

Compensation, Work-Life Balance, and Turnover Intention: Evidence from Digital Talent in IT Managed Services

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ABSTRACT

This study examines how compensation and work-life balance shape turnover intention among contractual digital talent in the IT managed service division of PT. AAA, with job satisfaction positioned as a mediating mechanism. The research responds to a retention problem in a high-pressure service environment characterized by client-site deployment, shift work, and strict service-level agreement demands. A quantitative causal design was applied to 182 operational employees selected through simple random sampling. Data were collected using a structured Likert-scale questionnaire and analyzed through partial least squares structural equation modeling with a reflective-reflective hierarchical component model and a disjoint two-stage approach. The results show that compensation and work-life balance significantly increase job satisfaction, while job satisfaction significantly reduces turnover intention. However, compensation and work-life balance do not directly reduce turnover intention. Job satisfaction fully mediates both relationships, indicating that retention policies become effective only when they are translated into positive daily work evaluations. The study contributes to digital talent management by clarifying the psychological pathway through which rewards and work arrangements influence retention in B2B managed services.

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1. INTRODUCTION

The rapid expansion of Indonesia's digital economy has intensified competition for information and communication technology talent [1]. In the source study, PT. AAA is described as a digital service

provider that has transformed from a hardware and application provider into an integrated digital solutions company. Within this structure, the IT Managed Service Division functions as an operational backbone and profit center because it manages clients' information technology

operations in a business-to-business service environment. This setting places employees under strict service-level agreements (SLA), client-site expectations, shift arrangements, and on-call duties that may blur the boundary between work and private life.

The retention problem is empirically salient [2]. Internal data in the thesis show that the division's turnover rate increased from 12.4% in 2023 to 13.5% in 2024 and 14.2% in 2025. Exit information further indicates that resignation is strongly associated with better external benefit offers, permanent employment opportunities elsewhere, and personal or family reasons. The problem is not merely administrative. In managed service businesses, employees are not only support resources but the core service medium through which client value is delivered. Attrition therefore threatens project continuity, billable service capacity, recruitment efficiency, and client trust [3].

Prior studies in human resource management have repeatedly associated compensation, work-life balance, and job satisfaction with turnover-related outcomes [4]–[8]. However, findings are less consistent in technology-intensive and flexible labor contexts [9]. Some research reports a direct effect of work-life balance on turnover intention, while other studies suggest that the relationship depends on attitudinal mechanisms such as job satisfaction, organizational commitment, or engagement [10]–[12]. This inconsistency is especially relevant for managed service firms, where employees may perceive compensation and flexibility as necessary but insufficient conditions for staying.

This article summarizes and reformulates the thesis into an international journal manuscript. It investigates the effects of compensation and work-life balance on turnover intention, with job satisfaction as a mediating variable, among operational employees in the IT Managed Service Division of PT. AAA. The study contributes by focusing on contractual digital talent in a B2B managed service environment, a context that differs from start-ups or conventional office-based organizations because it

combines high client accountability, service continuity pressure, and relatively limited employment security.

2. LITERATURE REVIEW

2.1 *Strategic Human Resource Management and Social Exchange*

Strategic human resource management provides the overarching framework for this study. HR policies are not treated as isolated administrative practices but as organizational signals that influence employee attitudes and behaviors [4], [6]. In knowledge-intensive settings, reward management, employment relations, and work design are strategic mechanisms through which organizations protect critical talent. Social Exchange Theory further explains why employees reciprocate perceived organizational support with positive attitudes and continued membership [13], [14]. When employees perceive that the organization offers fair rewards, viable protection, and human-centered work arrangements, they are more likely to internalize these policies as evidence of organizational commitment.

The theory is particularly relevant to contractual employees. Because contractual employees may have lower perceived employment security than permanent employees, they are likely to evaluate the exchange relationship more explicitly [15]. If the organization provides compensation and work arrangements that are experienced as fair and meaningful, the psychological exchange can strengthen job satisfaction. Conversely, if the exchange is experienced as imbalanced, withdrawal cognition may emerge.

2.2 *Compensation, Work-Life Balance, and Job Satisfaction*

Compensation is commonly defined as the total financial and benefit-based return provided to employees in exchange for their contribution [4], [6], [16]. The source thesis operationalizes compensation as a

hierarchical construct consisting of direct financial compensation, including salary governance, incentives, and overtime payments, and indirect financial compensation, including health protection, old-age security, and operational allowances. From the perspective of Equity Theory, employees compare their expertise, effort, time, and work intensity with the rewards they receive [5]. Perceived fairness can increase job satisfaction, while perceived inequity can generate dissatisfaction and strengthen alternative job search behavior.

Work-life balance refers to the extent to which employees can maintain acceptable time, involvement, and satisfaction across work and non-work domains [17]–[19]. In managed services, this balance is challenged by shift schedules, strict SLA requirements, and emergency on-call tasks. Conservation of Resources Theory explains that individuals seek to obtain, preserve, and protect resources such as time, energy, and psychological recovery [20]. When work repeatedly invades private time, employees experience resource depletion, which can weaken satisfaction and stimulate withdrawal.

