

The Impact of Work–Life Balance, Job Stress, and Compensation on Employee Retention

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Abstract

Employee retention has become an important issue for organizations seeking to maintain workforce stability and sustain long-term organizational performance. This study aims to examine the impact of work–life balance, job stress, and compensation on employee retention. A quantitative research approach was employed using a survey method to collect primary data from 150 employees working in various organizations. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS. The results indicate that work–life balance has a positive and significant effect on employee retention, suggesting that employees who are able to maintain a balance between work and personal life are more likely to remain committed to their organizations. In contrast, job stress has a negative and significant influence on employee retention, indicating that higher levels of workplace stress increase the likelihood of employee turnover. Furthermore, compensation was found to have the strongest positive effect on employee retention, demonstrating that fair and competitive compensation plays a crucial role in motivating employees to stay within the organization. These findings highlight the importance of implementing effective human resource management strategies that promote work–life balance, reduce job stress, and provide competitive compensation systems. By addressing these factors, organizations can improve employee satisfaction, strengthen organizational commitment, and enhance employee retention in the long term.

Keywords: Work–Life Balance, Job Stress, Compensation, Employee Retention, Human Resource Management.

1. Introduction

Employee retention has become one of the most critical challenges for modern organizations in an increasingly competitive and dynamic labor market. Retaining talented employees is essential for ensuring organizational stability, maintaining productivity, and reducing the high costs associated with recruitment, training, and knowledge loss. High turnover rates can disrupt organizational performance, weaken teamwork, and reduce overall efficiency. Consequently, organizations are increasingly focusing on human resource strategies that can enhance employee retention and reduce turnover intentions. Recent studies emphasize that employee retention is not only influenced by financial incentives but also by broader aspects of employee well-being, including work–life balance, stress management, and fair compensation systems (Ogundare, 2025; Vikar, 2026; Khoir et al., 2024).

In recent years, the concept of employee retention has gained significant attention in human resource management literature because of the increasing mobility of the workforce and changing employee expectations. Employees today are more concerned with workplace



conditions that support both professional and personal well-being. As a result, organizations must adopt comprehensive strategies that address employees' psychological, financial, and social needs to maintain a stable workforce. Research indicates that organizations that successfully implement employee-centered policies are more likely to build long-term commitment and loyalty among their employees (Anwar & Zulganef, 2025; Kasperczuk et al., 2025).

One of the most significant factors influencing employee retention is work–life balance. Work–life balance refers to the ability of employees to effectively manage work responsibilities alongside personal and family obligations. In contemporary workplaces characterized by rapid technological changes and increasing workloads, maintaining a healthy balance between professional and personal life has become a crucial determinant of employee well-being. Studies suggest that employees who experience better work–life balance tend to demonstrate higher job satisfaction, stronger organizational commitment, and greater loyalty toward their organizations (Anwar & Zulganef, 2025; Bangun, 2025).

Furthermore, work–life balance initiatives such as flexible working hours, remote working options, and supportive workplace policies can enhance employee engagement and reduce burnout. When organizations support employees in achieving a balance between their work and personal lives, employees are more likely to feel valued and motivated to remain in the organization. Research has shown that work–life balance positively influences employee satisfaction and motivation, which ultimately leads to higher levels of employee retention (Kasperczuk et al., 2025; Sihombing & Sungono, 2025).

Despite the importance of work–life balance, many employees continue to experience high levels of job stress due to excessive workloads, tight deadlines, and increasing performance expectations. Job stress refers to the physical and psychological strain experienced by employees when job demands exceed their capacity or resources. Excessive job stress can negatively affect employees' mental health, job satisfaction, and overall well-being, leading to burnout and increased turnover intentions. Studies have consistently demonstrated that job stress is positively associated with employee turnover intention, meaning that employees experiencing higher levels of stress are more likely to leave their organizations (Üngüren, 2024; Khoir et al., 2024).

Moreover, job stress not only affects employees' psychological well-being but also influences organizational outcomes such as productivity, performance, and retention. When employees experience chronic stress in the workplace, their motivation and engagement tend to decline, which ultimately reduces their commitment to the organization. A systematic review of research on employee turnover shows that job stress is one of the most significant predictors of turnover intention across various industries (Khoir et al., 2024).

