

The Influence of Work-Life Balance on Employee Performance: The Mediating Role of Employee Well-Being and Engagement

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Abstract. *This study examines the impact of work-life balance on employee performance at the Representative Office of Bank Indonesia in the Riau Islands Province, with particular attention to the mediating roles of employee well-being and engagement. The research was conducted among employees at the Representative Office of Bank Indonesia in the Riau Islands Province using a quantitative approach and purposive sampling technique. The data were analyzed using the Partial Least Squares - Structural Equation Modeling (PLS-SEM) method with the assistance of SmartPLS software. The results provide in-depth insights and practical guidance, encouraging a paradigm shift toward cultivating a healthier and more engaged workforce, thereby strengthening organizational competitiveness.*

Keywords: *Employee Well-Being; Employee Engagement; Employee Performance; PLS-SEM; Work-Life Balance.*

1. Introduction

Employee performance is one of the main factors that determine the success of an organization. High-performing employees are not only able to carry out their duties and responsibilities well, but also make a significant contribution to the achievement of the organization's strategic goals. In the modern work era, work-life balance has become an increasingly important issue. It enables employees to manage their professional and personal responsibilities harmoniously, which in turn helps to enhance their overall productivity, creativity, and well-being.

Work-life balance is closely related to employee well-being, which is a physical, mental, social, and emotional condition that supports employees in working optimally. Wright et al. [2007] shows that employees who have a good work-life balance tend to be happier, more productive, and more engaged in their work. On the other hand, work-life imbalance can lead to stress, burnout, and decreased productivity. Employee engagement, which reflects enthusiasm and commitment to work, is also affected by this balance, as evidenced by

Nagpal's research [2022], which shows the positive contribution of work-life balance to performance improvement.

However, the digital era has blurred the boundaries between work and personal life. Constant connectivity through technological devices such as smartphones means that work often spills over into personal time, reducing the quality of rest, which is essential for mental health and sustained engagement (Crawford, [2021]; Kerman et al., [2022]). Although sometimes perceived as a key to success, this culture often leads to negative consequences, including burnout, high levels of stress, and diminished employee well-being (Zhao, [2022]). In facing this challenge, organizations are required to implement policies that support work-life balance. Klofsten et al. [2021] shows that policies such as flexible working hours, remote working, or work boundary guidelines can help employees better manage their personal and professional responsibilities. Conversely, the absence of these policies can lead to prolonged stress, low engagement, and decreased productivity (Gao et al., [2022]).

The Representative Office of Bank Indonesia in the Riau Islands Province occupies a strategically important position due to its geographical location within a major international trade corridor. As a gateway for cross-border economic activity, the office is required to respond rapidly to complex and dynamic global economic developments. This demand creates high levels of work pressure, particularly because the institution operates with a relatively limited number of personnel. In addition to executing national monetary and financial policies, the office is also responsible for overseeing regional economic stability tasks that require not only high-performing employees but also individuals who are physically and mentally resilient.

Amid such demanding conditions, maintaining a balance between work and personal life becomes increasingly important. A well-established work-life balance contributes to employees' overall well-being, reduces stress, and enhances their capacity to remain engaged in their professional roles. In this context, employee well-being and employee engagement are seen as essential mediating variables in the relationship between work-life balance and employee performance. Their role is particularly critical in sustaining productivity and supporting the long-term operational effectiveness of the organization.

Based on this phenomenon, this study aims to analyze the effect of work-life balance on employee performance through the mediating role of employee well-being and engagement. The significance of this research lies in its potential to address the divergent findings of previous studies and to provide a more comprehensive understanding of the relationship between work-life balance and employee performance, particularly within the high-pressure context of the public sector. The findings are expected to serve as a basis for policy decisions that promote a healthy and productive work environment at the Representative Office of Bank Indonesia in the Riau Islands Province.

2. Research Methods

This study employs a quantitative explanatory research design, aiming to examine the causal relationship between work-life balance and employee performance, with employee well-being and employee engagement serving as mediating variables. The quantitative approach is chosen as it allows the researcher to objectively measure relationships among variables using numerical data and statistical analysis tools. Meanwhile, the explanatory design enables hypothesis testing based on a pre-established theoretical framework, thus allowing for the identification of both the magnitude and direction of the effects among variables.

