

# The Influence of Compensation and Work Flexibility on Employee Retention with Employee Engagement as A Mediating Variable in The Millennial and Z Generations in Tangerang

Yossi Fitriani<sup>1\*</sup>, Chandra Wibowo Widhianto<sup>2</sup>

<sup>12</sup>Faculty of Business, Bunda Mulia University, Tangerang, 15143, Indonesia

\*Corresponding author: yossifitriani17@gmail.com

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## Abstract

This study investigates the influence of compensation and work flexibility on employee retention among Millennial and Generation Z workers in Tangerang, Indonesia, with employee engagement serving as a mediating variable. Utilizing a quantitative approach with structural equation modeling, data were collected from 152 employees through online questionnaires. The results reveal that both compensation and flexibility significantly impact employee retention, with compensation exhibiting a stronger effect. Employee engagement was found to partially mediate these relationships, amplifying the impact of both factors on retention. Notably, compensation demonstrated a more pronounced influence on both engagement and retention compared to flexibility. These findings provide crucial insights for organizations seeking to retain younger talent, emphasizing the need for competitive compensation strategies balanced with flexible work arrangements. The study contributes to the understanding of evolving workforce dynamics in emerging markets and offers practical implications for human resource management in the context of generational workplace preferences.

**Keywords:** Employee Retention, Compensation, Work Flexibility, Employee Engagement, Generation Z.

## INTRODUCTION

Employee retention is a critical issue that organizations must address (Khan et al., 2024). According to Ali et al. (2022), the goal of employee retention is to prevent the loss of employees that negatively impacts organizational productivity. The greatest challenge faced by many companies is employee retention. Employees are the main asset of an organization and play a vital role in maintaining the company. However, when employees with valuable knowledge and skills leave, it significantly impacts the organization (Vasudeva & Asi, 2021).

Turnover trends are largely dominated by the millennial generation, with 65% choosing to leave companies after working for 12 months. Millennials express dissatisfaction with their income and work situations. They are not just pursuing money, but also interests, work-life balance, and possibly flexible working hours or the ability to work from home (Yuniasanti et al., 2023). The Indonesian Central Statistics Agency (2020) reported that Indonesia's population of 270.3 million is dominated by Gen Y or millennials (born 1981-1996) and Gen Z (born 1997-2012). Gen Z makes up 27.94% of the total population, while millennials account for 25.87%. These two generations are of productive age and can be an opportunity for Indonesia's economic growth.

According to data from the Central Statistics Agency in 2020, the millennial generation in Tangerang has the highest population at 521,431 people, while Gen Z totals 479,480 people. Not only does Tangerang have a high population of millennials and Gen Z, but it also experienced the highest economic growth in Banten Province at 5.98% in 2022 (disindagkopukm.tangerangkota, 2023).

There is a stereotype that millennials easily change jobs, which is reinforced by data from GoodStats (2024). The graph shows that 24% of Gen Z claim to have stayed less than 2 years in their workplace, while 31% claim they stay between 1 to 2 years. Gen Z workers who stay for 6 to 12 months account for 19%, 4 to 6 months for 18%, and 1 to 3

months for 9%. This survey explains that there are 6 factors that can increase worker loyalty: comfort (59%), flexible work schedules (49%), salary fit (35%), good bosses (29%), bonuses (26%), and complete facilities (25%).

Previous research has stated that if organizations want to retain millennial workers, it is crucial to understand their characteristics and provide a workplace where they can thrive (Iman, Astri & Dyah, 2023). Meanwhile, Gen Z is the newest generation in the workforce that companies must win over. However, companies are finding it difficult to manage young employees, considering their expectations excessive and questioning their readiness to face workplace realities (Iman, Astri & Dyah, 2023). The increasing turnover leads to increased company expenses, as replacing departing employees requires significant costs (Iman, Astri & Dyah, 2023).

In companies or organizations, human resources are a vital component (Ni Wayan & I Gusti, 2023). Essentially, human resources consist of individuals working to create and realize the goals of an organization, making the quality of human resources crucial for success. Therefore, human resource management must be a top priority, managed effectively in terms of both skills and availability (Apriliana & Nawangsari, 2021).