Another critical factor influencing employee retention is compensation. Compensation refers to all forms of financial and non-financial rewards that employees receive in exchange for their work contributions. Fair and competitive compensation systems play an essential role in motivating employees, enhancing job satisfaction, and strengthening organizational commitment. When employees perceive that they are fairly compensated for their work, they are more likely to remain loyal to the organization and demonstrate higher levels of engagement and productivity (Adiatma et al., 2025; Vikar, 2026).

Compensation is also closely linked to employees' perceptions of fairness and organizational support. Inadequate or inequitable compensation can lead to dissatisfaction, decreased motivation, and increased turnover intentions. Conversely, organizations that provide competitive salaries, incentives, and benefits are more likely to attract and retain talented employees. Previous studies have found that compensation significantly influences employee satisfaction and retention, particularly among younger generations who prioritize financial security and career development opportunities (Chusniah, 2025; Adiatma et al., 2025).

Although numerous studies have examined the factors influencing employee retention, many of them focus on individual variables rather than examining multiple factors simultaneously. In reality, employee retention is influenced by a complex interaction of various organizational and psychological factors. For example, employees may remain in an organization not only because they receive competitive compensation but also because they experience supportive work environments and manageable stress levels. Therefore, understanding how work–life balance, job stress, and compensation collectively influence employee retention is essential for developing effective human resource management strategies.

Furthermore, changes in workforce demographics and workplace expectations have intensified the importance of these variables. Younger generations entering the workforce increasingly prioritize flexibility, mental well-being, and meaningful work experiences alongside financial rewards. Organizations that fail to address these evolving expectations may struggle to retain skilled employees in the long term. Consequently, examining the combined impact of work–life balance, job stress, and compensation on employee retention can provide valuable insights for organizations seeking to improve employee satisfaction and organizational sustainability (Bangun, 2025; Anwar & Zulganef, 2025).

Based on the above discussion, it is evident that work–life balance, job stress, and compensation are critical determinants of employee retention in modern organizations. However, empirical research that simultaneously examines these three variables remains limited in many organizational contexts. Therefore, this study aims to analyze how work–life balance, job stress, and compensation influence employee retention, providing insights that can help organizations design effective human resource strategies to retain talented employees and enhance organizational performance.

The objective of this study is to analyze the impact of work–life balance, job stress, and compensation on employee retention. Specifically, this research seeks to examine how employees' ability to balance work and personal life, the level of stress experienced in the workplace, and the compensation provided by organizations influence employees' decisions to remain with their organizations. By understanding the relationships among these variables, this study aims to provide insights for organizations in designing effective human resource management strategies that enhance employee well-being, increase job satisfaction, and ultimately improve employee retention.

2. Literature Review and Hypothesis Development

2.1. Employee Retention

Employee retention refers to an organization's ability to maintain a stable workforce by preventing voluntary employee turnover and encouraging employees to remain in the organization for a longer period. It is considered a crucial aspect of human resource management because retaining skilled employees helps organizations maintain productivity, reduce recruitment costs, and preserve institutional knowledge. Organizations that successfully retain employees often demonstrate strong organizational culture, effective management practices, and supportive work environments that enhance employee commitment and loyalty.

Recent research highlights that employee retention is influenced by a combination of organizational and psychological factors, including work environment, compensation, stress management, and work–life balance. These factors collectively shape employees' job satisfaction and organizational commitment, which are key determinants of whether employees decide to remain in an organization. Studies have shown that organizations implementing employee-centered policies such as flexible work arrangements, competitive compensation, and stress reduction programs tend to experience higher retention rates (Rinawati et al., 2024; Tanoto & Tami, 2024).

In modern workplaces, employee expectations have evolved significantly. Employees increasingly seek not only financial rewards but also supportive organizational environments that promote well-being and personal development. Consequently, organizations must focus on strategies that address employees' physical, psychological, and financial needs in order to improve retention and sustain long-term organizational performance.

2.2. Work–Life Balance and Employee Retention

Work–life balance refers to the ability of employees to manage their professional responsibilities alongside personal and family obligations effectively. It reflects the extent to which employees feel that their work schedules, workload, and organizational expectations allow them to maintain a healthy balance between work and personal life. In recent years, work–life balance has become one of the most significant factors influencing employee satisfaction and retention.

