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Implementation of Work-Life Balance and Its Impact on Employee Retention in Startup Companies Kitalulus

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Abstract

In an era of rapid globalization, startup companies face unique challenges in retaining top talent in a competitive market. The importance of attracting and retaining quality employees is becoming increasingly important, especially in the ever-evolving technology and innovation sectors. This study examines the impact of work-life balance and compensation on employee retention in Kitalulus, a startup company. Using a quantitative approach, data were collected from 99 respondents through a structured questionnaire designed to assess perceptions of work-life balance, compensation equity, and employee retention intention, analyzed data by SMARTPLS4 to evaluate the relationships between variables. The results showed that both work-life balance and compensation significantly influenced employee retention. Furthermore, compensation was also found to act as a moderator in the relationship between work-life balance and employee retention, indicating that a supportive compensation structure can enhance the positive effect of work-life balance on retention. These findings emphasize the importance of integrating competitive compensation and effective work-life balance policies into organizational practices. This study contributes to the understanding of employee retention dynamics in a startup environment and offers practical recommendations for enhancing employee satisfaction and loyalty through strategic management of work-life balance and compensation.

Keywords: Compensation, Startup Company, SEM-PLS.

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INTRODUCTION

In an era of rapid globalization, startup companies face unique challenges in retaining top talent in a competitive market. The importance of attracting and retaining quality employees is becoming increasingly important, especially in the ever-evolving technology and innovation sectors. One factor that is increasingly recognized as a key to organizational success is work-life balance, also known as work-life balance. Work-life balance is one of the factors that influence organizations in retaining their employees. Work-life balance refers to the balance between work and non-work (Brough et al., 2020).Good work-life balance and work balance can improve the psychological well-being of individuals where satisfaction, a sense of motivation and a sense of balance in life are considered indicators of success in balancing family and work roles (Panda and Sahoo, 2021).Work-life balance also prevents burnout at work so that employees can maintain productivity as a cornerstone in determining employee satisfaction and retention in an organization (Tumbel, 2011).development of skills, knowledge, and attitudes.

In the startup context, where the pressure to innovate and meet targets is often very high, the importance of work-life balance is increasingly prominent. Many employees, especially from the millennial and Z generations, are looking for a work environment that supports flexibility and well-being. Research shows that companies that successfully implement effective work-life balance strategies can increase job satisfaction, productivity and, most importantly, employee retention. Employees who feel supported in achieving work-life balance tend to be more loyal and committed to the organization. According to Zainee & Puteh (2020), retention is a benchmark for retaining talented employees who contribute by improving organizational performance and success. Retention is important for an organization to achieve organizational goals by retaining talented employees (Zainee and Puteh, 2020). Improving retention can reduce turnover intentions thereby helping to improve overall organizational performance and reduce recruitment turnover (Aman-Ullah et al, 2023). Organizations with good retention will increase job satisfaction, performance, productivity, so employees will be more retentive (Sindhuja & Sekar Subramanian, 2020).

Conversely, companies that ignore this balance risk facing high turnover rates. High employee turnover not only adds to recruitment and training costs, but can also disrupt team dynamics and reduce innovation. In the fast-changing world of startups, losing talent can be a significant loss. This article aims to explore the implementation of work-life balance in startup companies and its impact on employee retention. By understanding this relationship, companies can formulate better strategies to create a

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supportive work environment, which not only improves employee well-being but also drives the long-term success of the organization. Through in-depth analysis, this article will provide insights into best practices in creating a healthy balance and how this can contribute to a company's sustainability and growth.

LITERATURE REVIEW

Work-Life Balance

Commitment is an obligation to do something made by individuals in order to achieve a goal. In fulfilling balanced work and non-work commitments, it can have an impact on the well-being of work life. Fulfilling this balance of work and non-work commitments involves great duties and responsibilities towards individuals, families, and work. Meanwhile, according to Khateeb Károly (2020), work-life balance is a need that arises to manage problems of work stress, employee absenteeism, and labor retention to create the impression of a company that cares and is responsible for employees. The work balance variable in this study is measured using indicators according to Mc Donald et al. (2005) in Satriansyah, (2019), namely time balance, involvement balance, satisfaction balance.