The dominance of millennials and Gen Z in the workforce indicates that they are the most productive generation due to their large numbers. According to a LinkedIn survey in February 2022 of 21,367 U.S. worker respondents, about 23% of millennials and Gen Z plan to leave their jobs in the next six months (Andres, 2022). Based on interviews with 10 respondents consisting of millennials and Gen Z, nine of them expressed intentions to seek new jobs if they get opportunities believed to improve their skills and well-being, even if they are still new to their current workplace.

This certainly poses challenges for companies in maintaining employee retention (Ni Wayan & I Gusti, 2023). The term employee retention is used in business management to reflect a company's or organization's efforts to retain existing employees (Krishnamoorthy & Aisha, 2022). Employee retention presents challenges for every organization due to changes in employment (Millena & Donal Mon, 2022).

Compensation is a reason for someone to work in a company and is an important element in employee retention. If the compensation received by employees does not match their contribution to the company, they tend to choose to leave (Renita & Muhammad, 2022). Not only compensation, according to Shi, Chin & Adedapo (2024), workplace flexibility is believed to be successful in reducing turnover and absenteeism, thereby increasing organizational performance and profitability. According to a survey conducted by a web-based video conferencing company (Zoom, 2022) in 2021, it was found that 75% of the millennial workforce intends to work flexibly (Armani, 2021).

A survey conducted by Deloitte (2023) highlighted several important points that companies should consider in retaining employees, one of which is compensation and work flexibility. The survey stated that millennials and Gen Z have significant financial issues, but many say they do not feel comfortable talking to their superiors about salary or promotions. The Deloitte (2023) survey also stated that there is an increase in demand among millennials and Gen Z to work in a hybrid manner where everyone can do their job without having to come to the office.

Employee engagement is a key factor in the success of employee retention. Employee engagement is key to maintaining employee loyalty, and high loyalty will reduce employees' desire to leave the company (Savitri et al., 2022). A survey conducted by Gallup (2023) stated that employees who feel engaged tend to stay with the organization, reducing the number of resignations and the costs required for employee replacement. This statement is consistent with research findings from Hernawan & Srimulyani (2021), which stated that employee engagement has a positive and significant influence on employee retention.

Hernawan & Srimulyani (2021) explained that compensation and employee retention have a positive and significant effect, meaning that the more appropriate the compensation provided by the company to employees, the higher the expected employee retention in the job and company. Research by Olaimat & Awwad (2017) and Matuga & Bula (2021) found that compensation results have a positive effect on employee retention. Compensation is one of the factors for someone to work, with employees expecting higher and better compensation as they work longer.

If compensation increases, employees will feel more comfortable in the company, thus having a good impact on employee retention (Septian, 2021). This differs from the results of Chen et al. (2023), whose research stated that compensation does not affect employee retention through job satisfaction. Not only compensation, but work flexibility also has a positive and significant influence on employee retention. This proves that when millennial employees are given flexible time and place, they will stay in the workplace (Septian, 2021).

Based on LinkedIn data, surveys from goodstats.com, and the results of previous research studies, there are differences in research results (gap research), which can be interpreted as inconsistencies between the previously disclosed research results regarding the effect of compensation on employee retention. Therefore, the author feels it necessary to conduct research and testing. Furthermore, based on the author's search of BPS Tangerang data on millennials and Gen Z and literature review, research related to the influence of compensation and flexibility on employee retention among millennials and Gen Z with employee engagement as a mediating variable has not been conducted in recent years. This means that comprehensive knowledge is not yet available to be used as a reference in evaluating it, so it can be said that the effort to explore this is a novelty or state of the art of this research.

The researcher chose the Tangerang area because it has a large millennial and Gen Z population and Tangerang has diverse industrial areas, ranging from manufacturing, electronics, to logistics. This diversity of industries allows this research to be conducted in various types of companies and to see how compensation and work flexibility affect employee retention across industries. Moreover, research on the effect of compensation and work flexibility on employee retention among millennials and Gen Z in Tangerang has high relevance to business needs in the region.