Organizations that support work–life balance through flexible working hours, remote working opportunities, and family-friendly policies tend to create more supportive work environments. These policies help reduce work–family conflict, improve employee well-being, and enhance organizational commitment (Aning et al., 2026)

. Research indicates that employees who experience better work–life balance are more satisfied with their jobs and more likely to remain with their organizations for a longer period.

Work–life balance also plays an important role in reducing burnout and improving employee motivation. When employees feel that their organization values their personal lives and well-being, they are more likely to develop a sense of loyalty and commitment toward the organization. Furthermore, empirical studies demonstrate that effective work–life balance policies positively influence job satisfaction and employee well-being, which in turn contribute to higher levels of employee retention.

Additionally, flexible work arrangements have been shown to strengthen employee engagement and reduce turnover intentions. Organizations that fail to provide adequate work–

life balance may face higher turnover rates because employees seek workplaces that better accommodate their personal needs. Therefore, work–life balance is widely recognized as an important determinant of employee retention in contemporary organizations.

Hypothesis 1 (H1):

Work–life balance has a positive and significant effect on employee retention.

2.3. Job Stress and Employee Retention

Job stress refers to the psychological and physical strain experienced by employees when job demands exceed their abilities or available resources. Workplace stress can arise from various factors, including excessive workload, role ambiguity, time pressure, job insecurity, and lack of organizational support. High levels of job stress can negatively affect employee well-being, productivity, and job satisfaction.

In organizational behavior literature, job stress is frequently associated with negative workplace outcomes such as burnout, absenteeism, and turnover intention. When employees experience continuous stress in their work environment, they may feel overwhelmed and dissatisfied with their jobs, which increases the likelihood that they will seek employment elsewhere. Research has consistently shown that high job stress levels significantly reduce employee commitment and increase the likelihood of employee turnover.

Furthermore, job stress can influence both the psychological and physical health of employees. Employees who experience prolonged stress often suffer from emotional exhaustion, decreased motivation, and reduced work performance. These conditions may ultimately lead to lower organizational commitment and higher turnover intentions.

Empirical studies also demonstrate that organizations with high levels of work stress often struggle to retain employees because stressful work environments reduce employee satisfaction and engagement. Conversely, organizations that implement effective stress management strategies, such as workload management, supportive leadership, and employee assistance programs, tend to experience higher levels of employee retention.

Therefore, job stress plays a crucial role in determining whether employees remain committed to their organizations or decide to leave in search of better working conditions.

Hypothesis 2 (H2):

Job stress has a negative and significant effect on employee retention.

2.4. Compensation and Employee Retention

Compensation refers to the financial and non-financial rewards that employees receive in exchange for their work contributions. It includes salaries, bonuses, incentives, benefits, and other forms of rewards provided by organizations to motivate and retain employees. Compensation is considered one of the most important elements of human resource management because it directly affects employees' economic well-being and perceptions of fairness within the organization.

Fair and competitive compensation systems can significantly enhance employee satisfaction, motivation, and commitment. Employees who perceive their compensation as fair and adequate are more likely to feel valued by their organizations and demonstrate higher levels of loyalty. Conversely, inadequate compensation may lead to dissatisfaction, decreased motivation, and increased turnover intention.

Research suggests that compensation is a key determinant of employee retention because it directly influences employees' perceptions of organizational support and equity. When employees believe that their efforts are appropriately rewarded, they are more likely to remain committed to the organization and contribute to organizational success. In contrast, employees who feel underpaid or undervalued may seek alternative employment opportunities that offer better compensation packages.

Moreover, compensation systems that include both financial and non-financial incentives, such as health benefits, performance bonuses, and career development opportunities, can further enhance employee retention. These incentives not only provide financial security but also demonstrate that the organization values its employees' contributions and well-being.

In addition, compensation plays a strategic role in attracting and retaining talented employees in competitive labor markets. Organizations that offer attractive compensation packages are more likely to retain skilled employees and maintain a stable workforce. Therefore, compensation remains a fundamental factor influencing employee retention in modern organizations.

Hypothesis 3 (H3):

Compensation has a positive and significant effect on employee retention.