Job satisfaction is an affective and evaluative response to work characteristics [5], [21]. In the thesis model, it includes satisfaction with the work itself, pay and promotion, supervision and co-workers [22]. Herzberg's two-factor logic suggests that compensation and work-life balance operate as hygiene factors: their presence prevents dissatisfaction but may not directly create deep attachment unless employees experience them as part of a satisfying work environment [4]. This logic supports the mediating role of job satisfaction between HR policies and turnover intention.

2.3 Turnover Intention and Hypothesis Development

Turnover intention represents a conscious willingness to leave an

organization and is often viewed as the closest psychological antecedent of voluntary turnover [21]. Mobley's withdrawal process proposes that dissatisfaction triggers thoughts of quitting, evaluation of alternatives, job search behavior, and eventual intention to leave [21]. The thesis translates this process into three dimensions: thinking of quitting, job search behavior, and intention to leave.

Based on the theoretical arguments and prior empirical studies in information technology, telecommunications, banking, and broader service sectors [7], [8], [10]–[12], [23], [24], the study proposes that compensation and work-life balance positively affect job satisfaction; job satisfaction negatively affects turnover intention; compensation and work-life balance negatively affect turnover intention; and job satisfaction mediates both relationships. The empirical analysis therefore tests seven hypotheses corresponding to these direct and indirect paths.

3. METHODS

The study employed a quantitative causal design to test the direct and indirect relationships among compensation, work-life balance, job satisfaction, and turnover intention. The population consisted of operational employees in the IT Managed Service Division of PT. AAA. Although the division had 345 employees, the target population was limited to 332 operational employees comprising IT Engineers and Team Leaders. Senior managerial positions were excluded because their work responsibilities, compensation patterns, and managerial authority differed from those of operational respondents.

A probability sampling technique with simple random sampling was applied. Using Slovin's formula with a 5% error tolerance, the minimum sample size was calculated as 181.42 and rounded up to 182 respondents. All returned questionnaires

were complete and valid for analysis. The instrument used a five-point Likert scale ranging from strongly disagree to strongly agree. The questionnaire consisted of 36 items distributed across compensation, work-life balance, job satisfaction, and turnover intention, each specified as a reflective-reflective hierarchical component model.

The data were analyzed using partial least squares structural equation modeling (PLS-SEM) in SmartPLS 4.0. Because the model incorporated higher-order constructs,

the analysis followed the disjoint two-stage approach recommended for hierarchical component modeling [25], [26]. The measurement model was evaluated through outer loadings, average variance extracted, composite reliability, Cronbach's alpha, and the heterotrait-monotrait ratio. The structural model was then evaluated through variance inflation factor, standardized root mean square residual, normed fit index, R-square, f-square, Q2 predict, and bootstrapping with 5,000 subsamples.

Table 1. Respondent Characteristics and Operational Work Context

Characteristic	Result
Employment status	Contractual employees (100.00%)
Gender	Male (87.36%)
Age	Below 30 years old, accumulated (58.24%)
Education	Bachelor degree or equivalent (78.02%)
Work placement	Client office (57.14%)
Shift work	Involved in shift system (39.01%)
On-call exposure	3 or more times per month (51.65%)

Source: Processed primary data from the thesis (2026).

4. RESULTS AND DISCUSSION

4.1 Descriptive Findings

The descriptive profile indicates a workforce that is young, highly educated, predominantly male, and heavily exposed to client-facing operational pressure. All respondents were contractual employees, and more than half were below 30 years old. The operational context is also intense: most respondents were deployed at client sites, more than one-third worked in shifts, and more than half experienced on-call interruptions at least three times per month. These conditions support the relevance of examining work-life

balance and job satisfaction as key mechanisms in employee retention.

The descriptive statistics reveal an important paradox. Employees rated compensation and work-life balance in the good category, but job satisfaction remained only moderately positive and turnover intention was high. This means that formal HR provisions may be perceived as adequate at the surface level, yet they do not fully translate into an emotionally satisfying work experience. In a contractual managed service context, employees appear to evaluate whether rewards and work arrangements are sufficient relative to the daily pressures they experience under SLA-based work.

Table 2. Descriptive Summary Of Main Constructs

Construct	Mean and interpretation
Compensation	3.969; Good
Work-Life Balance	3.855; Good
Job Satisfaction	2.893; Moderately satisfied
Turnover Intention	3.416; High

Source: Processed primary data from the thesis (2026).

4.2 Measurement and Structural Model Evaluation

The measurement model demonstrated strong psychometric quality. All second-order outer loadings exceeded 0.90, and the average variance extracted for the main constructs ranged from 0.8636 to 0.9172, well above the 0.50 threshold. Composite reliability values were also high, with rho_c ranging from 0.9463 to 0.9708. Discriminant validity was supported because all HTMT values were below 0.85, with the highest value observed between job satisfaction and turnover intention [27]. These results indicate that the hierarchical constructs were valid

and reliable representations of the theoretical variables.