Based on the background that has been found, the researcher titled this study "The Effect of Compensation and Work Flexibility on Work Retention with Employee Engagement as a Mediating Variable among Millennials and Gen Z in Tangerang."

### ***Compensation***

Compensation refers to the direct and indirect remuneration, in the form of money or goods, provided to employees as a reward for services rendered to the company (Yuliani, 2023). It represents the company's or organization's reciprocation for employees' contributions, including their labor, ideas, thoughts, and abilities dedicated to achieving corporate objectives (Ayuningtyas & Ayuningtias, 2024).

As a human resource function, compensation has a significant impact on other HR functions (Mardhani & Dewi, 2022). It is one of the primary reasons why employees work. Establishing an effective compensation system is a crucial aspect of human resource management as it aids in attracting and retaining talented employees.

A well-designed compensation system should be supported by rational methods that ensure individuals are compensated in accordance with their job requirements (Hernawan & Srimulyani, 2021). Research conducted by Hafidz (2021) indicates that compensation has a significant simultaneous influence on employee engagement. This independent variable demonstrates the critical role that companies must consider, as it holistically impacts employee engagement positively.

*H1*: Compensation has a significant effect on employee engagement.

### ***Work Flexibility***

Work flexibility is offered as a form of variation in work to prevent employee boredom (Septian, 2021). It provides employees with a balance between their professional and personal lives, leading to high performance and overall organizational improvement. Work flexibility has become increasingly important with the advancement of digital technology, allowing employees to perform their tasks from any desired location (Davidescu et al., 2020).

According to Gunawan et al. (2024), flexibility is the ability of employees to determine and manage when, where, and for how long they perform their tasks or work. The benefit of flexible work arrangements is that they offer a solution for employees to balance their roles in both work and family environments (Abadi & Taufiqurrahman, 2023). From the company's perspective, work flexibility policies can reduce absenteeism, increase company productivity, fulfill employee satisfaction, and reduce overtime costs. Both companies and employees gain distinct advantages from the flexibility implemented by an organization (Abadi & Taufiqurrahman, 2023).

Research conducted by Farida (2020) indicates that work flexibility has a positive and significant effect on employee engagement. Flexible work arrangements are conditions where employees feel it is easy to manage their work location and schedule flexibly (Selby & Wilson, 2001, as cited in Farida, 2020).

*H2*: Flexibility has a significant effect on employee engagement.

### ***Employee Retention***

Employee retention refers to the practice of maintaining employees within the company for an extended period. Retention itself presents unique challenges for every company due to frequent changes in the workforce (Millena & Donal Mon, 2022). It is a crucial component of management strategy.

Employee retention is not only important for reducing recruitment and training costs, but more significantly, for retaining talented employees within the company. Efforts to retain employees include creating and improving working conditions that can encourage employees to continue working for the company and reduce their desire to move to other companies (Hernawan & Srimulyani, 2021). The term employee retention is related to departure, which means the process of employees leaving the organization must be replaced (Mathis and Jackson, 2011).

Several factors influence retention, both at the organizational and employee levels. At the organizational level, factors affecting retention include the presence of challenging and meaningful work, opportunities for career development, empowerment, responsibility, managerial integrity and quality, and new opportunities or challenges (Franita Panggabean et al., 2023). Research conducted by Tyagi (2021) states that engaged employees are more loyal to the company, which has a positive and significant relationship with operational performance. Research by Franita Panggabean et al. (2023) shows that when individuals experience a certain level of engagement, they will perceive that their job and workplace provide a pleasant environment, thus promoting employee retention.

