. Effective, empathetic, and ethical leaders create a sense of psychological safety, which fosters deeper emotional involvement and employee commitment (Hasnidar et al., 2023; Rusilowati & Bangun, 2025).

Prior research has generally examined employee-retention factors partially and within different industry contexts, particularly the creative and manufacturing industries (Hidayatullah et al., 2025). Studies that specifically integrate work-life balance, leadership, and employee engagement as predictors of Generation Z employee retention within the banking industry context remain very limited, both in the national and international literature. Yet the industry context greatly determines the dynamics and mechanisms of the relationships among these variables. These divergent findings underscore the urgency of research specifically targeting Generation Z employees in the banking sector using a more comprehensive and integrated conceptual framework.

The novelty of this study lies in three aspects. First, this study focuses specifically on Generation Z employees in the banking industry, a segment and context that has received relatively little attention in the HR literature to date. Second, this study develops a conceptual model that positions employee engagement as a mediating variable linking work-life balance and leadership to employee retention, providing deeper insight into the psychological mechanisms that explain this relationship. Third, this study employs an integrative theoretical framework combining Social Exchange Theory, Job Demands-Resources Theory, and Leader-Member Exchange Theory, thereby producing a more holistic and comprehensive explanation of the phenomenon of Generation Z retention in banking.

2. Literature Review

2.1. Conceptual and Theoretical Foundations

Social Exchange Theory (SET), developed by Blau (1964) and extended by Cropanzano and Mitchell (2005), asserts that when an organization provides employees with valuable resources—such as good work-life balance and supportive leadership—employees will respond by increasing their engagement and loyalty as a form of reciprocity. Job Demands-Resources Theory (JD-R) (Demerouti et al., 2001; Bakker & Demerouti, 2017) positions work-life balance and leadership as job resources that buffer the negative impact of the intensive job demands found in banking, thereby driving a motivational process that yields high engagement. Leader-Member Exchange Theory (LMX) (Graen & Uhl-Bien, 1995) emphasizes that the quality of the dyadic relationship between leader and subordinate determines the level of trust, emotional involvement, and employee commitment to remain within the organization.

From the JD-R Theory perspective, good work-life balance functions as a job resource that buffers the negative impact of job demands in the intensive banking environment. When work-life balance is fulfilled, Generation Z employees can recover their energy outside of work, which in turn enables them to become fully engaged while working (Bakker & Demerouti, 2017). Conversely, chronic work-life imbalance not only increases the risk of burnout and reduces engagement, but also directly increases the intention to leave the organization (Saks, 2006; Nova, 2023).

Effective leadership for Generation Z requires substantial adaptation from conventional leadership paradigms. As a generation that grew up in a digital

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environment, Generation Z wants leaders who are not only technically competent, but also empathetic, transparent, and able to provide constructive, regular feedback. Mea et al. (2024) confirm that leadership style and effective internal communication are significant determinants of employee engagement. Leaders who are able to adapt their leadership style to the needs and preferences of Generation Z through coaching, mentoring, and empowerment approaches will succeed in building high-quality LMX relationships that foster engagement and retention.

The mediating role of employee engagement in the relationship between organizational antecedents and employee retention has received increasing attention in the HR literature. Sergio and Rylova (2018) confirm that employee engagement and empowerment are the primary gateway to employee retention, whereby organizations that succeed in building high engagement will significantly reduce turnover rates. In the Generation Z context, Nardi and Ginting (2026) specifically found that employee engagement mediates the relationship between work-life balance and employee retention, implying that good work-life balance contributes to retention primarily through increased employee engagement

2.2. Review of Empirical Studies

A number of relevant prior studies provide the empirical context for this research. Nardi and Ginting (2026) found that work-life balance has a positive and significant effect on Generation Z employee retention, with employee engagement as a mediating variable, although this study was conducted outside the banking industry context. Yudhani (2024) confirmed the effect of work-life balance on employee retention with job satisfaction as a mediator in a different domain. These studies confirm the relevance of work-life balance as a predictor of retention, but have not specifically explored the mediating mechanism of employee engagement within a banking framework.

Regarding leadership, Rusilowati and Bangun (2025) found that leadership styles have a significant effect on employee engagement and organizational growth. Sutrisno (2024) confirmed that innovative leadership contributes positively to employee commitment and retention in the era of disruption. Mea et al. (2024) found that leadership style and internal communication are significant determinants of employee engagement. However, these studies have not specifically explored this relationship within the context of Generation Z in the banking industry.

Hidayatullah et al. (2025) conducted a systematic literature review on Generation Z employee retention in Indonesia and found that existing research is generally conducted in the creative industry, with very few studies focusing on the banking industry. This finding explicitly confirms the research gap that this study seeks to fill. From an international perspective, Bakker and Demerouti (2017) confirm the relevance of JD-R Theory in explaining engagement and retention across various organizational contexts, while Graen and Uhl-Bien (1995) emphasize the importance of LMX relationship quality in influencing employee engagement and commitment.

2.3. Identification of the Research Gap

Hidayatullah et al. (2025) conducted a systematic literature review on Generation Z employee retention in Indonesia and found that existing research is generally conducted in the creative industry, with very few studies focusing on the banking industry. Research that simultaneously positions employee engagement as a dual mediator between two antecedents (work-life balance and leadership) and Generation Z retention within a regional banking context outside Java Island also remains very limited. This is the gap that this study seeks to fill.

2.4. Development of the Conceptual Framework

The conceptual model of this study was developed based on the integration of Social Exchange Theory (SET), Job Demands-Resources Theory (JD-R), and Leader-Member Exchange Theory (LMX). This model positions work-life balance (X1) and leadership (X2) as independent variables that influence employee retention (Y), both directly and indirectly through the mediation of employee engagement (M).

Conceptually, good work-life balance functions as a job resource (from the JD-R perspective) and an organizational investment (from the SET perspective) that drives Generation Z employees to respond with higher engagement and a stronger commitment to remain within the organization. Effective leadership, from the LMX

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perspective, builds high-quality dyadic relationships that enhance psychological safety, intrinsic motivation, and employees' sense of belonging—all elements that contribute to high engagement and, consequently, better retention.

Employee engagement functions as the psychological mechanism that explains (mediates) how work-life balance and leadership contribute to retention. Highly engaged employees not only demonstrate better performance, but also develop an emotional attachment to the organization that leads them to actively choose to remain. Accordingly, this model proposes that effective HR interventions to improve Generation Z retention must simultaneously target work-life balance, leadership, and employee engagement.