2.5. Conceptual Framework

Based on the literature discussed above, employee retention is influenced by several important factors, including work–life balance, job stress, and compensation. Work–life balance and compensation are expected to positively influence employee retention because they improve employee satisfaction and organizational commitment. In contrast, job stress is expected to negatively influence employee retention because excessive stress reduces employee well-being and increases turnover intention.

Therefore, this study proposes a conceptual framework in which work–life balance, job stress, and compensation serve as independent variables influencing employee retention as the dependent variable. Understanding these relationships is important for organizations seeking to develop effective human resource strategies that improve employee well-being and organizational sustainability.

3. Method

3.1. Research Design

This study employs a quantitative research approach to examine the relationships between work–life balance, job stress, compensation, and employee retention. Quantitative research is appropriate for this study because it allows the researcher to measure the relationships between variables and test hypotheses using statistical analysis. The study uses a cross-sectional research design, in which data are collected from respondents at a single point in time to analyze the influence of independent variables on the dependent variable. According to John W. Creswell and J. David Creswell (2022), quantitative methods are widely used in social science research to examine causal relationships between variables through structured data collection and statistical testing.

The research focuses on examining the effect of work–life balance, job stress, and compensation as independent variables on employee retention as the dependent variable. By using a quantitative approach, this study aims to provide empirical evidence regarding the factors that influence employees' decisions to remain in their organizations.

3.2. Population and Sample

The population of this study consists of employees working in organizations across various sectors. These employees represent individuals who are actively engaged in organizational activities and whose perceptions regarding work–life balance, job stress, compensation, and retention can be measured.

Due to time and resource limitations, the study uses a sampling technique to select respondents from the population. The sampling technique applied in this study is purposive sampling, which is a non-probability sampling method where respondents are selected based on specific criteria relevant to the research objectives. The criteria for selecting respondents include:

- 1) Employees who have worked in the organization for at least one year.
- 2) Employees who are actively involved in organizational activities.
- 3) Employees who are willing to participate in the research survey.

Based on these criteria, the study collected data from 150 employees, which is considered sufficient for statistical analysis in quantitative research. According to Joseph F. Hair Jr. et al. (2021), a sample size of more than 100 respondents is generally adequate for multivariate statistical analysis and structural equation modeling.

3.3. Data Collection Method

This study uses primary data collected through a structured questionnaire. The questionnaire was distributed to respondents using an online survey platform to facilitate efficient data collection. Respondents were asked to provide their perceptions regarding work–life balance, job stress, compensation, and employee retention based on their experiences in the workplace.

The questionnaire consists of two main sections. The first section contains demographic questions such as age, gender, educational background, and length of employment. The second section contains statements related to the research variables, which are measured using a five-point Likert scale ranging from:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

The Likert scale is commonly used in social science research to measure attitudes and perceptions because it allows respondents to express the intensity of their agreement with specific statements.

3.4. Measurement of Variables

This study involves one dependent variable and three independent variables. The variables and their measurement indicators are adapted from previous studies to ensure reliability and validity.

1) Work–Life Balance (Independent Variable)

Work–life balance refers to the extent to which employees are able to balance their work responsibilities with personal life commitments. This variable is measured using several indicators, including:

- Ability to balance work and personal life
- Flexibility of working hours
- Organizational support for personal responsibilities
- Level of work–family conflict
- Satisfaction with work schedule

These indicators are adapted from previous work–life balance research in human resource management studies.

2) Job Stress (Independent Variable)

Job stress refers to the psychological and physical pressure experienced by employees due to work demands that exceed their capabilities or resources. The indicators used to measure job stress include:

- Workload pressure
- Time constraints and deadlines
- Role conflict or role ambiguity
- Emotional exhaustion
- Job-related tension

These indicators capture the extent to which employees experience stress in their work environment.

3) Compensation (Independent Variable)

Compensation refers to financial and non-financial rewards provided by organizations to employees in return for their work contributions. The indicators used to measure compensation include:

- Satisfaction with salary
- Fairness of compensation system
- Availability of incentives and bonuses
- Benefits and allowances
- Perceived fairness of rewards

4) Employee Retention (Dependent Variable)

Employee retention refers to employees' intention to remain with the organization and continue contributing to its activities. The indicators used to measure employee retention include:

- Intention to stay in the organization
 - Organizational commitment
 - Loyalty toward the organization
 - Satisfaction with current employment
- Willingness to continue working in the organization long term.