Research conducted by Hernawan & Srimulyani (2021) and Mardhani & Dewi (2022) indicates that compensation has a positive and significant effect on employee retention. Studies conducted by Septian (2021), Davidescu et al. (2020), and Adriana et al. (2020) demonstrate that flexibility has a positive and significant impact on employee retention. Research by Millena & Donal Mon (2022) and Pradipta & Made (2019) shows that compensation has a positive and significant effect on employee retention. Additionally, studies by Chopra et al. (2023) and Samo et al. (2020) indicate that employee engagement can serve as a mediator for employee retention, where individuals become more involved with the organization and their work if they perceive a reciprocal bond. Research conducted by Septian (2021) demonstrates that work flexibility has a positive and significant impact on employee retention. According to Lee et al. (2024), flexibility has a positive and significant effect on employee engagement among young adult workers. Based on these findings, the following hypothesis can be proposed:

- H3: Employee engagement has a significant effect on employee retention
- H4: Compensation has a significant effect on employee retention
- H5: Flexibility has a significant effect on employee retention
- H6: Compensation has a significant effect on employee retention mediated by employee engagement
- H7: Flexibility has a significant effect on employee retention mediated by employee engagement

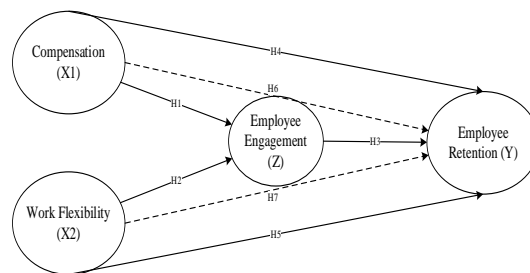


Figure 1. Research Model

## RESEARCH METHODS

This research employs a quantitative correlational design to examine the impact of compensation and flexibility on employee retention, with employee engagement as a mediating variable, among Millennial and Gen Z employees in Tangerang. The study utilizes a cross-sectional approach, collecting data once through online questionnaires, as recommended by Bougie & Sekaran (2020). Both primary data from respondents and secondary data from literature reviews are incorporated, aligning with the research design principles outlined by Sugiyono (2020).

The research instruments undergo validity and reliability testing. Validity is assessed through factor analysis, with loading factors above 0.5 considered acceptable and above 0.7 preferred (Hair, 2020). Reliability is measured using Cronbach's alpha, with values between 0.6 and 0.7 deemed reliable (Hair, 2020). The data analysis employs Structural Equation Modeling (SEM) using Partial Least Squares (PLS) version 24, following the methodological approach suggested by Hair et al. (2022).

The analysis includes descriptive statistics to illustrate the research objects and inferential statistics to analyze sample data and apply findings to the population (Sugiyono, 2020). The Goodness of Fit (GOF) criteria are evaluated using three categories as proposed by Hair et al. (2022): Absolute Fit Measures (Chi-Square, GFI, RMSEA), Incremental Fit Measures (NFI, TLI, CFI), and Parsimony Fit Measures (AGFI, PNFI). These measures assess how well the proposed model fits the observed data.

Hypothesis testing is conducted using p-values and Critical Ratios (CR) at a 95% confidence level (alpha = 0.05), as recommended by Hair et al. (2022). The null hypothesis is rejected if the p-value is  $\leq 0.05$  and  $CR \geq 1.967$ , while it is accepted if the p-value is  $> 0.05$  or  $CR < 1.967$ . This rigorous statistical approach aims to provide robust insights into the relationships between compensation, flexibility, employee engagement, and retention among Millennial and Gen Z workers in Tangerang, addressing the research gaps identified in previous studies (Septian, 2021; Davidescu et al., 2020; Millena & Donal Mon, 2022).

## RESULTS AND DISCUSSION

### Results

The aim of this research is to examine the influence of compensation and work flexibility on employee retention among Millennial and Gen Z workers in Tangerang, with employee engagement serving as a mediating variable. The sample consists of 152 participants, all of whom are employed (100%).