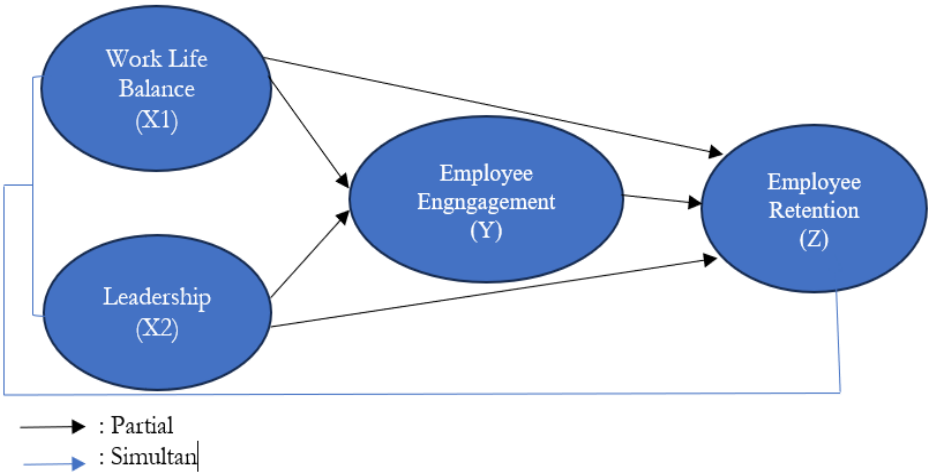


Fig. 1. Conceptual Framework of the Study

2.5. Hypotheses or Research Propositions

Good work-life balance is a job resource that enables employees to recover their energy and be fully present in their work. Based on JD-R Theory and SET, employees who perceive organizational support in achieving work-life balance will respond with greater vigor, dedication, and engagement (Saks, 2006; Nardi & Ginting, 2026; Djastuti & Lestari, 2022). H1: Work-life balance has a positive and significant effect on the employee engagement of Generation Z employees in the banking industry in Makassar City.

Based on LMX Theory and SET, leaders who build high-quality relationships characterized by trust, respect, and support will encourage employees to respond with higher engagement. Rusilowati & Bangun (2025) and Mea et al. (2024) confirm the positive relationship between leadership quality and employee engagement. H2: Leadership has a positive and significant effect on the employee engagement of Generation Z employees in the banking industry in Makassar City.

Good work-life balance directly reduces the intention to leave a job by increasing job satisfaction and organizational commitment. Yudhani (2024) and Nova (2023) confirm the direct positive effect of work-life balance on employee retention.H3: Work-life balance has a positive and significant effect on the retention of Generation Z employees in the banking industry in Makassar City.

Effective, empathetic, and supportive leaders create a work environment that makes employees feel valued and motivated to remain. Sergio & Rylova (2018) and Sutrisno (2024) confirm the positive relationship between leadership and employee retention. H4: Leadership has a positive and significant effect on the retention of Generation Z employees in the banking industry in Makassar City.

Based on the dual-process mechanism of JD-R Theory and SET, work-life balance improves retention primarily through increased employee engagement. Nardi & Ginting (2026) empirically confirm that employee engagement mediates the relationship between work-life balance and Generation Z employee retention. H5: Employee engagement mediates the effect of work-life balance on the retention of Generation Z employees.

Effective leadership partially improves retention through increased employee engagement. Supportive leaders encourage employees to become more fully engaged in their work, which in turn increases emotional attachment and commitment to

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remain (Sergio & Rylova, 2018; Rusilowati & Bangun, 2025). H6: Employee engagement mediates the effect of leadership on the retention of Generation Z employees.

Simultaneously, work-life balance and leadership, as job resources, will complement and reinforce one another in increasing employee engagement, which ultimately drives higher employee retention. This integrative model proposes that comprehensive interventions—which simultaneously target work-life balance and leadership development—will produce a greater impact on retention than interventions that target only a single variable. H7: Work-life balance and leadership simultaneously have a positive and significant effect on the retention of Generation Z employees through employee engagement.

3. Research Methods

This study uses a quantitative method with an explanatory research design. The quantitative approach was chosen for its ability to test hypotheses objectively, measure the strength and direction of relationships among variables, and produce replicable generalizations (Hair et al., 2017).

3.1 Research Design

This study employed a quantitative approach with an explanatory research design to investigate the relationships among work-life balance, leadership, employee engagement, and employee retention among Generation Z employees in the banking sector. The quantitative approach was selected because it enables objective hypothesis testing, measurement of the strength and direction of relationships among variables, and the generation of replicable empirical findings (Hair et al., 2017). The explanatory design was considered appropriate for examining both direct relationships and the mediating role of employee engagement in explaining employee retention. The research framework was developed to provide empirical evidence regarding the organizational factors associated with employee retention among Generation Z banking employees.

3.2 Research Context and Setting

The research was conducted in the banking sector of Makassar City, South Sulawesi, Indonesia, focusing on Generation Z employees working in commercial banks and Rural Banks (BPR). Makassar City was selected as the research setting because its banking sector comprises various financial institutions employing individuals from different generational groups, including Generation Z. According to data from the Financial Services Authority (OJK), 20 commercial banks and 8 BPRs operate in Makassar City. The banking sector provides a relevant organizational context for investigating work-life balance, leadership, employee engagement, and employee retention, particularly among younger employees navigating professional responsibilities and organizational expectations. This setting enables an examination of factors associated with retaining Generation Z employees within the banking industry.

3.3 Population and Sample / Research Participants

The study population comprises all Generation Z employees working at commercial banks and Rural Banks (BPR) in Makassar City. Generation Z in this study is defined as individuals born between 1997 and 2012. Based on data from the Financial Services Authority (OJK), there are 20 commercial banks and 8 BPRs operating in Makassar City. The estimated number of Generation Z employees across these institutions is projected to exceed 2,000 people. The sampling technique used purposive sampling with the following inclusion criteria: (1) employees belonging to Generation Z, aged a maximum of 28 years in 2025; (2) having worked for at least one year at a banking institution in Makassar City; and (3) holding permanent or contract employee status. Sample size determination followed the guidelines of Hair et al. (2017) for PLS-SEM, with a minimum of 10 times the largest number of indicators in a construct. With a total of 28 indicators, the minimum sample size is 280 respondents. To increase statistical power and anticipate invalid data, this study targeted 300 respondents.

3.4. Data Sources and Data Collection

This study utilized primary data collected through a structured questionnaire survey administered to Generation Z employees working in banking institutions in Makassar City. The questionnaire was developed using measurement

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instruments adapted from established theoretical and empirical studies to ensure alignment between the research objectives and the operationalization of the investigated constructs.

The questionnaire consisted of two main sections. The first section collected respondents' demographic and employment-related information, while the second section contained statements measuring work-life balance, leadership, employee engagement, and employee retention. Respondents were asked to evaluate each statement according to their perceptions and experiences within their respective organizations.