Compensation

Compensation according to Aman-Ullah et al. (2023) says that the sum of all salaries and benefits received by employees from the organization in exchange for services rendered. This emphasizes the importance of fairness and equality in providing compensation in return for services. According to (Mujanah, 2020) compensation is a type of reciprocal service that can be in the form of money or non-money, which is given to someone through their relationship with an organization or company. The compensation variable in this study is measured using indicators according to Elmi (2018) in (Fahraini and Syarif, 2022) the indicators used to measure compensation can be divided into 2, namely compensation that is paid directly to employees and paid in a consistent time in the form of: salaries, incentives, bonuses. Indirect compensation: allowances, insurance, leave, facilities.

Employee Retention

Employee retention according to Alzaid & Dukhaykh (2023) defines employee retention as a strategy to maintain a positive image of the Startup Kitalulus as a preferred workplace. in maintaining and building a positive image of the Startup Kitalulus, a good

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work culture is needed where the organization must provide a comfortable and safe work environment so that employees can work well, and build a good work culture with open and transparent communication. In addition, offering various attractive programs can retain employees longer such as getting competitive salaries and benefits from other organizations, offering work-life balance such as flexibility and various programs that can support employees more comfortably.

Employee retention according to Zainee & Puteh (2020) reveals that a benchmark for retaining talented employees who contribute by improving organizational performance and success. In addition, employee retention is used to maintain the suitability of employee abilities and talents for the organization so that it can save costs and increase organizational efficiency by periodically evaluating the effectiveness of employee retention strategies. The indicators used to measure employee retention are based on the opinion of Kyndt (2009) in Nurmalitasari (2021). The employee retention variable in this study is measured using indicators according to Kyndt (2009) in Nurmalitasari (2021), namely: intention to stay, career opportunities, commitment.

Influence between Variables

Work-life-balance is an important factor company Startup Kitalulus to manage and retain employees (Lorentzon, Fotoh and Mugwira, 2023). Because employees have the opportunity to see their potential and engage in problem-solving, they are able to put their skills and abilities to work. They are also more confident by showing commitment to work despite pressure from coworkers (Sinaga & Sijabat, 2022). Work-life balance involves managing paid work with important activities such as family, sports and learning. Maintaining this balance benefits both employees and employers. It reduces conflict, increases positive appraisals, and leads to increased job satisfaction, performance, productivity, so employees will be more retentive (Sindhuja & Sekar Subramanian, 2020). Improved work-life balance leads to retention of employees in various sectors which will contribute to the reduction of new employee training costs and reduce work errors in employees. High employee turnover rates will affect company performance (Algazlan et al, 2022).

Work-Life Balance Practices in Startup Companies

Startup companies often face unique challenges in implementing work-life balance policies. According to research by Matusik and Hill (2013), many startups operate in a fast-changing environment, so employees often experience high stress. However,

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startups that implement flexibility policies and good managerial support can increase employee retention and create a more productive work environment (Kelliher & Anderson, 2010).

The Role of Management Support

Management support in implementing work-life balance is crucial. According to Hammer et al. (2011), management that actively supports employees' work-life balance can increase motivation and productivity. This also has a positive impact on employee commitment to the organization, which in turn can reduce turnover.