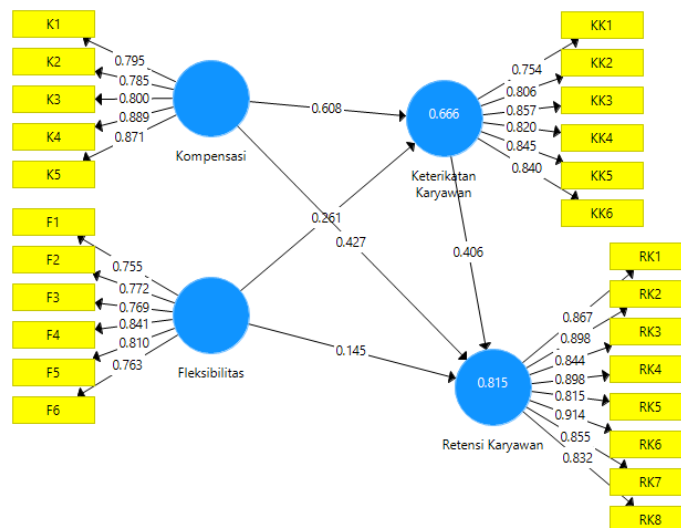


**Table 1. Respondents socio-demographic profile**

Variable		N = 152	Percentage
Have job?	Yes	152	100%
	No	0	0%
Live in Tangerang?	Yes	150	98,7%
	No	2	1,3%
Sex	Male	80	52,8%
	Female	72	47,4%
Age	22 - 25 y.o	65	42,80%
	26 - 35 y.o	78	51,30%
	36 - 45 y.o	9	5,90%

The vast majority (98.7%) live in Tangerang, with only 2 respondents (1.3%) residing elsewhere. There is a relatively balanced gender distribution, with slightly more males (52.8%) than females (47.4%). The age distribution shows that the majority of respondents fall within the millennial and Gen Z categories, with 51.30% aged 26-35 years old, followed by 42.80% aged 22-25 years old. A small portion (5.90%) represents the older end of the millennial generation, aged 36-45 years old. This demographic profile aligns well with the study's focus on millennial and Gen Z employees in Tangerang, providing a representative sample for examining the research questions related to compensation, flexibility, employee engagement, and retention among these generational cohorts.

Figure 1 presents a structural equation model illustrating the relationships between compensation, flexibility, employee engagement, and employee retention. The model shows both direct and indirect effects between these constructs.



**Figure 1. Structural equation model**

Compensation has a strong direct effect (0.608) on employee engagement and a moderate direct effect (0.261) on employee retention. Flexibility has a moderate effect (0.427) on employee engagement but a weaker direct effect (0.145) on employee retention. Employee engagement, in turn, has a moderate effect (0.406) on employee retention. Each construct is measured by multiple indicators (K1-K5 for compensation, F1-F6 for flexibility, KK1-KK6 for employee engagement, and RK1-RK8 for employee retention), with factor loadings shown for each indicator. The R-squared values in the blue circles indicate that the model explains 66.6% of the variance in employee engagement and 81.5% of the variance in employee retention. This model suggests that both compensation and flexibility influence employee retention, with employee engagement playing a mediating role in these relationships.

**Table 2. Validity Test Result**

Indicators	Loading Factor	Cronbach's Alpha
F1	0.755	
F2	0.772	
F3	0.769	
F4	0.841	0,876
F5	0.810	
F6	0.763	
K1	0.795	
K2	0.785	
K3	0.800	0,903
K4	0.889	
K5	0.871	
KK1	0.754	
KK2	0.806	
KK3	0.857	
KK4	0.820	0,886
KK5	0.845	
KK6	0.840	
RK1	0.867	
RK2	0.898	
RK3	0.844	
RK4	0.898	
RK5	0.815	0,952
RK6	0.914	
RK7	0.855	
RK8	0.832	

Table 2 presents the results of the validity and reliability tests for the research instruments. The validity of each indicator is assessed through its loading factor, with values ranging from 0.754 to 0.914, all exceeding the acceptable threshold of 0.5 and most surpassing the preferred level of 0.7. This indicates strong validity for all indicators across the four constructs: Flexibility (F1-F6), Compensation (K1-K5), Employee Engagement (KK1-KK6), and Employee Retention (RK1-RK8). The reliability of each construct is evaluated using Cronbach's Alpha, with values ranging from 0.876 to 0.952, well above the recommended threshold of 0.7. This demonstrates high internal consistency and reliability for all scales used in the study. Overall, these results confirm that the measurement instruments used in this research are both valid and reliable, providing a solid foundation for the subsequent analyses and interpretations of the relationships between the constructs.