The survey method was employed to obtain standardized quantitative responses suitable for statistical analysis. The collected data were subsequently prepared for analysis using PLS-SEM to examine the relationships among the research variables and evaluate the proposed mediation mechanism.

3.5. Measurement of Variables and Research Instruments

The research model comprised four latent constructs: work-life balance, leadership, employee engagement, and employee retention. Each construct was operationalized using measurement indicators adapted from previously established research instruments.

Work-life balance was measured using seven items adapted from Fisher et al. (2009), covering four dimensions: Work Interference with Personal Life (WIPL), Personal Life Interference with Work (PLIW), Work Enhancement of Personal Life (WEP), and Personal Life Enhancement of Work (PEW). These dimensions capture the extent to which work and personal responsibilities interfere with or positively influence one another.

Leadership was measured using seven items developed based on the transformational and servant leadership dimensions proposed by Avolio and Bass (2002). These indicators were intended to assess employees' perceptions of leadership behaviors and their influence on the organizational environment.

Employee engagement was measured using nine items adopted from the Utrecht Work Engagement Scale (UWES-9) developed by Schaufeli et al. (2002). The instrument evaluates three dimensions of engagement: vigor, dedication, and absorption. These dimensions reflect employees' energy, enthusiasm, commitment, and psychological involvement in their work.

Employee retention was measured using five items adapted from Sergio and Rylova (2018), focusing on employees' perceptions and intentions regarding their continued employment within their organizations.

All measurement items were assessed using a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The instrument comprised 28 measurement items across the four research constructs.

3.6. Data Analysis Technique

Data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0 software. PLS-SEM was chosen for its ability to estimate complex models with moderate sample sizes, handle data that do not meet multivariate normality assumptions, and simultaneously test the measurement model and the structural model (Hair et al., 2017; Ringle et al., 2015). The outer model evaluation included tests of: (1) convergent validity, assessed through factor loading (> 0.70), Average Variance Extracted (AVE > 0.50), and Composite Reliability (CR > 0.70); (2) discriminant validity, assessed through the Fornell-Larcker criterion (the square root of a construct's AVE must be greater than its correlation with other constructs) and the Heterotrait-Monotrait Ratio (HTMT < 0.85); and (3) construct reliability, assessed through Cronbach's Alpha and rho_A (> 0.70). The inner model evaluation included tests of: (1) Variance Inflation Factor (VIF < 3.3) to detect multicollinearity; (2) coefficient of determination (R^2) to assess the model's predictive ability; (3) f^2 (effect size) to assess the relative contribution of each predictor; (4) hypothesis testing through bootstrapping (5,000 subsamples) to obtain t-statistic and p-value; and (5) mediation analysis to test indirect effects through employee engagement by assessing the significance of path coefficients at the 5% level.

3.7 Validity, Reliability, and Trustworthiness

The validity and reliability of the research instruments were assessed to ensure the accuracy and consistency of construct measurement. Prior to full-scale data collection, a pilot test involving 30

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respondents was conducted to evaluate the preliminary quality of the questionnaire items.

Convergent validity was assessed using outer loadings and Average Variance Extracted (AVE). Indicator loadings greater than 0.70 and AVE values exceeding 0.50 were considered acceptable. Composite Reliability (CR) values above 0.70 were also used to evaluate internal consistency.

Discriminant validity was evaluated using the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). According to the Fornell-Larcker criterion, the square root of each construct's AVE should exceed its correlations with other constructs. HTMT values below 0.85 were considered indicative of adequate discriminant validity.

Construct reliability was further assessed using Cronbach's Alpha, Composite Reliability, and rho_A, with values exceeding 0.70 considered acceptable. These procedures were applied to evaluate whether the measurement instruments demonstrated sufficient validity and reliability for subsequent structural model analysis.

3.8 Ethical Considerations

Ethical considerations in this study concern the voluntary participation, privacy, and confidentiality of Generation Z banking employees. Given that the research collected individual perceptions regarding workplace conditions, leadership, engagement, and retention, appropriate ethical safeguards are essential to minimize potential risks to respondents.

The relevant ethical principles include informed consent, the protection of respondents' identities, and the use of collected information exclusively for academic research purposes. Particular attention should be given to ensuring that participation does not influence respondents' employment relationships or organizational evaluations.

The implementation of these safeguards, including the procedures used to obtain informed consent, protect personal information, and secure institutional authorization where applicable, should be documented in accordance with the actual data collection process.

3.9 Research Procedure

The research procedure was structured into several sequential stages to ensure consistency between the research objectives, measurement instruments, and analytical techniques. The initial stage involved identifying the research problem, reviewing relevant literature, and developing the conceptual framework and hypotheses concerning work-life balance, leadership, employee engagement, and employee retention. The subsequent stage focused on operationalizing the research variables and developing a structured questionnaire based on established measurement instruments. The instrument evaluation stage involved conducting a pilot test with 30 respondents to assess preliminary validity and reliability. The main data collection stage involved targeting 300 eligible Generation Z banking employees in Makassar City using purposive sampling based on the predetermined inclusion criteria. Following data collection, questionnaire responses were prepared for statistical analysis. The analytical stage involved evaluating the measurement and structural models using SmartPLS 4.0, including validity and reliability assessment, multicollinearity testing, evaluation of explanatory power and effect sizes, hypothesis testing, and mediation analysis through bootstrapping with 5,000 subsamples. The final stage involved interpreting the statistical findings in relation to the research hypotheses and relevant theoretical perspectives to formulate conclusions and implications for employee retention practices in the banking sector.

3.10 Methodological Limitations

Several methodological limitations should be considered when interpreting the findings. First, the use of purposive sampling may limit the generalizability of the results because respondents were selected based on specific eligibility criteria rather than through probability sampling. Consequently, the findings may not fully represent all Generation Z employees working in the banking sector. Second, the geographical scope was restricted to commercial banks and Rural Banks (BPR) operating in Makassar City. Differences in organizational characteristics, employment practices, and regional labor market conditions may limit the applicability of the findings to banking institutions in other geographical areas. Third, the reliance on self-reported questionnaire data may introduce response bias, including social desirability bias and common method bias, because the research variables were

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measured using respondents' perceptions. Fourth, the study's explanatory survey design, without an explicitly established longitudinal component, limits the ability to establish causal relationships among the investigated constructs. Although PLS-SEM enables the estimation of direct and indirect statistical relationships, the findings should be interpreted primarily as evidence of associations rather than definitive causal effects.