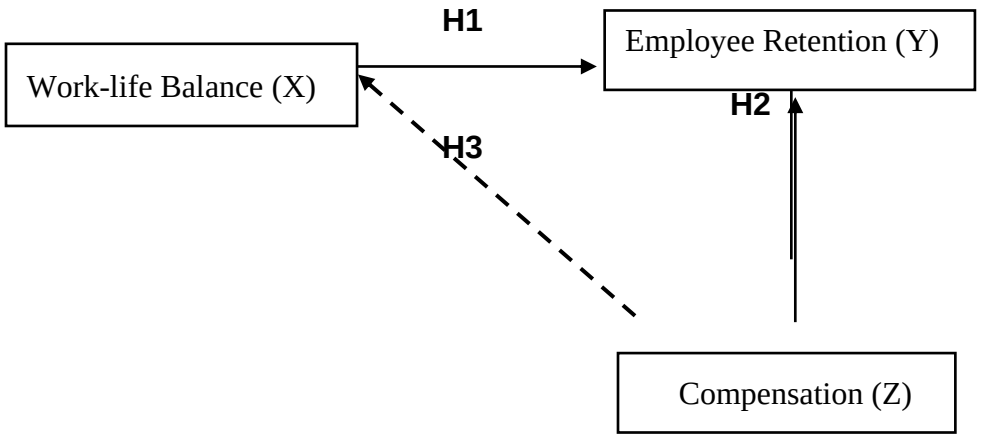


Figure 1. Theoretical Framework
Source: data processed, 2025

RESEARCH METHOD

This research adopts a quantitative approach to investigate the effects of work-life balance and compensation on employee retention at Kitalulus, a startup company. The objective is to collect numerical data that can be statistically analyzed to derive meaningful insights into the relationships among these variables. A cross-sectional design is utilized, allowing data to be gathered at a single point in time. The selection was conducted using purposive sampling, ensuring that participants had relevant experience and could provide valuable insights regarding the company's work-life balance and compensation policies. Data collection involved the use of structured questionnaires that included validated scales to measure key constructs. These constructs encompassed

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employees' perceptions of their work-life balance, their views on the fairness and adequacy of their compensation, and their intentions regarding employee retention. The questionnaires were distributed electronically, and responses were collected anonymously to maintain confidentiality and encourage honest feedback. Once the data was collected, it was analyzed using (SEM-PLS).

RESULT & DISCUSSION

Results of Discriminant Validity Analysis

The HTMT measure of discriminant validity is considered more accurate or sensitive in detecting discrimination; the recommended value is below 0.90 (Hair et al., 2019). The test results show that the employee retention variable has a value of (0.959), thus discriminant validation is not achieved for this variable. However, for the work-life balance variable, it has a value of (0.149), and the employee retention value is (0.785), thus discriminant validation is achieved.

Table 1. Outer Loading, Cronbach's Alpha, Composite Reliability, AVE

Variable	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Compensation		0,9	0,806	0,562
Z1	0,784			
Z2	0,765			
Z3	0,873			
Z4	0,776			
Z5	0,856			
Z6	0,778			
Z7	0,698			
Z8	0,799			
Z9	0,876			
Retention		0,789	0,884	0,544
Y1	0,788			
Y2	0,687			
Y3	0,786			
Y4	0,745			
Y5	0,743			

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Y6	0,764			
Work-life Balance		0,865	0,798	0,590
X1	0,699			
X2	0,876			
X3	0,775			
X4	0,754			
X5	0,756			
X6	0,724			

Source: data processed, 2025

Table 2. Hypothesis Test Results

Hypotesis	Path Coeff.	t-Statistic	P-value	95%		F Square
				Lower Limit	Final Limit	
Work-life balance > Retention	0,687	2,806	0,012	0,003	0,234	0,653
Compensation > Retention	0,784	7,904	0,000	0,472	0,432	0,764
Compensation x work-life balance > Retention	0,654	3,290	0,002	0,015	0,231	0,891

Source: data processed, 2025

All hypotheses are accepted, namely that there is a significant positive effect of compensation on employee retention with a p-value (0.012 < 0.05), t statistics (2.806 > 1.96), and path coefficient (0.687). Furthermore, the positive effect on compensation p-value (0.000 < 0.05), t statistics (7.904 > 1.96), and path coefficient (0.784). Compensation x work-life balance on Retention p-value (0.002 < 0.05), t statistic (3.290 > 1.96), and path coefficient (0.654).

The effect of Work-life Balance on Employee Retention

At Kitalulus, initiatives that promote work-life balance, such as flexible working hours and remote work options, have been shown to enhance job satisfaction among employees. When employees feel they can manage their work commitments alongside personal obligations, they report higher levels of satisfaction and engagement. This satisfaction is particularly important in a startup environment, where high levels of

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engagement are often necessary to drive innovation and productivity. Startups frequently face intense pressure to succeed, which can lead to burnout among employees. A robust work-life balance serves as a protective factor against burnout, enabling employees at Kitalulus to recharge and maintain their mental health. By implementing policies that encourage employees to take breaks and prioritize their well-being, Kitalulus can reduce turnover rates and retain valuable talent. Research highlights that organizations that actively support work-life balance can see a significant decrease in burnout and associated turnover. The workforce at Kitalulus comprises a diverse range of employees, including many from younger generations who prioritize work-life balance. Millennials and Gen Z employees are increasingly looking for jobs that offer flexibility and a supportive work environment. Kitalulus, by emphasizing work-life balance, positions itself as an attractive employer for these talent pools. This alignment with employee expectations can lead to increased loyalty and a lower likelihood of turnover. When employees at Kitalulus feel that their employer values their well-being and supports their personal lives, they are more likely to develop a sense of loyalty to the organization. This loyalty translates into a commitment to stay with the company, reducing turnover and fostering a stable workforce. As the startup continues to grow, maintaining this balance will be crucial for attracting and retaining top talent in a competitive market. These results are not consistent with several previous research (Hassan et al., 2022; Astuti et al., 2023; Saufi et al., 2023). (This finding suggests that work-life balance is not the most important aspect influencing employee retention. Therefore, companies may need to focus on other aspects to improve employee retention.