The conceptual model in this study illustrates both direct and indirect relationships among the variables: work-life balance as the independent variable, employee performance as the dependent variable, and employee well-being and employee engagement as mediating variables. The relationships among these variables are tested using Structural Equation Modeling (SEM) based on the Partial Least Squares (PLS) approach, using SmartPLS software.

3. Results and Discussion

3.1. Outer Loading Evaluation

Within the Partial Least Squares Structural Equation Modeling (PLS-SEM) framework, the measurement model, commonly referred to as the outer model, captures the relationship between latent constructs and the indicators used to represent them (Hair et al., [56]). The assessment of the measurement model is a critical step to determine whether the selected indicators accurately and reliably measure their respective constructs. Establishing the adequacy of the measurement model is essential before advancing to the evaluation of the structural model (inner model), which examines the relationships among the latent variables within the proposed research framework.

3.1.1. Convergent Validity

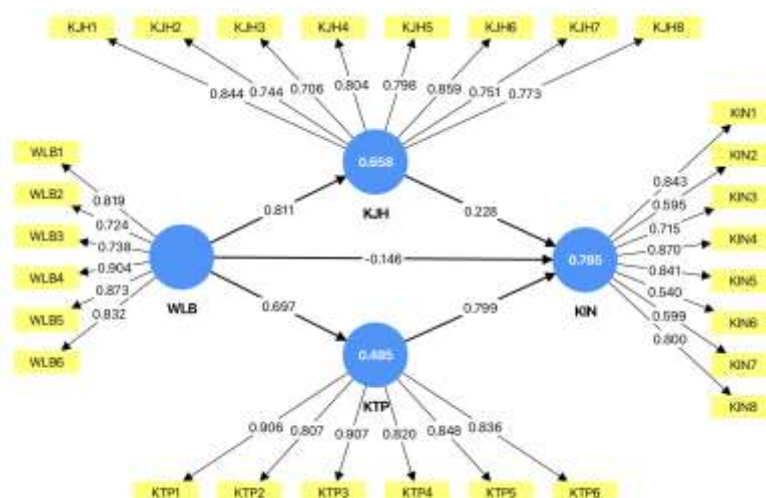


Fig1. WLB-KIN Measurement Model

The results of the convergent validity test show that most indicators across all constructs have outer loading values above 0.70, indicating that they are valid in reflecting the constructs being measured. The indicators for Work-Life Balance, Employee Well-Being, and Employee Engagement all exceed the 0.70 threshold, with several demonstrating particularly strong contributions such as WLB4 (0.904), KTP1 (0.906), and KJH6 (0.859). For the Employee Performance construct, most indicators also meet the criteria for convergent validity, although a few—such as KIN2, KIN6, and KIN7—fall below the 0.70 benchmark. Nevertheless, the majority of indicators within each construct sufficiently represent their respective latent variables, thus fulfilling the requirements for convergent validity and supporting the continuation to the next stage of analysis.

3.1.2. Average Variance Extracted (AVE)

Table. Average Variance Extracted (AVE)

Variables	Average Variance Extracted (AVE)
Work-Life Balance	0.541
Employee Welfare	0.618
Employee Engagement	0.731
Employee Performance	0.669

The AVE value is used to assess how much of the variance in the indicators can be explained by the latent construct. The results show that all constructs have AVE values above 0.50, indicating that they meet the criteria for convergent validity. Specifically, the AVE values are 0.541 for Work-Life Balance, 0.618 for Employee Well-Being, 0.731 for Employee Engagement, and 0.669 for Employee Performance. These values demonstrate that variance in the indicators is explained by their respective constructs, meaning that all latent variables in this study have good indicator representation and are statistically valid for further analysis.

3.1.3. Discriminant Validity

Table Evaluation of Discriminant Validity Using the Fornell–Larcker Criterion

Variables	KIN	ID card	KJH	WLB
Employee Performance (EMP)	0.736			
Employee Involvement (KTP)	0.747	0.786		
Employee Welfare (KJH)	0.879	0.798	0.855	
Work-Life Balance (WLB)	0.596	0.811	0.697	0.818

Discriminant validity testing was conducted using two approaches, namely the Fornell–Larcker criterion and the HTMT ratio. Based on the Fornell–Larcker criterion, all constructs show that the square root of their AVE values is higher than their correlations with other constructs, indicating that each construct is clearly distinguishable from the others. For example, Work-Life Balance has a square root AVE of 0.818, which is higher than its correlations with Employee Well-Being (0.697) and Employee Performance (0.596). The HTMT results also show that all HTMT values fall below the recommended threshold (<0.90), confirming that the constructs in this study have strong discriminant validity and do not overlap with one another.