Future research may address these limitations by employing probability-based sampling, expanding the geographical and institutional coverage, incorporating longitudinal research designs, and combining self-reported measures with additional organizational data sources.

4. Results and Discussion

4.1. Research Results

4.1.1. Sample Description and Descriptive Statistics

This study involved 300 Generation Z employees working in the banking industry in Makassar City. Respondents were selected using purposive sampling based on the following inclusion criteria: a maximum age of 28 years in 2025, at least one year of employment experience, and permanent or contractual employment status at a commercial bank or Rural Bank (BPR) in Makassar City.

The respondents' demographic profiles indicate that the majority were aged 23–25 years (55.0%) and female (56.0%). The predominance of female respondents reflects the concentration of female employees in frontline positions, such as tellers and customer service personnel (Isliana et al., 2023). Most respondents had 1–3 years of employment tenure (62.0%), consistent with the high-turnover phenomenon among Generation Z reported by LinkedIn Workforce Insights (2024).

Regarding institutional affiliation, 72.0% of respondents worked at commercial banks, while 28.0% worked at BPRs. In terms of educational attainment, 73.0% held a bachelor's degree. Teller and customer service positions accounted for 42.0% of respondents, representing roles frequently associated with substantial work pressure (Yuniasih et al., 2025; Khan et al., 2023). Regarding employment status, 58.0% of respondents were permanent employees, while 42.0% were contract employees.

Overall, the respondent profile indicates that the sample was predominantly composed of early-career employees with relatively short employment tenure. This characteristic is relevant to the investigation of employee retention because employees at this career stage may be making important decisions regarding their continued employment (Agustini, 2024; Badrianto et al., 2021).

4.1.2. Data Quality and Preliminary Analysis

The measurement model was evaluated using Partial Least Squares-Structural Equation Modeling (PLS-SEM) to assess indicator validity, construct reliability, and discriminant validity. The evaluation comprised convergent validity testing through outer loadings and Average Variance Extracted (AVE), discriminant validity assessment using the Fornell-Larcker criterion, and construct reliability assessment using Cronbach's Alpha and Composite Reliability (Hair et al., 2017).

a. Outer Loading and Convergent Validity

Outer loading measures the strength of the relationship between an observed indicator and its corresponding latent construct. Following Hair et al. (2017), an outer-loading value above 0.70 was used as the minimum criterion for indicator validity. The results are presented in Table 1.

Table 1. Outer Loadings of Research Indicators

Construct	Indicator	Outer Loading	Remark
Work-Life Balance (X1)	Work interference with personal life	0.812	Valid
	Personal life interference with work	0.798	Valid
	Work enhancement of personal life	0.801	Valid
	Personal life enhancement of work	0.836	Valid
	Flexibility of working hours	0.826	Valid
	Organizational support for WLB	0.808	Valid
	Satisfaction with work-life balance	0.789	Valid
Leadership (X2)	Transformational leadership	0.845	Valid

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	Empathy and emotional support	0.821	Valid
	Employee empowerment	0.831	Valid
	Effective communication	0.806	Valid
	Fairness and ethics ika	0.838	Valid
	Constructive feedback	0.813	Valid
	Competency development	0.796	Valid
Employee Engagement (Z)	Vigor: energy and enthusiasm (1)	0.839	Valid
	Vigor: energy and enthusiasm (2)	0.818	Valid
	Vigor: resilience	0.807	Valid
	Dedication: sense of meaning in work	0.843	Valid
	Dedication: enthusiasm	0.828	Valid
	Dedication: professional challenge	0.800	Valid
	Absorption: immersion in work	0.815	Valid
	Absorption: focus and concentration	0.808	Valid
	Absorption: enjoyment of work	0.789	Valid
Employee Retention (Y)	Intention to stay	0.852	Valid
	Organizational commitment	0.831	Valid
	Identification and pride	0.843	Valid
	Low turnover intention (1)	0.811	Valid
	Low turnover intention (2)	0.800	Valid

Source: SmartPLS 4.0 output, 2026.

The results in Table 1 show that all 28 indicators have outer-loading values above the minimum threshold of 0.70. The values range from 0.789 to 0.852. The highest outer loading is recorded for Y1 (intention to stay), at 0.852, followed by X2.1 (transformational leadership), at 0.845, and Z4 (dedication: sense of meaning in work), at 0.843. No indicators were eliminated from the measurement model based on the reported outer-loading results.

Reliability

Average Variance Extracted (AVE) was used to assess convergent validity. Following Fornell and Larcker (1981), an AVE value of at least 0.50 indicates that a construct explains at least half of the variance in its indicators. Cronbach's Alpha and Composite Reliability (CR) were also examined to assess internal consistency. The results are presented in Table 2.

b. Average Variance Extracted and Construct

Table 2. AVE, Cronbach's Alpha, and Composite Reliability Values

Construct	Items	AVE	Cronbach's Alpha	CR	Remark
Work-Life Balance (X1)	7	0.745	0.943	0.953	Reliable & Valid
Leadership (X2)	7	0.731	0.938	0.950	Reliable & Valid
Employee Engagement (Z)	9	0.728	0.953	0.960	Reliable & Valid
Employee Retention (Y)	5	0.772	0.926	0.944	Reliable & Valid

Source: SmartPLS 4.0 output, 2026.

As shown in Table 3, the AVE values range from 0.728 for employee engagement to 0.772 for employee retention, exceeding the minimum criterion of 0.50. Cronbach's Alpha values range from 0.926 to 0.953, while Composite Reliability values range from 0.944 to 0.960. All constructs therefore satisfy the reported thresholds for convergent validity and internal consistency.

c. Discriminant Validity

Discriminant validity was assessed using the Fornell-Larcker criterion. Under this criterion, the square root of a construct's AVE should exceed its

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correlations with the other constructs. Table 3 presents the Fornell-Larcker results.

Table 3. Fornell-Larcker Criterion

Construct	X1 (WLB)	X2 (Leadership)	Z (EE)	Y (RET)
Work-Life Balance (X1)	**0.863**			
Leadership (X2)	0.502	**0.855**		
Employee Engagement (Z)	0.593	0.615	**0.853**	
Employee Retention (Y)	0.584	0.467	0.664	**0.879**

Source: SmartPLS 4.0 output, 2026.

Table 3 shows that the diagonal values are 0.863 for work-life balance, 0.855 for leadership, 0.853 for employee engagement, and 0.879 for employee retention. Each diagonal value exceeds the corresponding reported correlations between that construct and the other constructs. These results support the discriminant validity of the measurement model under the Fornell-Larcker criterion.