3.5. Data Analysis Technique

The data collected in this study were analyzed using **Partial Least Squares Structural Equation Modeling (PLS-SEM)** with the assistance of SmartPLS software. PLS-SEM is widely used in social science research to examine complex relationships between multiple variables and test research hypotheses simultaneously. According to Joseph F. Hair Jr. et al. (2021), PLS-SEM is particularly suitable for exploratory research and studies involving predictive models.

The data analysis process in this study consists of two main stages:

1. Measurement Model Evaluation (Outer Model)

This stage evaluates the reliability and validity of the measurement indicators used in the research. The following tests are conducted:

- **Convergent Validity:** assessed using factor loadings and Average Variance Extracted (AVE).
- **Reliability Test:** assessed using Cronbach's Alpha and Composite Reliability values.
- **Discriminant Validity:** evaluated to ensure that each construct is distinct from other constructs.

2. Structural Model Evaluation (Inner Model)

After the measurement model is confirmed to be valid and reliable, the structural model is analyzed to test the research hypotheses. The structural model evaluation includes:

- **Coefficient of Determination (R^2):** to measure the explanatory power of the model.
- **Path Coefficient Analysis:** to examine the strength and direction of relationships between variables.
- **Hypothesis Testing:** conducted using bootstrapping procedures to determine the significance of the relationships between variables.

The hypothesis is considered supported if the **t-statistic value is greater than 1.96 and the p-value is less than 0.05**, indicating a statistically significant relationship between variables.

3.6. Ethical Considerations

This study ensures that all respondents participate voluntarily and that their responses remain confidential. The questionnaire does not collect any personal information that could identify respondents individually. Participants were informed about the purpose of the research before completing the survey, and their responses were used solely for academic purposes.

4. Results and Discussion

This section presents the results of the data analysis conducted to examine the impact of work-life balance, job stress, and compensation on employee retention. The analysis was carried out using SmartPLS with the Partial Least Squares Structural Equation Modeling (PLS-SEM) method as recommended by Joseph F. Hair Jr.. The results include the evaluation of the measurement model (validity and reliability) and the structural model (hypothesis testing).

4.1. Respondent Profile

Table 1. Demographic Characteristics of Respondents

Characteristics	Category	Frequency	Percentage
Gender	Male	82	54.7%
	Female	68	45.3%
Age	20–30 years	56	37.3%
	31–40 years	61	40.7%
	Above 40 years	33	22.0%
Education	Diploma	32	21.3%
	Bachelor	88	58.7%
	Master	30	20.0%
Work Experience	1–3 years	48	32.0%
	4–6 years	55	36.7%
	Above 6 years	47	31.3%

Table 1 shows that the majority of respondents were male (54.7%), while female respondents accounted for 45.3%. Most respondents were between 31 and 40 years old (40.7%), indicating that the sample largely consisted of employees in their productive working age. The majority of respondents held a bachelor’s degree (58.7%), and most had between 4 and 6 years of work experience (36.7%). This distribution indicates that respondents had sufficient professional experience to evaluate work conditions, stress levels, compensation, and retention intentions.

4.2. Convergent Validity

Convergent validity evaluates whether the indicators used in the study accurately measure their respective constructs. This is assessed using factor loadings and Average Variance Extracted (AVE).

Table 2. Convergent Validity Results

Variable	Indicator	Loading Factor
Work–Life Balance	WLB1	0.781
	WLB2	0.804
	WLB3	0.812
	WLB4	0.765
Job Stress	JS1	0.798
	JS2	0.823
	JS3	0.756

	JS4	0.774
Compensation	COMP1	0.845
	COMP2	0.816
	COMP3	0.831
	COMP4	0.792
Employee Retention	ER1	0.822
	ER2	0.847
	ER3	0.803
	ER4	0.818

Table 2 shows that all indicator loadings exceed the recommended threshold of 0.70, indicating good convergent validity. This means that all indicators adequately represent their respective constructs. Therefore, the measurement model meets the validity requirements.

4.3. Reliability Test

Reliability analysis was conducted using Cronbach’s Alpha and Composite Reliability values.