The structural model also met the required criteria. Inner VIF values ranged from 1.008 to 1.656, indicating no serious collinearity. The model fit indices were acceptable, with SRMR at 0.0392 and NFI at 0.8900. The model explained 39.63% of the variance in job satisfaction and 43.04% of the variance in turnover intention, both categorized as moderate explanatory power. Q2 predict values were positive for the endogenous constructs, suggesting that the model has predictive relevance.

4.3 Hypothesis Testing and Mediation Effects

Table 3. Direct and Indirect Effects From PLS-SEM Bootstrapping

Path	Statistical result
Compensation -> Job Satisfaction	$\beta = 0.4626$; $t = 10.0954$; $p = 0.0000$; supported
Work-Life Balance -> Job Satisfaction	$\beta = 0.4711$; $t = 8.8433$; $p = 0.0000$; supported
Job Satisfaction -> Turnover Intention	$\beta = -0.5820$; $t = 8.9870$; $p = 0.0000$; supported
Compensation -> Turnover Intention	$\beta = -0.0894$; $t = 1.2915$; $p = 0.1966$; rejected
Work-Life Balance -> Turnover Intention	$\beta = -0.0720$; $t = 1.1149$; $p = 0.2650$; rejected
Compensation -> Job Satisfaction -> Turnover Intention	$\beta = -0.2693$; $t = 7.2216$; $p = 0.0000$; full mediation
Work-Life Balance -> Job Satisfaction -> Turnover Intention	$\beta = -0.2742$; $t = 6.2598$; $p = 0.0000$; full mediation

Source: Processed primary data from the thesis (2026).

The hypothesis testing shows that compensation significantly improves job satisfaction. This finding supports the proposition that transparent salary governance, project-based incentives, and fair overtime arrangements are important sources of positive work evaluation. However, compensation does not significantly reduce turnover intention directly [28]. The result suggests that in a competitive IT talent market, financial rewards are necessary but not sufficient to retain contractual digital talent unless they become part of a broader satisfying employment experience.

Work-life balance also has a significant positive effect on job satisfaction [29]. Employees who perceive more adequate time, involvement, and satisfaction balance

are more likely to feel satisfied with their jobs. Yet, work-life balance does not directly reduce turnover intention [29]. This indicates that flexible or balanced arrangements alone cannot prevent turnover cognition when employees remain dissatisfied with the work itself, career opportunities, leadership support, or the broader psychological quality of their employment relationship.

The strongest direct path is from job satisfaction to turnover intention. The negative coefficient indicates that employees who are more satisfied are less likely to think about leaving, search for alternatives, or plan resignation [29]. This result is consistent with withdrawal theory and IT personnel retention literature [21], [23], [24]. In this study, job satisfaction is not merely an

additional attitude variable; it is the central psychological mechanism through which HR policies become meaningful for retention [30].

Both indirect paths are significant and both direct paths from the two antecedents to turnover intention are not significant. Following contemporary mediation classification, this pattern indicates indirect-only mediation or full mediation [31]. The implication is critical: PT. AAA cannot rely solely on salary adjustment or scheduling flexibility as mechanical retention levers. These policies reduce turnover intention only when employees internalize them as a fair, supportive, and satisfying work experience.

4.4 Managerial Implications

The first implication is that remuneration should be redesigned as a dynamic total rewards system rather than a static salary package. Skill-based pay, certification-linked incentives, transparent overtime rules, and clear operational allowances can help employees connect compensation with professional value and competence growth. However, the system must be communicated and experienced as fair; otherwise, it may raise expectations without creating satisfaction.

The second implication concerns work design. In a managed service model, work-life balance is partly shaped by client expectations [32]. PT. AAA should integrate workload governance, on-call rotation, maximum overtime thresholds, compensatory rest, and mental recovery mechanisms into service delivery governance. Where possible, SLA negotiation with clients should include realistic staffing assumptions, escalation windows, and recovery protocols to prevent chronic resource depletion among engineers.

The third implication is that job satisfaction should become a formal retention key performance indicator.

Pulse surveys, team-leader feedback, mentoring quality, career-path transparency, and early-tenure retention monitoring should be embedded into HR governance. Since a large share of respondents were young and contractual, the transition criteria from contractual to permanent employment should be clarified to reduce ambiguity and strengthen perceived organizational reciprocity [33].

5. CONCLUSION

This study concludes that compensation and work-life balance significantly improve job satisfaction among contractual digital talent in PT. AAA's IT Managed Service Division, and job satisfaction significantly reduces turnover intention. In contrast, neither compensation nor work-life balance directly reduces turnover intention. Job satisfaction fully mediates both relationships, demonstrating that retention in managed service environments depends less on the isolated presence of rewards or flexibility and more on whether these practices generate a satisfying daily work experience. Theoretically, the findings support the integration of strategic human resource management, Social Exchange Theory, Equity Theory, Conservation of Resources Theory, and Herzberg's two-factor logic in explaining withdrawal behavior among digital talent. Practically, the findings suggest that PT. AAA should build an integrated digital talent retention blueprint that converts compensation, workload design, career clarity, and leadership support into sustained job satisfaction. Future research should adopt longitudinal designs, include additional mediators such as employee engagement or organizational commitment, test moderating variables such as perceived employability or job embeddedness, and replicate the model across multiple managed service providers or ICT sub-sectors.

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