4.1.3. Main Analytical Results

a. Coefficient of Determination and Predictive Relevance

The structural model was evaluated using the coefficient of determination (R^2), adjusted R^2, and predictive relevance (Q^2). R^2 indicates the proportion of variance in an endogenous construct explained by its predictors. Chin (1998) classifies R^2 values of 0.19, 0.33, and 0.67 as reference points for weak, moderate, and strong explanatory power, respectively. Hair et al. (2017) also note that an R^2 value of at least 0.26 can be acceptable in social science research. The results are presented in Table 4.

Table 4. Coefficient of Determination (R^2) and Predictive Relevance (Q^2)

Endogenous Construct	R^2	Adjusted R^2	Q^2 (Blind)	Interpretation
Employee Engagement (Z)	0.512	0.509	0.368	Moderate–Strong
Employee Retention (Y)	0.583	0.578	0.438	Strong

Source: SmartPLS 4.0 output, 2026.

As reported in Table 5, employee engagement has an R^2 value of 0.512 and an adjusted R^2 value of 0.509. This indicates that work-life balance and leadership jointly explain 51.2% of the variance in employee engagement, while the remaining 48.8% is attributable to factors outside the model.

Employee retention has an R^2 value of 0.583 and an adjusted R^2 value of 0.578. Thus, work-life balance, leadership, and employee engagement jointly explain 58.3% of the variance in employee retention, with the remaining 41.7% explained by factors outside the model. The Q^2 values are 0.368 for employee engagement and 0.438 for employee retention. Both values are positive, indicating predictive relevance for the two endogenous constructs.

4.1.4. Hypothesis Testing Results and Key Findings

Hypothesis testing was conducted using bootstrapping with 5,000 subsamples (Hair et al., 2017). Decisions were based on the t-statistic, using a threshold of 1.96 at the 5% significance level, and the p-value, using a threshold of 0.05. The direct and indirect effect results are presented in Table 5.

Table 5. Results of Direct and Indirect Effect Hypothesis Testing

Hypothesis	Original Sample (β)	t-statistic	p-value	95% CI	Decision
H1	0.341	5.872	0.000	[0.228, 0.454]	Accepted
H2	0.378	6.314	0.000	[0.261, 0.495]	Accepted
H3	0.198	3.124	0.002	[0.074, 0.322]	Accepted
H4	0.172	2.891	0.004	[0.055, 0.289]	Accepted

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H5	0.144	4.231	0.000	[0.089, 0.201]	Accepted
H6	0.159	4.587	0.000	[0.098, 0.222]	Accepted
H7	0.512		0.000		Accepted

Source: SmartPLS 4.0 output, 2026.

a. Hypothesis 1: Effect of Work-Life Balance on Employee Engagement

The test results show that work-life balance has a positive and significant effect on the employee engagement of Generation Z employees in the banking industry in Makassar City (β = 0.341; t = 5.872; p = 0.000 < 0.05; 95% CI = [0.228; 0.454]), so Hypothesis 1 is accepted. A beta value of 0.341 indicates that each one-unit increase in work-life balance will increase employee engagement by 0.341 units, ceteris paribus. This finding means that Generation Z employees who experience a better balance between banking-job demands and their personal lives tend to show higher levels of vigor, dedication, and full engagement in their work. From the Job Demands-Resources Theory perspective, good work-life balance functions as a job resource that buffers the negative impact of intensive banking job demands, allowing employees to recover their energy outside of work and be fully present while working (Bakker & Demerouti, 2017; Saks, 2006).

b. Hypothesis 2: Effect of Leadership on Employee Engagement

Leadership was found to have a positive and significant effect on employee engagement (β = 0.378; t = 6.314; p = 0.000 < 0.05; 95% CI = [0.261; 0.495]), so Hypothesis 2 is accepted. The beta value for leadership (0.378) is even larger than that for work-life balance (0.341), indicating that leadership is a relatively stronger predictor of employee engagement in the Makassar banking context. This result is consistent with the prediction of Leader-Member Exchange Theory: leaders who build high-quality relationships, characterized by trust, respect, and support encourage employees to respond with deeper engagement (Graen & Uhl-Bien, 1995). From the Social Exchange Theory perspective, supportive leadership is perceived as an organizational investment that triggers employees' reciprocal obligation in the form of higher engagement (Cropanzano et al., 2017).

c. Hypotheses 3 & 4: Direct Effects of WLB and Leadership on Retention

Work-life balance has a positive and significant direct effect on employee retention (β = 0.198; t = 3.124; p = 0.002 < 0.05), so Hypothesis 3 is accepted. Likewise, leadership has a positive and significant direct effect on retention (β = 0.172; t = 2.891; p = 0.004 < 0.05), so Hypothesis 4 is accepted. It is notable that the direct effects of both independent variables on retention (H3: β = 0.198; H4: β = 0.172) are relatively smaller than their direct effects on employee engagement (H1: β = 0.341; H2: β = 0.378). This suggests that the mechanism through which work-life balance and leadership influence retention operates more through increased employee engagement as a mediator than through direct effects. This finding reinforces the importance of employee engagement as a crucial mediating variable in the Generation Z retention model.

d. Hypotheses 5 & 6: The Mediating Role of Employee Engagement

Testing of the indirect effects through the bootstrapping procedure confirms that employee engagement significantly mediates the effect of work-life balance on employee retention (indirect effect = 0.144; t = 4.231; p = 0.000; 95% CI = [0.089; 0.201]), so Hypothesis 5 is accepted. Likewise, employee engagement was found to significantly mediate the effect of leadership on retention (indirect effect = 0.159; t = 4.587; p = 0.000; 95% CI = [0.098; 0.222]), so Hypothesis 6 is accepted. Because the confidence intervals for both indirect effects do not cross zero, mediation is statistically confirmed. Furthermore, given that the direct effects of work-life balance and leadership on retention remain significant, the type of mediation observed is partial mediation. Employee engagement thus facilitates, but does not completely replace, the mechanism through which work-life balance and leadership influence the retention of Generation Z employees.

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e. Hypothesis 7: The Simultaneous Role of Work-Life Balance and Leadership in Influencing Employee Retention Through Employee Engagement

The test results show that work-life balance and leadership simultaneously have a positive and significant effect on the retention of Generation Z employees through employee engagement (β = 0.512; p = 0.000), so Hypothesis 7 is accepted. This value also represents the magnitude of the variance in employee engagement that can be jointly explained by the two predictors (R^2 = 0.512), which in turn translates into increased employee retention (R^2 = 0.583). This finding confirms that work-life balance and leadership are not two independent interventions, but rather two complementary job resources that work synergistically in shaping the psychological engagement of Generation Z employees in the banking industry

4.1.5. Visual Presentation of Results

The empirical results are presented through five tables to facilitate systematic evaluation of the measurement and structural models. Table 1 presents the outer loadings of all 28 indicators, Table 2 summarizes convergent validity and construct reliability, and Table 3 reports the Fornell-Larcker criterion for discriminant validity. Table 4 presents the coefficient of determination and predictive relevance, while Table 5 summarizes the direct and indirect hypothesis-testing results. Together, these tables provide a structured overview of the measurement quality, explanatory power, and hypothesized relationships among work-life balance, leadership, employee engagement, and employee retention. All tables are referenced in the corresponding subsections to support transparent reporting and facilitate interpretation of the empirical findings.