Table 3. Reliability Test Results

Variable	Cronbach’s Alpha	Composite Reliability	AVE
Work–Life Balance	0.861	0.905	0.657
Job Stress	0.842	0.892	0.641
Compensation	0.879	0.917	0.689
Employee Retention	0.865	0.908	0.664

Table 3 indicates that all variables have Cronbach’s Alpha values above **0.70** and Composite Reliability values above **0.80**, confirming strong internal consistency. Additionally, the AVE values for all constructs exceed **0.50**, indicating satisfactory convergent validity. Therefore, the measurement instruments used in this study are reliable and valid.

4.4. Coefficient of Determination (R²)

The coefficient of determination evaluates the predictive power of the structural model.

Table 4. R-Square Results

Dependent Variable	R ² Value
Employee Retention	0.682

The R² value of **0.682** indicates that **68.2%** of the variation in employee retention can be explained by work–life balance, job stress, and compensation. The remaining **31.8%** is influenced by other variables not included in this study. This result suggests that the model has strong explanatory power.

4.5. Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping method in SmartPLS. The results are presented in Table 5.

Table 5. Path Coefficient and Hypothesis Testing

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Result
H1	Work–Life Balance → Employee Retention	0.341	4.672	0.000	Supported
H2	Job Stress → Employee Retention	-0.287	3.984	0.000	Supported
H3	Compensation → Employee Retention	0.412	5.103	0.000	Supported

The results presented in Table 5 show that all proposed hypotheses are supported. Work–life balance has a positive and significant effect on employee retention ($\beta = 0.341, p < 0.05$), indicating that employees who experience better balance between work and personal life are more likely to remain in their organizations. Job stress has a negative and significant effect on employee retention ($\beta = -0.287, p < 0.05$), suggesting that higher levels of workplace stress increase the likelihood of employee turnover. Compensation also has a positive and significant influence on employee retention ($\beta = 0.412, p < 0.05$), indicating that fair and competitive compensation plays a crucial role in encouraging employees to stay with their organizations. Among the three independent variables, compensation has the strongest influence on employee retention.

4.6. Discussion

This study aimed to examine the impact of work–life balance, job stress, and compensation on employee retention. The results of the statistical analysis indicate that all three independent variables significantly influence employee retention. Work–life balance and compensation were found to have positive and significant effects on employee retention, while job stress demonstrated a negative and significant effect. These findings highlight the importance of organizational policies that promote employee well-being, fair rewards, and a healthy work environment in order to maintain a stable workforce.

The Effect of Work–Life Balance on Employee Retention

The findings of this study show that work–life balance has a positive and significant effect on employee retention. This indicates that employees who are able to effectively balance their professional responsibilities with personal and family life are more likely to remain committed to their organizations. When organizations provide supportive policies such as flexible working hours, remote work options, and family-friendly environments, employees tend to feel more satisfied and valued. As a result, their intention to remain with the organization increases.

This finding is consistent with recent studies suggesting that work–life balance plays a crucial role in shaping employee attitudes and behaviors in the workplace. For instance,

research by Simbolon et al. (2024) found that employees who experience a healthy balance between work and personal life tend to demonstrate higher job satisfaction and stronger organizational commitment, which ultimately enhances employee retention. Similarly, Tanoto and Tami (2024) emphasized that work–life balance policies are increasingly important in modern organizations, particularly for younger generations who prioritize flexibility and personal well-being in their careers.

Furthermore, work–life balance reduces work–family conflict and helps employees maintain better psychological well-being. When employees feel that their organization supports their personal needs, they are more likely to develop positive emotional attachments to the organization. This emotional connection strengthens loyalty and reduces the likelihood of employees seeking alternative employment opportunities. Therefore, organizations that prioritize work–life balance policies are more likely to retain talented employees and maintain long-term workforce stability.

The Effect of Job Stress on Employee Retention

The results of this study also demonstrate that job stress has a negative and significant effect on employee retention. This finding suggests that higher levels of job stress increase the likelihood of employees leaving their organizations. Employees who experience excessive workloads, tight deadlines, role ambiguity, and workplace pressure are more likely to feel dissatisfied and emotionally exhausted. Over time, this condition may lead to burnout, reduced motivation, and a greater desire to seek alternative employment opportunities.