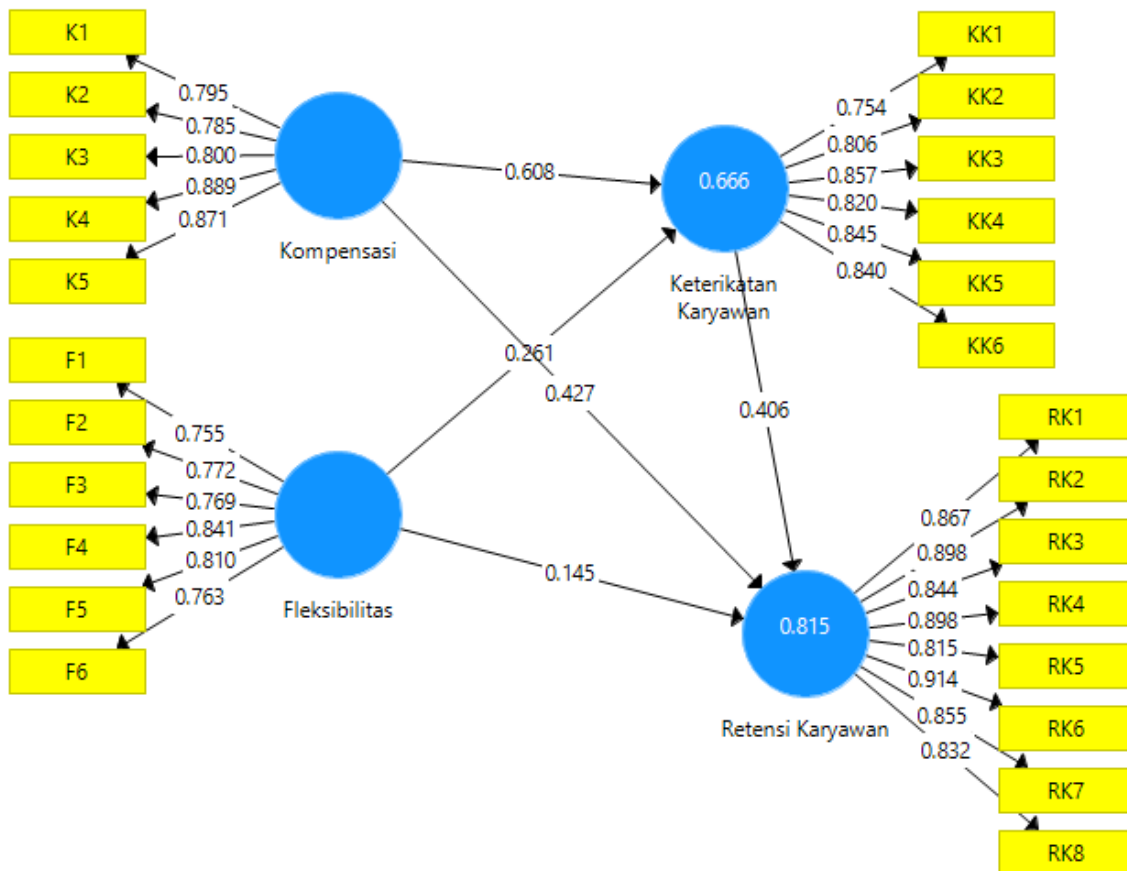
Descriptive analysis in Table 3 shows that all the variables which are Trust, Perceived Usefulness, Price and Purchase Intention have mean in high category.

**Table 3. Reability Test Result**

	$\rho_A$	Composite Reliability	Average Variance Extracted (AVE)
<b>X<sub>1</sub></b>	<b>0.893</b>	<b>0.916</b>	<b>0.687</b>
<b>X<sub>2</sub></b>	<b>0.879</b>	<b>0.906</b>	<b>0.617</b>
<b>Z</b>	<b>0.909</b>	<b>0.925</b>	<b>0.674</b>
<b>Y</b>	<b>0.953</b>	<b>0.960</b>	<b>0.750</b>