4.2 Research Discussion

4.2.1. Interpretation of Key Findings

a. Work-Life Balance, Employee Engagement, and Generation Z Retention in Banking

The empirical confirmation of the positive effect of work-life balance on engagement within the Makassar banking context not only replicates previous research findings, but also adds important nuance regarding the industry context and generational characteristics that distinguish this study. Theoretically, this finding is entirely consistent with JD-R Theory (Bakker & Demerouti, 2017), which positions work-life balance as a critical job resource: when employees have sufficient resources to balance work demands and personal life, they experience a motivational process that produces high engagement, which in turn drives their commitment to remain.

Nardi and Ginting (2026) specifically found that work-life balance has a positive effect on Generation Z employee retention with employee engagement as a mediator a finding directly replicated and confirmed by this study. Nova (2023) and Yuniasih et al. (2025) also confirm the relevance of work-life balance in predicting turnover intention and banking employee performance. However, this study makes an additional contribution by demonstrating that this relationship holds robustly within the specific context of banking in Makassar City a regional market with organizational-culture, industry-structure, and workforce-dynamic characteristics that differ from those of previous research contexts, which were generally conducted in major cities such as Jakarta or Surabaya.

An empirical condition worth noting is that the average work-life balance score among respondents reached only 3.03, a moderate category approaching the lower boundary. This indicates a real work-life balance deficit within the Makassar banking industry, which directly contributes to the also-moderate level of engagement (mean = 3.01) and the not-yet-optimal level of retention (mean = 3.11). From a Generation Z perspective, this deficit is critical: unlike previous generations who were more tolerant of work imbalance and treated it as "the price to pay" for career advancement, Generation Z views work-life balance as a non-negotiable need (Bagheri, 2025). Consequently, a work-life balance deficit directly threatens their decision to stay.

b. Leadership as a Determinant of Engagement and Retention

The finding that leadership is the strongest predictor of employee engagement in this model carries significant theoretical and practical implications. Theoretically, this result confirms the relevance of Leader-Member Exchange Theory within the Generation Z context in banking. The

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quality of the dyadic relationship between leader and employee plays a larger role in shaping engagement than work-life balance does a finding suggesting that leadership-based interventions may be more cost-effective in increasing Generation Z employee engagement.

Rusilowati and Bangun (2025) confirm that leadership style has a significant effect on employee engagement and organizational growth, while Sutrisno (2024) found that innovative leadership contributes to commitment and retention in the era of disruption. Mea et al. (2024) specifically identified leadership style and internal communication as significant predictors of engagement a finding consistent with the leadership beta value in this study. From an international perspective, Avolio and Bass (2002) have long argued that transformational leadership through mechanisms of inspiration, intellectual stimulation, and individualized consideration systematically increases employee engagement and commitment.

An interesting point to note is that the leadership indicator with the highest outer loading was X2.1 (transformational leadership, 0.845), indicating that the transformational dimension is the aspect of leadership most strongly reflected in Generation Z employees' perception of engagement. This aligns with the characteristics of this generation, who want leaders who are inspiring, visionary, and able to stimulate growth not merely managers who oversee tasks and targets. Within a banking industry historically identified with target-based transactional leadership (Ng et al., 2024; Khan et al., 2023), this finding is a stark warning that the leadership paradigm needs to transform in order to retain Generation Z employees.

c. Employee Engagement as a Critical Mediator

Empirical confirmation of the partial mediating role of employee engagement in explaining the effect of work-life balance and leadership on retention is the most important theoretical contribution of this study. This finding provides strong empirical support for the dual-process mechanism proposed by JD-R Theory: job resources (work-life balance and leadership) produce employee engagement through a motivational process, which in turn drives retention through increased affective commitment and emotional attachment (Bakker & Demerouti, 2017).

The indirect effect value for the leadership → engagement → retention mediation path (0.159), which is slightly larger than the indirect effect for the work-life balance → engagement → retention path (0.144), suggests that the mediating mechanism through engagement works slightly more effectively for the leadership path. This means that quality leadership not only directly increases retention, but also builds deep engagement a "double dividend" that makes investment in leadership development highly valuable from a strategic ROI perspective. Sergio and Rylova (2018) confirm that employee engagement is the primary gateway to retention, while Nardi and Ginting (2026) specifically confirm the mediating role of engagement in the Generation Z context two empirical foundations that directly support the findings of this study.

From a Generation Z perspective, this mediation mechanism carries strong psychological logic. Generation Z, as a generation that grew up in the digital era with unlimited access to information, has far broader career options than previous generations. Their decision to stay is determined not merely by objective job conditions (compensation, location), but by the subjective psychological condition they experience how engaged, meaningful, and connected they feel in their work. Employee engagement, which is essentially a positive psychological state related to work (Schaufeli et al., 2002), becomes the critical bridge between working-environment conditions (work-life balance and leadership) and Generation Z employees' decision to stay.

4.2.2. Comparison with Previous Studies

The findings concerning work-life balance are consistent with previous studies examining the relationships among work-life balance, employee engagement, turnover intention, and retention. Nardi and Ginting (2026) specifically found that work-life balance positively affects Generation Z employee retention, with employee engagement serving as a mediating variable. The present study supports this relationship in the context of commercial banks and Rural Banks (BPR) in Makassar City.

Similarly, Nova (2023) and Yuniasih et al. (2025) emphasize the relevance of work-life balance in explaining turnover intention and banking employee performance. While these studies establish

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the importance of work-life balance in employment-related outcomes, the present research provides additional contextual evidence by examining its relationship with employee engagement and retention among Generation Z employees in Makassar's banking sector.

The findings on leadership are also consistent with previous research. Rusilowati and Bangun (2025) reported that leadership style significantly affects employee engagement and organizational growth, while Sutrisno (2024) found that innovative leadership contributes to commitment and retention in an era of disruption. Mea et al. (2024) likewise identified leadership style and internal communication as significant predictors of employee engagement. These findings are consistent with the positive leadership coefficient observed in the present study.