The Effect of Compensation on Employee Retention

The results showed that compensation has a significant positive effect on employee retention. This is due to several factors, one of which is the implementation of an effective strategy in retaining employees, which can be the right approach to increasing retention in the organization. With competitive salaries, employees are motivated to work. This will increase the level of satisfaction with the company, thereby increasing employee retention. This salary is based on the employee's abilities, such as high education, long work experience, and abilities that match the job. Apart from high salaries, the company also offers various benefits to support the lives of employees which make employees feel comfortable at work. Employees with a high level of satisfaction tend to have a higher retention rate in the company compared to employees who are less satisfied.Another important factor to increase productivity and welfare is office facilities

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that make employees feel comfortable while working. The company offers non-physical facilities such as tennis court, table tennis, futsal, badminton, aerobic exercise, and yoga. Highly paid employees feel more motivated in their work and are satisfied with benefits such as good health insurance, ultimately increasing retention through the compensation element. Adequate compensation can drive motivation and job satisfaction, while compensation that matches employee expectations contributes to increased satisfaction and decreased turnover intentions, resulting in increased retention. In addition, high compensation is seen as a form of fair reward, strengthening employee satisfaction and motivation to stay with the company. These findings are consistent with several previous studies (Aman-Ullah et al., 2015). (2023), Kamselem et al. (2022) and Suryathi et al. (2023), Khatun et al. (2023), and Sarkar et al. (2023). This finding is inconsistent with previous studies, namely Abou-Moghli, (2019) and Astuti et al. (The implication of this study is that compensation elements such as salary, incentives, bonuses, benefits, insurance, and leave play an important role in maintaining a qualified workforce. With a good compensation system, companies can reduce turnover rates and increase employee loyalty, and organizational stability.

The Effect of Compensation in Moderating the Effect of Work-life Balance on Employee Retention

The results showed that moderation testing could not be carried out because the effect of work-life balance and employee retention had no effect. According to Zainee and Puteh (2020), compensation is a benchmark for retaining talented employees who contribute. Organizations with good retention will encourage increased job satisfaction, performance, and productivity, so employees tend to stay longer (Sindhuja & Subramanian, 2020). Although the hypothesis is not proven, previous research shows that the compensation system is a crucial factor in improving employees' work credibility. Adequate compensation not only helps companies in retaining employees, but also contributes to increased retention in the organization (Shah & Asad, 2018).However, this finding also indicates that the compensation variable acts as an independent variable that still has its own impact on employee retention.Compensation is a major factor in improving employee retention. Fair and adequate compensation increases employee satisfaction, encouraging them to stay with the company. Although career opportunities are quite limited, employees feel challenged to develop their competencies by utilizing available opportunities. This motivation encourages them to continuously improve their skills to achieve higher career paths. In addition, the provision of free training and

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development contributes to improving employee satisfaction while helping the company create new innovations in products or services.The implications of this study emphasize that compensation plays an important role in improving employee retention, suggesting that corporate strategies that focus on providing fair and adequate compensation can strengthen employee loyalty. In addition, the findings underscore the importance of training and development as an enabling factor, which not only improves job satisfaction but also encourages innovation within the organization.

CONCLUSION

In summary, at Kitalulus is profound and multifaceted. By fostering a culture that prioritizes work-life balance, Kitalulus not only enhances job satisfaction but also mitigates the risk of burnout among employees. This positive balance is particularly crucial in the fast-paced startup environment, where pressures can lead to increased turnover if not managed effectively. As Kitalulus continues to evolve, implementing flexible work policies, wellness initiatives, and open communication channels will further strengthen employee retention. Ultimately, investing in work-life balance is not just beneficial for employees; it is a strategic advantage for Kitalulus as it aims to attract and retain top talent in a competitive landscape. By prioritizing this balance, Kitalulus can cultivate a thriving organizational culture that drives both employee satisfaction and business success.

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