Table 3 presents comprehensive reliability and validity metrics for the four key constructs in the study: Compensation (X1), Flexibility (X2), Employee Engagement (Z), and Employee Retention (Y). The rhoA values, ranging from 0.879 to 0.953, indicate excellent construct reliability, surpassing the recommended 0.7 threshold. Composite Reliability scores (0.906 to 0.960) further confirm the internal consistency of each construct. The Average Variance Extracted (AVE) values, spanning from 0.617 to 0.750, demonstrate strong convergent validity, as they all exceed the 0.5 benchmark. Notably, Employee Retention (Y) shows the highest reliability and validity scores across all metrics, while Flexibility (X2) has slightly lower but still very acceptable values. These results collectively

affirm the robustness of the measurement model, providing a solid foundation for subsequent analyses of the relationships between these constructs in the context of Millennial and Gen Z employees in Tangerang.



**Figure 2. T-statistics for Structural equation model**

This figure presents the T-statistics for a structural equation model examining the relationships between compensation, flexibility, employee engagement, and employee retention. The T-statistics indicate the significance of the relationships between variables and their indicators. For the structural paths, compensation shows a strong significant effect on employee engagement ( $T = 9.224$ ), while flexibility has a moderate significant effect ( $T = 3.405$ ). Both compensation ( $T = 5.487$ ) and flexibility ( $T = 2.210$ ) have significant direct effects on employee retention, with compensation showing a stronger influence. Employee engagement also significantly affects employee retention ( $T = 5.893$ ). The model's measurement components all show high T-values (ranging from 13.230 to 60.627), indicating strong significance for all indicator loadings across the four constructs. These results suggest that all hypothesized relationships in the model are statistically significant, with compensation having the most robust effects on both employee engagement and retention among Millennial and Gen Z workers in Tangerang.

**Table 4. Direct Hypothesis Test Output**

	T Statistics	P Values
Flexibility -> Employee Engagement	3.405	0.001
Flexibility -> Employee Retention	2.210	0.028
Employee Engagement -> Employee Retention	5.893	0.000
Compensation -> Employee Engagement	9.224	0.000
Compensation -> Employee Retention	5.487	0.000

Table 4 presents the results of the structural equation modeling analysis, showing the relationships between the key constructs in the study. Compensation has the strongest direct effect on Employee Engagement (0.608) and a moderate effect on Employee Retention (0.427), both highly significant ( $p < 0.001$ ). Flexibility has a smaller but significant effect



on both Employee Engagement (0.261,  $p = 0.001$ ) and Employee Retention (0.145,  $p = 0.028$ ). Employee Engagement significantly influences Employee Retention (0.406,  $p < 0.001$ ). All relationships are statistically significant, with T-statistics well above the 1.96 threshold. The high consistency between Original Sample values and Sample Means indicates stability in the model. These results suggest that while both Compensation and Flexibility are important, Compensation has a stronger influence on both Employee Engagement and Retention among Millennial and Gen Z employees in Tangerang.

**Table 5. Direct Hypothesis Test Output**

	<b>T Statistics</b>	<b>P Values</b>
<b>Flexibility -&gt; Employee Engagement</b>	2.966	0.003
<b>Flexibility -&gt; Employee Retention</b>	5.028	0.000

The table evaluates the mediating role of employee engagement in the relationship between flexibility, compensation, and employee retention. The mediation hypothesis for flexibility indicates that employee engagement partially mediates the relationship between flexibility and employee retention, with a significant T statistic of 2.966 and a P value of 0.003, suggesting a moderate mediation effect. For compensation, the mediation effect through employee engagement is stronger, with a T statistic of 5.028, and a highly significant P value of less than 0.001. This suggests that employee engagement significantly mediates the effect of compensation on employee retention. Overall, these results highlight the critical role of employee engagement in enhancing retention through both flexibility and compensation.

### ***Discussion***

The results of this study provide significant insights into the relationships between compensation, flexibility, employee engagement, and employee retention among Millennial and Gen Z workers in Tangerang. These findings largely align with and extend previous research in the field.

#### ***Compensation and Employee Engagement***

Our study found a strong, positive relationship between compensation and employee engagement ( $T = 9.224$ ,  $p < 0.001$ ), which is consistent with Hafidz's (2021) findings. This reinforces the crucial role of compensation in fostering employee engagement, particularly among younger generations. Companies should recognize the importance of competitive compensation packages in cultivating a highly engaged workforce.