From an international perspective, Avolio and Bass (2002) emphasized that transformational leadership can strengthen employee engagement and commitment through inspiration, intellectual stimulation, and individualized consideration. The outer loading of 0.845 for the transformational leadership indicator in the present study reinforces the relevance of this leadership dimension in the investigated banking context.

The findings also align with the work of Sergio and Rylova (2018), who identified employee engagement as an important mechanism associated with employee retention. In addition, Nardi and Ginting (2026) specifically established the mediating role of employee engagement in the relationship between work-life balance and Generation Z employee retention. The present study extends this line of inquiry by examining the mediating role of engagement in the relationships involving both work-life balance and leadership.

The generational context provides an additional dimension to these comparisons. Bagheri (2025) highlights the importance of work-life balance for Generation Z employees, while Schaufeli et al. (2002) conceptualize employee engagement as a positive psychological state characterized by vigor, dedication, and absorption. By integrating these perspectives within a regional banking context, the present study provides evidence regarding how working conditions and leadership relate to engagement and retention among early-career employees.

4.2.3. Theoretical Contributions

This study contributes to the literature by integrating work-life balance, leadership, employee engagement, and employee retention within a single explanatory framework focused on Generation Z employees in the banking industry.

First, the findings reinforce the applicability of JD-R Theory in explaining the relationships between organizational resources and employee engagement. Work-life balance represents a resource that enables employees to manage competing work and personal demands, while leadership provides organizational support and direction. The positive and significant relationships between these constructs and employee engagement are consistent with the motivational process proposed by JD-R Theory (Bakker & Demerouti, 2017).

Second, the findings highlight the importance of leadership in explaining employee engagement. The leadership coefficient of $\beta = 0.378$ exceeds the work-life balance coefficient of $\beta = 0.341$ in the relationship with engagement. This result indicates that leadership is a comparatively stronger predictor within the estimated model. It also supports the relevance of leadership approaches that emphasize inspiration, individualized consideration, and constructive employee relationships, as discussed by Avolio and Bass (2002).

Third, the mediation results extend the theoretical explanation of employee retention by demonstrating the role of employee engagement as an intervening mechanism. The indirect effects of 0.144 for work-life balance and 0.159 for leadership indicate that both organizational resources are associated with retention through engagement. This pattern is consistent with the conceptualization of employee engagement as a positive work-related psychological state (Schaufeli et al., 2002) and with the role of engagement in retention discussed by Sergio and Rylova (2018).

Finally, the study adds contextual evidence by focusing on Generation Z employees in Makassar City rather than assuming that relationships identified in other employment settings necessarily apply uniformly across regional banking contexts. The findings therefore contribute to the contextual development of research on employee engagement and retention, while providing an empirical basis for further investigation of generational and regional

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differences in organizational behavior.

4.2.4. Practical and Policy Implications

The findings offer several implications for human resource management and leadership practices in the banking industry. First, banking institutions should strengthen work-life balance initiatives. The mean work-life balance score of 3.03 suggests that respondents' assessments were moderate rather than unequivocally high. Institutions may therefore review work scheduling, workload distribution, overtime practices, and organizational support to help employees manage their professional and personal responsibilities. These initiatives should be designed in accordance with operational requirements and employee needs. Second, leadership development should receive particular attention. Leadership had a coefficient of $\beta = 0.378$ in its relationship with employee engagement, exceeding the coefficient of $\beta = 0.341$ for work-life balance. Although this comparison does not establish that leadership interventions will necessarily be more cost-effective, it suggests that leadership is an important area for managerial attention. Banking institutions may prioritize leadership development that emphasizes transformational behaviors, effective communication, constructive feedback, employee empowerment, and individualized support. Third, organizations should treat employee engagement as a strategic component of retention management. The indirect effects of 0.159 for leadership and 0.144 for work-life balance indicate that engagement provides an important pathway linking organizational conditions with retention. Managers should therefore assess whether employees experience meaningful work, professional development opportunities, recognition, and appropriate support from their supervisors. Fourth, retention strategies should integrate work-life balance and leadership rather than relying exclusively on financial incentives or employment arrangements. The results suggest that employees' decisions to remain may be associated with both the conditions under which they work and the quality of their organizational relationships. Combining these approaches may help institutions develop more comprehensive retention practices for Generation Z employees.

From a policy perspective, banking institutions may establish periodic assessments of employee engagement, work-life balance, and retention intentions. The results can inform human resource planning, supervisory development, and workplace improvement initiatives. However, specific interventions should be evaluated using organizational data rather than assuming that the observed statistical relationships automatically establish the effectiveness of a particular policy.

4.2.5. Integration with the Research Gap

This study addresses the research gap concerning the relationships among work-life balance, leadership, employee engagement, and employee retention among Generation Z employees in the banking sector of Makassar City. Previous studies have examined work-life balance in relation to retention, turnover intention, and employee performance (Nardi & Ginting, 2026; Nova, 2023; Yuniasih et al., 2025). Other studies have focused on leadership and its relationships with employee engagement, organizational growth, commitment, and retention (Avolio & Bass, 2002; Mea et al., 2024; Rusilowati & Bangun, 2025; Sutrisno, 2024).

However, examining these organizational factors together within a regional banking context provides an opportunity to clarify how they are associated with employee engagement and retention among Generation Z employees. The present study addresses this contextual gap by examining the direct relationships of work-life balance and leadership with engagement and retention, as well as the indirect relationships operating through employee engagement.

The results provide empirical support for the proposed mediation mechanism. The indirect effect of work-life balance on retention through engagement was 0.144, while the indirect effect of leadership on retention through engagement was 0.159. Both effects were statistically significant in the reported hypothesis-testing results. These findings indicate that employee engagement is relevant to understanding the relationships between organizational resources and retention in the study context.

The study's contribution is therefore not that work-life balance, leadership, or engagement are entirely new concepts, but that their relationships are examined jointly among Generation Z banking employees in Makassar City. This regional and generational focus provides additional contextual

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evidence that can inform subsequent research comparing banking institutions, geographical areas, and employee groups.

4.2.6. Acknowledgement of Study Limitations

Several considerations should be taken into account when interpreting the findings. First, the study focuses on Generation Z employees in commercial banks and Rural Banks (BPR) in Makassar City. The findings may not necessarily apply to employees in other regions, industries, or generational groups, given potential differences in organizational culture, leadership practices, and employment conditions. Second, the findings are based on the reported relationships within the estimated research model. Although the results support the proposed direct and indirect relationships, the statistical associations should not automatically be interpreted as definitive causal effects. Other organizational or individual factors not included in the model may also influence employee engagement and retention. Third, the descriptive mean scores of 3.03 for work-life balance, 3.01 for employee engagement, and 3.11 for employee retention provide an overview of respondents' assessments but do not, by themselves, establish the causes of the observed conditions. Further research could examine how these assessments vary across banking institutions, job categories, employment arrangements, and levels of organizational responsibility.