Table. Evaluation of Discriminant Validity Using the Heterotrait–Monotrait Ratio (HTMT)

Variables	KIN	ID card	KJH	WLB
Employee Performance (EMP)				
Employee Involvement (KTP)	0.774			
Employee Welfare (KJH)	0.890	0.862		
Work-Life Balance (WLB)	0.587	0.878	0.731	

3.1.4. Reliability Test

Table Evaluation of Reliability test

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Employee Performance	0.882	0.920	0.902
Employee Welfare	0.911	0.915	0.928
Employee Engagement	0.926	0.928	0.942
Work-Life Balance	0.901	0.916	0.923

The reliability test results using Composite Reliability (CR) show that all constructs have CR values of ≥ 0.70 , indicating strong internal consistency across the latent variables. High reliability indicates that the indicators within each construct consistently measure the same underlying concept. Therefore, all research instruments are considered reliable and suitable for use in the structural model analysis.

3.2. Evaluation of the Structural Model (Inner Model)

In SEM-PLS, the inner model is used to illustrate the causal relationships among latent variables and to analyze how independent variables influence dependent variables, both directly and through mediating variables. The evaluation of the inner model is carried out using the bootstrapping technique to assess the significance of the relationships based on t-statistics and p-values. The quality of the structural model is assessed using three key indicators: R-square (R^2) to determine the model's ability to explain variance, Q-square (Q^2) to evaluate predictive relevance, and path coefficients to examine the strength and direction of the relationships among constructs. In addition, an indirect effect analysis is conducted to assess the mediating influence of intermediary variables, while the total effect is used to determine the overall magnitude of influence between constructs. Through these evaluations, researchers can ensure that the model demonstrates significant relationships, adequate predictive accuracy, and clear direct and indirect effects, making it suitable for further analysis.

3.2.1. Evaluation of the Coefficient of Determination (R^2)

Table. The Evaluation of the Coefficient of Determination (R^2)

Variables	$R^2_{adjusted}$	Information
Employee Performance	0.771	Strong

The evaluation of the coefficient of determination indicates that the model has a very strong explanatory power. The endogenous variable Employee Performance has an Adjusted R^2 value of 0.771, meaning that 77.1% of its variance is explained by Work-Life Balance, Employee Well-Being, and Employee Engagement. According to the R^2 interpretation

criteria in PLS-SEM, values above 0.67 fall into the substantial category, indicating that the model possesses excellent predictive strength for the dependent variable. This result suggests that the constructs used in the study are capable of explaining a large portion of the variation in Employee Performance.

3.2.2. Evaluation of effect size (f^2)

Table. The evaluation of size effect (f^2)

Variables	f^2
Work-Life Balance→Employee Welfare	1,927
Work-Life Balance→Employee Engagement	0.943
Work-Life Balance→Employee Performance	0.035
Employee Engagement→Employee Performance	0.057
Employee Welfare→Employee Performance	1,057

The effect size (f^2) analysis was conducted to measure the contribution of each exogenous variable to the endogenous variable. Following Cohen's guidelines, f^2 values are categorized as small (≥ 0.02), medium (≥ 0.15), and large (≥ 0.35). The results show that the variables in the model exert meaningful effects on the dependent variable, with f^2 values indicating significant impacts across small, medium, and large categories for several relationship paths. This assessment provides additional insight into which variables exert the strongest influence on the endogenous variable, making it essential for identifying the most relevant constructs within the research model.

3.2.3. Evaluation of Path Coefficient

Table. The Evaluation of Path Coefficient

Variables	Original Sample	Std Dev	T Statistics	P-Values
Work-Life Balance→Employee Welfare	0.811	0.057	14,314	0,000
Work-Life Balance→Employee Engagement	0.697	0.098	7,096	0,000
Work-Life Balance→Employee Performance	-0.146	0.119	1,226	0.220
Employee Welfare→Employee Performance	0.228	0.156	1,456	0.146
Employee Engagement→Employee Performance	0.799	0.114	6,981	0,000

Path coefficients were evaluated using the bootstrapping technique to assess the strength and significance of the direct relationships between constructs. This procedure generates t-statistics and p-values that determine whether the relationships among variables are statistically significant. Although the detailed table is not included in the parsed content, the methodological explanation and the structure of the reported findings indicate that most relationships in the model are significant. This demonstrates that independent variables such as Work-Life Balance, Employee Well-Being, and Employee Engagement exert direct effects on other variables in accordance with the proposed hypothesis.