#### ***Flexibility and Employee Engagement***

The results indicate a significant positive relationship between flexibility and employee engagement ( $T = 3.405$ ,  $p = 0.001$ ), supporting Farida's (2020) research. This underscores the growing importance of flexible work arrangements for Millennials and Gen Z, as noted by Selby & Wilson (2001). Organizations should consider implementing flexible work policies to enhance employee engagement among these cohorts.

#### ***Employee Engagement and Retention***

Our study confirms a significant positive relationship between employee engagement and retention ( $T = 5.893$ ,  $p < 0.000$ ), aligning with Tyagi's (2021) and Franita Panggabean et al.'s (2023) findings. This highlights the critical role of engagement in fostering loyalty and reducing turnover, especially among younger employees who may be more prone to job-hopping.

#### ***Compensation and Employee Retention***

The direct effect of compensation on employee retention ( $T = 5.487$ ,  $p < 0.000$ ) corroborates the findings of Hernawan & Srimulyani (2021) and Mardhani & Dewi (2022). This emphasizes the enduring importance of competitive compensation in retaining talent, even as other factors like flexibility gain prominence.

#### ***Flexibility and Employee Retention***

Research's results show a significant, albeit weaker, relationship between flexibility and employee retention ( $T = 2.210$ ,  $p = 0.028$ ), supporting the findings of Septian (2021), Davidescu et al. (2020), and Adriana et al. (2020). This

suggests that while flexibility contributes to retention, its impact may be less direct than that of compensation or engagement.

### ***Mediating Role of Employee Engagement***

The study reveals that employee engagement partially mediates the relationship between both compensation and flexibility and employee retention. This aligns with research by Millena & Donal Mon (2022), Pradipta & Made (2019), and Chopra et al. (2023). The stronger mediation effect for compensation ( $T = 5.028$ ,  $p < 0.000$ ) compared to flexibility ( $T = 2.966$ ,  $p = 0.003$ ) suggests that engagement plays a more crucial role in translating compensation benefits into retention outcomes.

### ***Flexibility, Engagement, and Retention among Young Workers***

Our findings support Lee et al.'s (2024) assertion that flexibility significantly influences employee engagement among young adult workers. However, our results suggest that this relationship, while important, may not be as strong as the impact of compensation on engagement and retention for Millennial and Gen Z employees in Tangerang.

In conclusion, this study provides empirical evidence supporting the complex interplay between compensation, flexibility, employee engagement, and retention among Millennial and Gen Z workers. While both compensation and flexibility are important, compensation appears to have a more pronounced effect on both engagement and retention. These findings offer valuable insights for organizations seeking to attract, engage, and retain younger talent in the evolving workforce landscape.

## **CONCLUSION**

This study provides compelling evidence for the intricate relationships between compensation, flexibility, employee engagement, and retention among Millennial and Gen Z workers in Tangerang. The findings underscore the paramount importance of compensation in fostering both employee engagement and retention, while also highlighting the significant role of workplace flexibility. Employee engagement emerges as a crucial mediating factor, amplifying the effects of both compensation and flexibility on retention. Notably, while flexibility is important, its impact on engagement and retention is less pronounced than that of compensation for these younger cohorts. These results suggest that organizations must prioritize competitive compensation strategies while also offering flexible work arrangements to effectively engage and retain Millennial and Gen Z talent.

The implications of this research are far-reaching for human resource management and organizational strategy. Companies aiming to attract, engage, and retain younger workers should develop comprehensive approaches that balance attractive compensation packages with flexible work policies. HR professionals should focus on creating engagement-driven work environments that leverage the positive effects of both compensation and flexibility. Furthermore, organizations may need to reassess their retention strategies, placing greater emphasis on compensation while still maintaining a degree of workplace flexibility. As the workforce continues to evolve, particularly in dynamic regions like Tangerang, companies that can effectively integrate these elements into their employee value proposition will likely gain a significant competitive advantage in the war for talent among Millennial and Gen Z workers.

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