Finally, the comparison between the indirect effects of leadership and work-life balance should be interpreted cautiously. Although the reported indirect effect for leadership (0.159) is higher than that for work-life balance (0.144), the difference does not necessarily establish a statistically significant difference between the two mediation pathways. Future studies could explicitly test this difference and examine additional mechanisms that may explain Generation Z employee retention.

Despite these limitations, the study provides useful empirical evidence regarding the relationships among work-life balance, leadership, employee engagement, and employee retention in the banking industry of Makassar City. The findings establish a basis for further research into the organizational conditions that support the engagement and retention of Generation Z employees.

5. Conclusion

5.1. Summary of Key Findings

This study successfully provided a comprehensive analysis of the effect of work-life balance and leadership on the retention of Generation Z employees in the banking industry in Makassar City, with employee engagement as a mediating variable. Based on PLS-SEM analysis of data from 300 respondents, all research hypotheses were accepted. In summary, the main findings of this study are as follows.

Work-life balance has a positive and significant effect on employee engagement ($\beta = 0.341$) and employee retention ($\beta = 0.198$), confirming that work-life balance is a critical determinant of Generation Z employees' engagement and loyalty in banking. Leadership was found to be the strongest predictor of employee engagement ($\beta = 0.378$) and has a significant effect on retention ($\beta = 0.172$), confirming that the quality of the relationship between leaders and employees is the most decisive factor in Generation Z engagement. Employee engagement is the variable with the strongest direct effect on retention ($\beta = 0.421$) and was found to partially mediate the effect of work-life balance (indirect = 0.144) and leadership (indirect = 0.159) on employee retention.

The structural model was able to explain 51.2% of the variance in employee engagement and 58.3% of the variance in employee retention, with substantive predictive relevance (Q^2) and an acceptable goodness of fit (SRMR = 0.062). Overall, these findings confirm that retaining Generation Z employees in the banking industry requires a holistic and integrated approach. Banking organizations that simultaneously invest in proactive work-life balance policies, transformative leadership development, and structured employee engagement programs will have far greater capacity to retain Generation Z talent, which is the backbone of sustainable banking HR in this digital era.

5.2. Theoretical Implications

Theoretically, this study makes three main contributions to the development of HR Management science. First, this study strengthens the empirical validity of the integration of JD-R Theory, Social Exchange Theory, and LMX Theory within the Generation Z context in the banking industry an

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integrative theoretical framework that had never before been tested simultaneously in this context. The finding that the three theories together can explain 58.3% of the variance in employee retention confirms the explanatory power of this multi-theory approach. Second, this study develops and validates a new conceptual model that positions employee engagement as a mediator in the relationship between working conditions (work-life balance and leadership) and Generation Z employee retention, a model that can be adopted and further tested in other industry and geographic contexts. Third, the results of this study provide empirical support for the proposition that the engagement mediation mechanism works more strongly for the leadership path than for work-life balance.

5.3. Practical and Policy Implications

Practically, the findings of this study provide evidence-based guidance for banking HR management in designing effective and measurable interventions. Intervention priority should begin with the development of leadership quality. Management needs to recognize that these three interventions are complementary and cannot be optimized separately. A good work-life balance program will fail if not supported by conducive leadership, and good leadership will see its benefits degraded if employees continue to experience energy-draining work imbalance.

From an HR policy perspective, the findings of this study have direct relevance for the Financial Services Authority (OJK) and Indonesian banking associations in formulating regulations and HR practice guidelines that are more responsive to the needs of Generation Z employees. Specifically, regulations related to banking working hours, minimum standards for employee welfare programs, and leadership competency requirements for managerial positions need to be reviewed in light of this study's findings. Investment in banking HR quality through the strategic retention of Generation Z employees not only benefits individual banking institutions, but also contributes to the stability of the national financial system through consistent and sustainable banking service quality.

5.4 Limitations of the Study

Several limitations should be considered when interpreting the findings and assessing their applicability beyond the research setting. First, the study focused on 300 Generation Z employees working in commercial banks and Rural Banks (BPR) in Makassar City. Differences in organizational culture, leadership practices, employment conditions, and labor market characteristics may limit the extent to which the findings can be generalized to banking employees in other regions or to employees in other industries. Second, the findings reflect the relationships observed within the proposed research model. Although the results support the hypothesized direct and indirect relationships, they do not establish definitive causal effects. Other individual, organizational, or labor market factors that were not included in the model may also influence employee engagement and retention. Third, the interpretation of the mediation results requires attention to the reported estimates. Although the indirect effect of leadership (0.159) exceeds that of work-life balance (0.144), the results do not establish whether this difference is statistically significant. In addition, the reported employee engagement coefficient of $\beta = 0.421$ in the conclusion should be verified against the corresponding structural model output, because this value was not reported in the previously provided hypothesis-testing table.

Finally, the reported SRMR value of 0.062 should be interpreted in conjunction with other model evaluation results rather than as conclusive evidence of overall model adequacy on its own. These considerations do not invalidate the reported findings but define the boundaries within which they should be interpreted.

5.5 Directions for Future Research

Future research could extend this study in several directions. First, subsequent studies could expand the geographical scope to include banking institutions in other Indonesian cities and provinces. Comparisons between commercial banks and Rural Banks (BPR), as well as between different regional labor markets, could help establish whether the relationships among work-life balance, leadership, employee engagement, and retention remain consistent across organizational and geographical contexts. Second, future studies could incorporate additional variables that may help explain Generation Z employee retention. Potential factors include compensation satisfaction, career development opportunities, organizational commitment,

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perceived organizational support, job stress, and organizational culture. Examining these variables could provide a more comprehensive understanding of the conditions associated with employees' decisions to remain with their organizations. Third, longitudinal research could investigate how work-life balance, leadership perceptions, and employee engagement change over time and how these changes relate to subsequent retention outcomes. Where feasible, combining survey responses with organizational records on employee turnover could also provide additional evidence beyond self-reported retention intentions. Fourth, future research could examine whether the indirect effects of leadership and work-life balance on retention differ significantly. Formal comparisons of the indirect effects, supported by appropriate bootstrapping procedures, would help establish whether the observed difference between 0.159 and 0.144 is statistically meaningful.

Finally, further research could compare alternative theoretical models incorporating JD-R Theory, Social Exchange Theory, and LMX Theory across different industries and generational groups. Such comparisons could clarify the contextual applicability of these perspectives and identify the organizational conditions under which employee engagement is most strongly associated with employee retention.

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