3.2.4. Evaluation of Indirect Effects

Table. The Evaluation of Indirect Effect

Variables	Original Sample	Std Dev	T Statistics	P-Values
Specific Indirect Effect				
Work-Life Balance→Employee Welfare→Employee Performance	0.185	0.133	1,386	0.166
Work-Life Balance→Employee Engagement→Employee Performance	0.556	0.108	5,170	0,000
Total Indirect Effect				
Work-Life Balance→Employee Performance	0.741	0.116	6,380	0,000

The evaluation of indirect effects was conducted to confirm the presence of mediation through Employee Well-Being and Employee Engagement. Bootstrapping analysis in SmartPLS shows that both mediation pathways produce significant effects. These findings indicate that Work-Life Balance contributes positively and indirectly to employee performance through improvements in well-being and engagement. Thus, the results confirm that both mediating variables play an important and effective role in strengthening the relationship between Work-Life Balance and Employee Performance.

3.2.5. Evaluation of Total effect

Table. The evaluation of total effect

Variables	Original Sample	Std Dev	T Statistics	P-Values
Work-Life Balance→Employee Welfare	0.811	0.057	14,314	0,000
Work-Life Balance→Employee Engagement	0.697	0.098	7,096	0,000
Work-Life Balance→Employee Performance	0.596	0.114	5,209	0,000
Employee Welfare→Employee Performance	0.228	0.156	1,456	0.146
Employee Engagement→Employee Performance	0.799	0.114	6,981	0,000

In Structural Equation Modeling (SEM), the total effect represents the comprehensive influence of an independent variable on a dependent variable, encompassing both its direct impact and indirect pathways through mediating constructs. As presented in Table 25, Work-Life Balance (WLB) exhibits a total effect of 0.596 on Employee Performance (KIN), which reflects the combined contribution of its direct effect and its indirect effects mediated by Employee Well-Being (KJH) and Employee Engagement (KTP). The associated T-statistic of 5.209 and P-value of 0.000 confirm the statistical significance of this total effect. These findings demonstrate that Work-Life Balance not only exerts a direct positive influence on Employee Performance but also enhances performance indirectly through improvements in well-being and engagement. Consequently, the mediating variables are shown to play a

substantive and reinforcing role in strengthening the overall relationship between Work-Life Balance and Employee Performance within the model.

4. Conclusion

Based on the results of this study, it can be concluded that work-life balance plays a crucial role in enhancing employee performance. However, this influence operates indirectly through two central mediating variables: employee well-being and employee engagement. Employees who successfully maintain balance between their professional responsibilities and personal lives tend to experience higher levels of well-being across physical, mental, social, and emotional dimensions. This improved well-being subsequently fosters stronger emotional and cognitive engagement with their work. Elevated levels of engagement emerge as a critical determinant of increased productivity, improved work quality, and stronger organizational commitment. Thus, the findings underscore that employee well-being and engagement serve as essential mechanisms that strengthen the relationship between work-life balance and employee performance within organizational settings. Thus, an organization's success in enhancing human resource performance is highly determined by its ability to create a balanced work environment that supports employees' psychological well-being. This model highlights the importance of an integrated approach: work-life balance policies cannot stand alone but must be linked with comprehensive strategies aimed at improving employee well-being and engagement. Based on the aforementioned conclusions, several practical recommendations can be proposed for implementation within the Bank Indonesia Representative Office of the Riau Islands Province, as follows: 1) HRD should design and implement concrete and flexible work-life balance policies. This may include adaptive working hours, leave policies, support for employees' families, and limitations on the use of work devices outside of official working hours. 2) The organization should develop a holistic employee welfare improvement program, covering physical aspects (such as sports facilities and regular health check-ups), mental aspects (psychological counseling and stress management training), as well as social-emotional aspects (team-building programs and employee appreciation initiatives). 3) To foster employee engagement, it is important for the organization to cultivate a participatory work culture, provide space for employees to express their opinions, and ensure that every individual feels valued and perceives their contribution as meaningful to the achievement of organizational goals. 4) Organizations that aim to build a superior and sustainable workforce should regard work-life balance, employee well-being, and employee engagement not as isolated policies, but as interconnected components of an integrated human resource strategy designed to enhance long-term performance and organizational competitiveness.

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