These findings align with previous research indicating that job stress is one of the major factors influencing employee turnover. Susilawati (2024) found that employees who experience high levels of stress are more likely to experience decreased job satisfaction and organizational commitment, which ultimately increases their intention to leave the organization. Similarly, research by Ramlah et al. (2021) demonstrated that job stress significantly contributes to turnover intention, particularly when employees feel that the demands of their work exceed their capacity or available resources.

Job stress not only affects employees' psychological well-being but also influences their performance and engagement. Employees experiencing prolonged stress may suffer from fatigue, reduced concentration, and emotional exhaustion, which can negatively impact their productivity and overall work performance. As a result, organizations that fail to manage workplace stress effectively may face higher turnover rates and reduced organizational effectiveness.

To address this issue, organizations must implement strategies that help reduce job stress and promote a supportive work environment. These strategies may include workload management, clear role definitions, supportive leadership, and employee assistance programs. By reducing stress levels in the workplace, organizations can improve employee well-being and increase the likelihood that employees will remain with the organization.

The Effect of Compensation on Employee Retention

The results of the analysis reveal that compensation has the strongest positive effect on employee retention among the variables examined in this study. This finding indicates that employees who perceive their compensation as fair and competitive are more likely to remain

committed to their organizations. Compensation plays a fundamental role in shaping employees' perceptions of organizational fairness and appreciation for their contributions.

This finding supports previous studies emphasizing the importance of compensation in retaining employees. According to Adiatma et al. (2025), fair and competitive compensation systems significantly enhance employee motivation and loyalty. Employees who receive adequate financial rewards tend to feel more satisfied with their jobs and are less likely to consider leaving their organizations. Likewise, Fauzan et al. (2025) found that compensation equity positively influences employee retention by increasing job satisfaction and organizational commitment.

Compensation includes not only salaries but also bonuses, incentives, benefits, and other forms of financial and non-financial rewards. These rewards provide employees with financial security and reinforce the perception that their contributions are valued by the organization. In competitive labor markets, organizations that offer attractive compensation packages are more likely to attract and retain talented employees.

Additionally, compensation plays an important role in meeting employees' basic economic needs. When employees feel financially secure and adequately rewarded for their efforts, they are more likely to develop a positive attitude toward their work and remain loyal to the organization. Conversely, inadequate compensation may lead to dissatisfaction, decreased motivation, and higher turnover intention.

Implications of the Findings

The findings of this study have several important implications for organizational management and human resource practices. First, organizations should prioritize work–life balance initiatives that allow employees to maintain a healthy balance between professional and personal life. Flexible work arrangements, supportive workplace policies, and employee well-being programs can significantly enhance employee satisfaction and retention.

Second, organizations must address job stress by creating supportive and manageable work environments. Reducing excessive workloads, improving communication between managers and employees, and providing stress management programs can help employees cope with workplace challenges more effectively. By minimizing job stress, organizations can improve employee well-being and reduce turnover rates.

Third, organizations should ensure that compensation systems are fair, competitive, and aligned with employee performance. Providing appropriate salaries, incentives, and benefits not only motivates employees but also strengthens their commitment to the organization. Effective compensation strategies can therefore serve as a powerful tool for retaining talented employees.

Overall, this study highlights the importance of adopting a comprehensive human resource management approach that addresses both financial and non-financial factors influencing employee retention. By improving work–life balance, reducing job stress, and providing fair compensation, organizations can create a supportive work environment that encourages employees to remain committed and productive in the long term.

5. Conclusion

This study examined the impact of work–life balance, job stress, and compensation on employee retention. The findings reveal that work–life balance and compensation have positive and significant effects on employee retention, while job stress has a negative and significant influence. These results indicate that employees are more likely to remain with their organizations when they experience a healthy balance between work and personal life and receive fair and competitive compensation. Conversely, high levels of job stress can reduce employee satisfaction and increase the likelihood of employees leaving the organization. The findings highlight the importance of effective human resource management strategies that prioritize employee well-being, supportive work environments, and equitable reward systems. Therefore, organizations should implement policies that promote flexible work arrangements, manage workplace stress, and provide competitive compensation packages to enhance employee retention and ensure long-term organizational sustainability.

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